

# SAFARICOM LIMITED ANNUAL REPORT 2015



*Always moving forward*

**Safaricom**



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**4G**  
speed is good



## Our Coverage

Kenyan landmass

72%  
2G

27%  
3G

Population

92%  
2G

69%  
3G

**85.5%**

Mobile phone penetration in Kenya  
(Communications Authority of Kenya)

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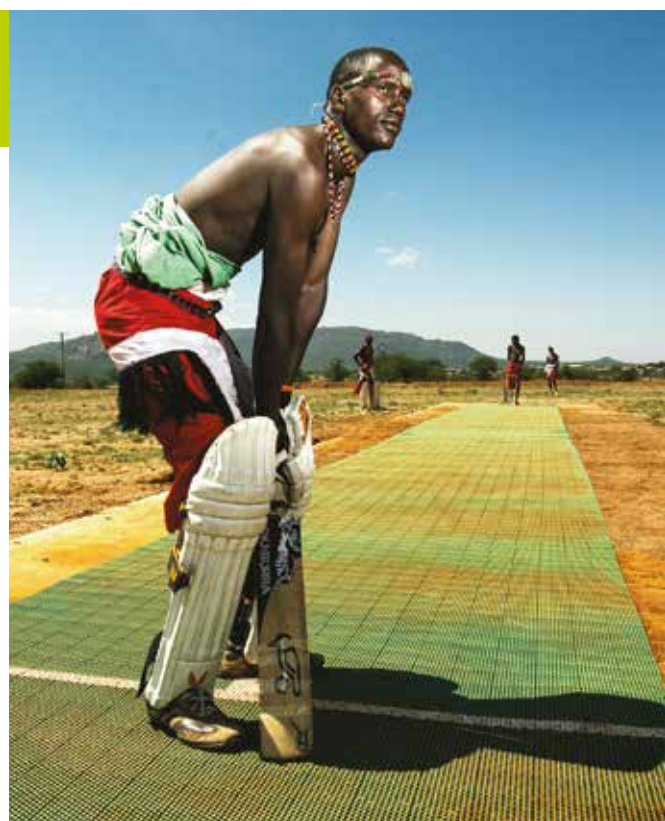


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Kenya's first and only 4G (LTE)

**4G**  
speed is good





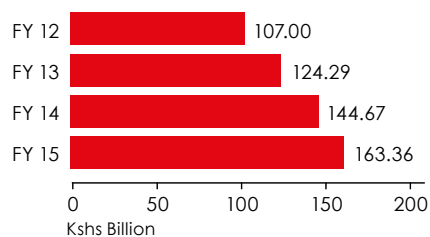
A vibrant, stylized cityscape at night. A tall, dark skyscraper with illuminated windows stands prominently on the left. The sky is a mix of deep purple and orange, suggesting a sunset or sunrise. Numerous colorful light trails in shades of yellow, orange, and purple streak across the scene, creating a sense of motion and energy. In the foreground, there are blurred lights and structures, possibly representing a busy street or a construction site. The overall composition is dynamic and visually striking.

# 01 HIGHLIGHTS

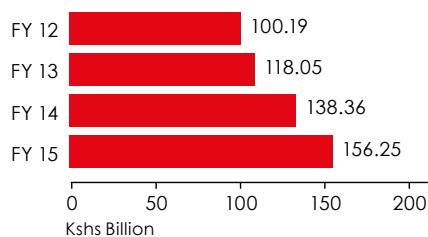


# PERFORMANCE AT A GLANCE

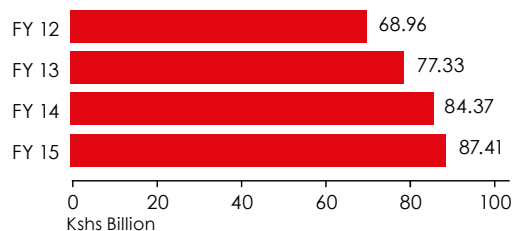
## TOTAL REVENUE



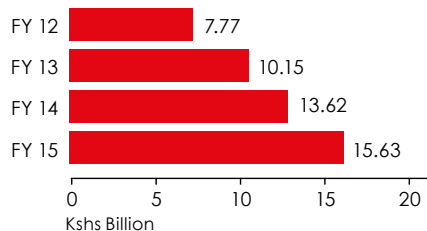
## TOTAL SERVICE REVENUE



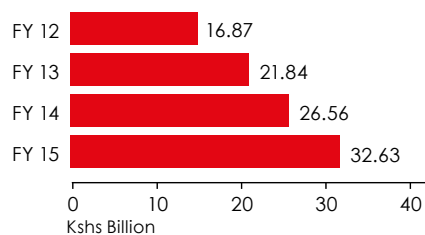
## VOICE REVENUE



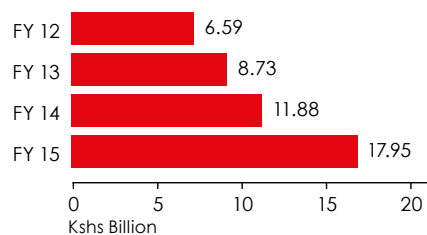
## MESSAGING REVENUE



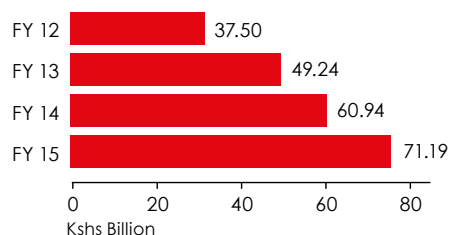
## M-PESA REVENUE



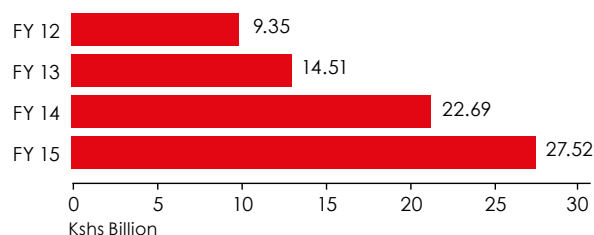
## MOBILE DATA & FIXED SERVICE REVENUE



## EBITDA



## FREE CASH FLOW

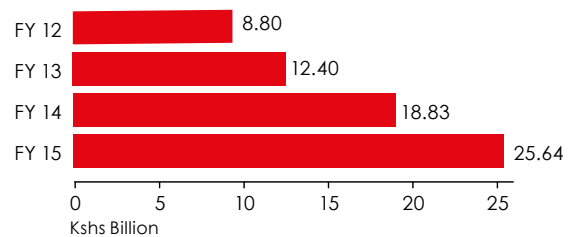




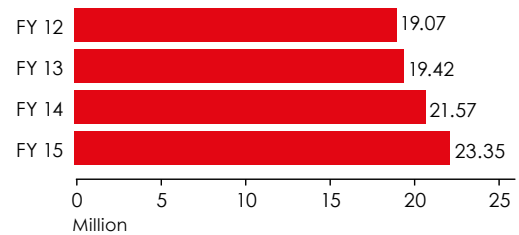
We continue to deliver the best service to our customers;  
one that has seen the Company rewarded with strong  
commercial and financial performance.



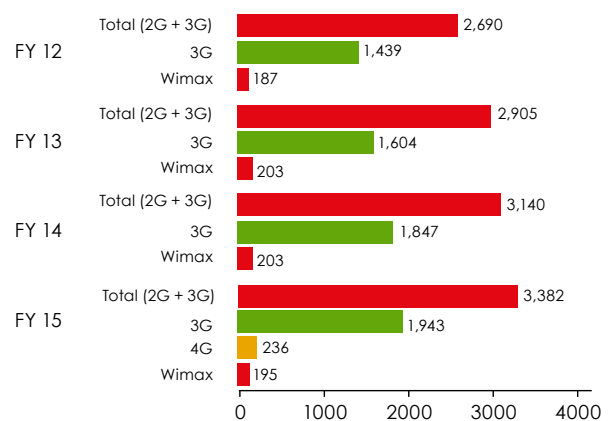
#### DIVIDEND



#### CUSTOMER NUMBERS



#### NUMBER OF BASE STATIONS





# CHAIRMAN'S STATEMENT

The ICT sector realised a growth of 13.4% in 2014. The sector now contributes an estimated 8.4% to the GDP and, with well guided policies, the sector is forecast to attain the Vision 2030 target of contributing 10% to the country's GDP by 2017.

As the chairman of the Board it gives me great pleasure to take this opportunity to update you on the performance, the competitive and regulatory environment and economic factors affecting our business.

In the period under review, we continued with the execution of our strategy which enabled us to deliver unmatched customer experience that led to strong results and sustainable shareholder returns.

Kenya's economy remained fairly stable growing at 5.3%, a slight reduction compared to 5.7% in 2013. The performance was supported by a reduction in energy prices and increased government spending on major projects by both the national and the devolved Governments.

The ICT sector realised a growth of 13.4% in 2014. The sector now contributes an estimated 8.4% to the GDP and, with well guided policies, the sector is forecast to attain the Vision 2030 target of contributing 10% to the country's GDP by 2017.

There is no doubt that a significant part of this growth is attributable to the mobile telecommunications sector where Safaricom and other players continue to contribute substantial gains to the economy.

In the past year, interest rates remained stable with the Central Bank of Kenya maintaining the Central Bank Rate (CBR) at 8.5% and a modest increase in inflation by 1.2 ppt to 6.9%.

On the foreign currency exchange market, the Kenya shilling weakened against the dollar, a factor attributable to the declines in dollar inflows mainly from the tourism sector.

The Board recommended a dividend of 64 cents per share, totalling Kshs 25.64 billion, an increase of 36%. This is once again the largest dividend in Kenyan history.

Our superior capabilities continue to enable us support our key stakeholders in their endeavour to improve the lives of our customers and the people of Kenya as a whole.

Our commitment to continue transforming lives remains strong and with our strategy in place, we are confident that we shall continue creating value for our shareholders and customers.





## KEY REGULATORY HIGHLIGHTS

### Renewal of Operating Licence

The regulatory environment remains an area of importance to our operations. As noted during our half year results, our operating licence was renewed in July last year for a further ten-year period.

### Acquisition of Additional Spectrum

We also acquired additional spectrum after concluding the purchase of Essar Telecom's assets. This has helped us continue improving our network coverage and provide quality services to our customers.

### Mobile Termination Rates (MTR)

In the same period, there was a reduction in the Mobile Termination Rates (MTR) from Kshs 1.15 to Kshs 0.99 with effect from July 2014 in line with glide path that the Communications Authority of Kenya (CA) prescribed in 2010 that saw the reduction of the MTR from Kshs 4.42 in 2010 to a final rate of Kshs 0.99 in 2014.

### National Police Surveillance Project

Safaricom was contracted by the Government through the Ministry of Interior and National Coordination to build the National Police Surveillance, Communication and Control System that introduces a technology driven approach to Police work. This will go a long way in enhancing security and creating a better business operating environment.

### Universal Service Fund (USF)

The CA implemented the Universal Service Fund (USF) and Safaricom is currently paying the Universal Service Levy as required. Meanwhile, Safaricom and other operators through the industry lobby groups, Kenya Telecommunications Network Operators (KTNO) and Telecommunications Operators Service Providers (TESPOK), are engaging the CA on various matters with respect to the operationalisation of the USF.

## CORPORATE GOVERNANCE

During the year there was a change in the composition of the Board of Directors. Mr. Gianluca Ventura was appointed to the Board as a non-executive Board member, replacing Mr. Sunil Sood who resigned during the year.

I welcome Mr. Gianluca to the Board and wish to sincerely thank Mr. Sood for his contribution during the year.



## LOOKING FORWARD

The financial year under review was phenomenal for Safaricom, having continued to establish ourselves as a leading telecom operator at the forefront of innovation and transforming lives.

Telecommunications is becoming ever more present in more areas of life. We are focused on continuing to lay the foundation for new growth in all areas of our business, exploit new opportunities as well as strengthen and diversify our existing product portfolio.

With the commitment of our employees, the continued support of our investors, and the unwavering loyalty of the millions of our customers, coupled with our understanding of our customers' needs, we shall continue to deliver value to our stakeholders. Our commitment to continue transforming lives remains strong and with our strategy in place, we are confident that we shall continue creating value for our shareholders.

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MR. NICHOLAS NGANGA  
CHAIRMAN

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# TAARIFA YA MWENYEKITI

Sekta ya Teknolojia, habari na Mawasiliano, yaani ICT, ilishuhudia ukuaji wa 13.4% katika mwaka wa 2014. Hivi sasa Sekta hii inachangia 8.4% kwenye Jumla ya Pato la Taifa (GDP), na kukiwa na sera zilizo na mwongozo mzuri, sekta hii inatarajiwa kutimiza malengo ya Ruwaza ya 2030 ya kuweza kuchangia 10% kwenye Jumla ya Pato la Taifa (GDP) kufikia 2017.

Kama Mwenyekiti wa Bodi ya Wakurugenzi, nina furaha kubwa kuchukua fursa hii kuwaarifu kuhusu matokeo, hali ya ushindani wa kibiashara na kanuni za udhibiti pamoja na hali ya kiuchumi inayoathiri biashara yetu.

Katika kipindi cha mwaka tunaochambua, tuliendelea kutekeleza mkakati wetu ambao ulituwezesha kuendelea kutoa huduma toshelevu za kipekee kwa wateja, jambo ambalo lilichangia upatikanaji wa matokeo bora na faida kwa wamilikihisa.

Uchumi wa Kenya ulibakia imara na kukua kwa 5.3% katika mwaka wa 2014, ingawa ulishuka kidogo inapolinganishwa na 5.7% mwaka wa 2013. Matokeo haya yaliimarishwa na kupungua kwa gharama ya kawi na kuongezeka kwa matumizi ya serikali katika miradi mikubwa pamoja na miradi mingine iliyotekelezwa na serikali za ugatuzi.

Sekta ya Teknolojia ya Habari na Mawasiliano ilishuhudia ukuaji wa 13.4% katika mwaka wa 2014. Sasa inachangia karibu 8.4% kwenye Jumla ya Pato la Taifa (GDP), na kukiwa na sera zilizo na muongozo mzuri, sekta hii inatarajiwa kutimiza malengo ya Ruwaza ya 2030 ya kuweza kuchangia 10% kwenye Jumla ya Pato la Taifa kufikia mwaka wa 2017.

Hakuna shaka kwamba sehemu kubwa ya ukuaji huu ilitoka katika sekta ya mawasiliano ya simu za rununu ambapo Safaricom na wahusika wengine wanazidi kutoa mchango mkubwa kwenye uchumi.

Katika mwaka huo tunaochambua, viwango vya riba vilibakia thabiti huku Benki Kuu ya Kenya ikidumisha viwango vyake vya riba (CBR) katika kiwango cha 8.5% huku mfumko wa bei (inflation) ukiongezeka kidogo kwa 1.2% kufikia 6.9%.

Katika soko la ubadilishanaji pesa za kigeni, shilingi ya Kenya ilidorora dhidi ya dola ya Marekani, jambo ambalo lilihusishwa na upungufu wa mapato, hasa kutoka sekta ya utalii.

Bodi ilipendekeza mgao wa faida wa senti 64 kwa kila hisa, ambao ni jumla ya Kshs 25.64 bilioni, likiwa ni ongezeko la 36% kulinganisha na mwaka ulio pita. Huu kwa mara nyingine ndio mgao mkubwa zaidi wa faida katika historia ya Kenya.





Ushupavu wetu unaendelea kusaidia wadau wetu muhimu katika juhudi za kuboresha maisha ya wateja wetu na Wakenya kwa ujumla.

Ari yetu ya kuendelea kuboresha maisha inabakia imara na tukiwa na mkakati wetu, tuna uhakika kwamba tutaendelea kuleta thamani kwa wamilikihisa na wateja wetu.

## MASWALA MUHIMU YA KISHERIA

### Kuandikishwa Upya Kwa Leseni ya Kuendeshea Biashara

Kanuni za udhibiti zinabakia kuwa na umuhimu mkubwa katika kuendelea biashara yetu. Kama ilivyotajwa katika matokeo ya nusu ya mwaka, muda wa leseni yetu ya kuendesha biashara uliongezwa Julai mwaka jana kwa muda mwingine wa miaka kumi.

### Ununuzi wa Mipangilio ya Ziada (Spectrum)

Vile vile, tuliweza kupata mipangilio ya ziada baada ya kukamilisha ununuzi wa mtandao wa kampuni ya Essar Telecom. Hii imetuwesheza kuendelea kuboresha kuenea kwa mtandao wetu na kutoa huduma bora kwa wateja wetu.

### Ada ya kuvukisha mazungumzo ya simu za rununu kutoka mtandao mmoja hadi mwingine (Mobile Termination Rates)

Katika kipindi hicho pia, ada ya kuvukisha mazungumzo kupitia simu ya rununu kutoka mtandao mmoja hadi mwingine (MTR) ilipungua kutoka Kshs 1.15 hadi Kshs 0.99 kuanzia Julai 2014, kuambatana na muongozo wa Mamlaka ya Mawasiliano (CA) wa kuendelea kupunguza ada za kuvukisha mazungumzo kutoka mtandao mmoja hadi mwingine (MTRs) kutoka Kshs 4.42 mwaka wa 2010 hadi kufikia ada ya mwisho ya Kshs 0.99 mwaka wa 2014.

### Mradi wa Kitaifa wa Upelelezi wa Polisi

Safaricom pia ilipata kandarasi ya Serikali kupitia Wizara ya Mambo ya Ndani na Ushirikiano wa Kitaifa kuunda Utaratibu wa Udhibiti, Upelelezi na Mawasiliano ya Polisi ambao unaleta mtazamo unaozingatia teknolojia katika kazi ya polisi. Mpango huu unatazamiwa kuboresha zaidi hali ya usalama na kuleta mazingira bora ya kuendesha biashara.

## Hazina Ya Huduma Kwa Wote (USF)

Mamlaka ya Mawasiliano (CA) ilianzisha Hazina ya Huduma kwa Wote (USF) na sasa Safaricom inalipa Ada ya Huduma Kwa Wote (Universal Service Levy) kama inavyohitajika. Wakati huo huo, Safaricom na watoaji huduma wengine kupitia kundi la washawishi katika sekta hii yaani Kenya Telecommunications Network Operators (KTNO), na Wamiliki Mitandao ya Mawasiliano yaani Telecommunications Operators Service Providers (TESPOK), wanaendelea mashauriano na CA kuhusu masuala mbali mbali yanayohusu utekelezaji wa Hazina ya Huduma kwa Wote (USF).

## USIMAMIZI WA KAMPUNI

Katika mwaka huo wa kifedha, kulikuwa na mabadiliko katika Bodi ya Wakurugenzi. Bw Gianluca Ventura aliteuliwa kuwa mwanachama asiye-mtendaji akichukua nafasi ya Bw Sunil Sood ambaye alijiuzulu mwaka uliopita.

Namkaribisha Bw Gianluca katika bodi na namtolea shukrani zangu za dhati Bw Sood kwa mchango wake.



## MIKAKATI MUHIMU

Mwaka wa kifedha tunaochambua ulikuwa wa mafanikio ya kipekee kwa Safaricom, huku tukiendelea kudhihirisha kuwa sisi ni shirika linaloongoza katika utoaji huduma za mawasiliano tukiwa mstari wa mbele kwa ubunifu na kuleta mabadiliko katika maisha ya wakenya

Mawasiliano ya simu yanazidi kutumika katika maeneo zaidi na katika tabaka mbali mbali za maisha. Tunalenga kuendelea kujenga msingi wa ukuaji mpya katika sehemu zote za biashara hii yetu, kutumia fursa mpya pamoja na kuongeza bidhaa na huduma zetu tunazotoa kwa sasa.

Kupitia kujitolea kwa wafanyikazi wetu, kendelea kuungwa mkono na wawekezaji wetu, uaminifu usiotikisika wa mamilioni ya wateja wetu, pamoja na kuzidi kuelewa kwa mahitaji ya wateja wetu, tutaendelea kuwapa wadau wetu thamani. Jitihada zetu za kujitolea kuendelea kuboresha maisha ya wakenya bado ni imara na tukizingatia mkakati wetu tuna matumaini kuwa tutaendelea kuongezea thamani kwa wamilikihisa wetu.

**BW. NICHOLAS NGANGA**  
**MWENYEKITI**



# CEO'S STATEMENT

Our 4G network is now available in Nairobi and Mombasa, and we will roll out to another thirteen towns by the end of the financial year. This is a first for Kenya and it will enable our customers to experience superfast home broadband and mobile data offerings.

We continue to deliver the best service to our customers and for that we have been rewarded with strong commercial and financial performance. We continue to deliver on our goal to transform lives by providing unmatched services, improving our network quality and deepening financial inclusion with the customer uptake of Lipa na M-PESA.

Our 4G network is now available in Nairobi and Mombasa, and we will roll out to another 13 towns by year end. This is a first for Kenya and will enable our customers to experience superfast home broadband and mobile data offerings.

In December 2014, the Government of Kenya entrusted Safaricom to build the National Police Network in Nairobi and Mombasa to help with security. Delivery of this 4G push-to-talk network and CCTV cameras is progressing well, with phase one of the project launched on 25<sup>th</sup> May 2015.

We have grown our total revenue by 13% to Kshs 163.4 billion through focusing on providing quality services that resulted in double-digit growth across our non-voice service revenue streams. Voice service revenue, which now stands at 54% of total revenue, grew at 4%. Non-voice service revenue, which accounts for 42% of total revenue, sustained its growth trajectory with a 27% increase to Kshs 68.8 billion driven mainly by Data and M-PESA. Devices and other revenue contributed 4% of total revenue.

According to the Communications Authority of Kenya (CA) December 2014 Statistics report, mobile penetration in Kenya stood at 80.6% with Safaricom recording the largest subscriber share of 67.4%. Our customer base has grown by 8% to 23.3 million while the churn rate dropped to 17.3% as a result of efforts centred on retaining and rewarding our loyal customers.

Voice service revenue grew 4% to Kshs 87.4 billion. This growth was supported by our loyal customer base attracted by a superior network experience, convenient airtime distribution and attractive consumer propositions and promotions such as the 'Tetemsha' campaign.

Messaging revenue increased by 15% to Kshs 15.6 billion, which represents 10% of our total revenue. This was driven by increased usage from affordable SMS bundles and SMS-based promotions such as 'Bonyeza Ushinde'.





M-PESA, now contributing 20% of total revenue, continues to be a significant driving factor in our growth. This was driven by a 14% increase in 30-day active M-PESA customers to 13.9 million as well as an increase in the average number of transactions per customer. In the year, we expanded our M-PESA agent outlets by 6% to 85,756, thereby promoting accessibility of the service to our customers. Since its launch, the Lipa na M-PESA service has enabled cashless merchant payments and facilitated trade between businesses and their customers while improving business efficiency. In March 2015, the service had 49,413 merchants active on a 30-day basis, who received Kshs 11.6 billion of payments.

Mobile data revenue grew at an impressive 59% driven by an increased uptake of affordable data bundles and a 21% growth in 30-day active mobile data customers to 11.6 million. By 31 March 2015, we had 4.4 million customers on 3G enabled devices of which 3.4 million were smartphones. Fixed data revenue increased by 22% to Kshs 3.1 billion on the back of 23% growth in fixed data customers.

We continue to focus on our 'Best Network in Kenya' programme with Kshs 33.7 billion invested in capital expenditure during the year, our goal being to provide the best customer experience through improving our network quality, capacity and coverage. We have increased the population coverage of our 3G network to 69%, completed the modernisation of our 2G network which covers 92% of the population and have connected 30% of our base stations to our fibre.

In March 2015, we commissioned another independent test drive to measure key quality metrics such as dropped calls, voice quality and data speeds. These tests confirm that our network is the best in Kenya and delivers world-class data and voice services.

For another consecutive year, we have delivered robust results and ensured value for our shareholders supported by growth across all our revenue streams. This increase in revenue coupled with cost efficiency has driven the EBITDA margin to 43.6%, a 1.5 ppt improvement.

Free cash flow has increased by 21% to Kshs 27.5 billion as a result of the strong trading results and positive working capital movements. The National Police Security Network negatively impacted free cash flow in the year by Kshs 1.1 billion, and we expect the negative impact to be Kshs 5.9 billion in FY16.

In light of the strong financial performance in the past year, the Board recommends a dividend of Kshs 0.64 per share – an increase of 36%. Pending approval by shareholders, we

will pay out a dividend of Kshs 25.64 billion, which represents 80% of our net income, for the year ended 31 March 2015; once again, the largest dividend in Kenyan history.



## STRATEGIC PRIORITIES

M-PESA is at the forefront in deepening financial inclusion in Kenya. In the past year, we have been commercialising the revolutionary Lipa na M-PESA service that enables our customers to use their M-PESA account as a method of payment when retail shopping. We believe that in March 2015 Lipa na M-PESA substituted approximately 5% of what were previously cash transactions, and our goal is to accelerate the inroads. This will make a significant contribution to the lives of our customers and move Kenya towards a cash-lite economy.

Looking ahead, we will focus our efforts on putting customers first, delivering relevant products and operational excellence. Soon, we will complete the fibre connection of our first 1,000 buildings to enhance further our hosted PABX, fixed calling, fixed data, cloud services and managed services offerings.

In May, we announced the launch of Safaricom's home broadband solution, which is a set-top box that brings the 3G and 4G network into the home and distributes the superfast connectivity via Wi-Fi to any existing Wi-Fi enabled devices. As an added bonus, the set-top box brings Kenyan digital free-to-air TV channels to the customer's TV. We will offer a wider range of relevant content and video-on-demand in the coming year.

We continue on our 'Best Network in Kenya' journey, with a new set of goals to increase our 3G population coverage to 80%, and to roll out our 4G network to an additional thirteen towns by December 2015.

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**ROBERT COLLYMORE**  
**CEO**

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# TAARIFA YA AFISA MKUU MTENDAJI

Mtandao wetu wa teknolojia ya 4G sasa unapatikana mjini Nairobi na Mombasa, na tutausambaza katika miji mingine 13 ifikapo mwisho wa mwaka. Teknolojia hii ni ya kwanza hapa Kenya na itawezesha wateja wetu kufaidi kutokana na mtandao (internet) mpana na wenye kasi zaidi.

Tunaendelea kujitahidi kutoa huduma bora zaidi kwa wateja wetu na kwa sababu hiyo juhudi zetu zimepata matokeo mazuri ya kifedha. Tunaendelea kufikia lengo letu la kuboresha maisha ya wakenya kwa kutoa huduma za kipekee; kuimarisha ubora wa mtandao wetu; na kuzidi kupanua matumizi ya huduma za kifedha kwa kuongeza wateja wengi kwenye huduma ya kulipia bidhaa na huduma kupitia M-PESA yaani Lipa na M-PESA.

Mtandao wetu wa teknolojia ya 4G sasa unapatikana mjini Nairobi na Mombasa, na tutausambaza katika miji mingine 13 ifikapo mwisho wa mwaka. Teknolojia hii ni ya kwanza hapa Kenya na itawezesha wateja wetu kufaidi kutokana na mtandao mpana na wenye kasi zaidi.

Mnamo Desemba 2014, Serikali ya Kenya iliithamini Safaricom kwa kuipa jukumu la kujenga mfumo wa Mtandao wa Kitaifa wa Upelelezi wa Polisi mjini Nairobi na Mombasa ili kusaidia katika kudumisha usalama. Kukamilishwa kwa ujenzi wa mtandao wa teknolojia ya 4G 'push-to-talk' na kamera za CCTV kunaendelea vizuri, huku awamu ya kwanza ikizinduliwa tarehe 25 Mei 2015.

Mapato yetu ya jumla ya yameimarika kwa 13% kufikia Kshs 163.4 bilioni kutokana na kutilia mkazo utoaji huduma bora, jambo lililopelekea kupatikana kwa ukuaji maradufu kote katika mapato yatoakanayo na huduma zisizo za maongezi. Mapato kutokana na huduma ya maongezi sasa yamefikia 54% ya jumla ya mapato ikiwa ni ukuaji wa 4% huku mapato yanayotokana na huduma zisizo za maongezi zikichangia 42% ya jumla ya mapato, hali ambayo ilidumisha ukuaji wa 27% na kufikia Kshs 68.8 bilioni, ikichangiwa zaidi na huduma za Data na M-PESA. Faida kutokana na uuzaji wa simu za rununu na vifaa nyingine na mapato mengine yalichangia 4% ya jumla ya mapato.

Kwa mujibu wa Mamlaka ya Mawasiliano yaani Communications Authority of Kenya (CA), takwimu za Desemba 2014 za ripoti ya uenevu wa matumizi ya simu za mkono hapa Kenya yalifikia 80.6% huku Safaricom ikiwa ndiyo yenye fungu kubwa zaidi la 67.4%. Wateja wetu waliongezeka kwa 8% kufikia 23.3 milioni huku idadi ya wateja wanaoacha mtandao ikipungua hadi 17.3% hii ikitokana na juhudi zilizolenga kuwashikilia na kuwazawadi wateja wetu waaminifu.

Mapato kutokana na huduma za maongezi yaliongezeka kwa 4% kufikia Kshs 87.4 bilioni, ukuaji huu ukisaidiwa na wateja wetu waaminifu waliovutiwa na mtandao wetu bora, upatikanaji kwa njia rahisi wa vocha za ada ya mawasiliano (airtime) na maazimio bora ya kuvutia wateja na matoleo ya kuvutia kama ile kampeni ya 'Tetemeshwa'.

Mapato kutokana na huduma za kutuma ujumbe mfupi (SMS) yaliongezeka kwa 15% kufikia Kshs 15.6 bilioni, hii ikiwa inawakilisha 10% ya jumla ya mapato. Hii ilitokana na kuongezeka kwa matumizi ya vifurushi vya bei nafuu vya SMS (SMS bundles) na kampeni za mauzo za SMS kama ile ya 'Bonyeza Ushinde'.





M-PESA, sasa ikiwa inachangia 20% ya jumla ya mapato, inazidi kuchangia pakubwa ukuaji wetu. Hii ililewa na ongezeko la 14% la wateja wanaotumia huduma hii kwa mara moja ama zaidi katika muda wa siku 30 ambao walifikia 13.9 milioni na pia ongezeko la matumizi ya M-PESA kwa kila mteja kwa wastani. Katika mwaka huo, tulipanua na kuongezea vituo vya madajenti wetu wa M-PESA kufikia 85,756, hivyo basi kutia nguvu upatikanaji wa huduma hii kwa wateja wetu. Tangu kuzinduliwa kwake, huduma ya kulipia bidhaa na huduma yaani Lipa na M-PESA imefanikisha malipo kwa wauzaji yasiyohitaji pesa taslimu na kuwzesha uimarishaji biashara baina ya wafanyibiashara na wateja wao huku ikiboresha ufanisi wa biashara kwa ujumla. Katika mwezi Machi 2015, huduma hii ilikuwa imetimiza idadi ya wafanyibiashara 49,413 watumiaji wa huduma hii mara moja au zaidi katika siku 30, ambao walipokea Kshs 11.6 bilioni za malipo.

Mapato kutokana na huduma za data kupitia simu ya rununu (mobile data) yaliongezeka maridhawa kwa 59% yakichochewa na kuongezeka kwa matumizi ya vifurushi vya bei nafuu vya data (data bundles) na ongezeko la 21% la wateja wanaotumia huduma hii kwa siku moja ama saidi katika muda wa siku 30 ambao walifikia 11.6 milioni.

Kufikia tarehe 31 Machi 2015, tulikuwa na idadi ya wateja 4.4 milioni wa vifaa vilivyowezeshwa kutumia teknolojia ya 3G ambavyo 3.4 milioni vikiwa ni simu za 'smartphones'. Mapato kutokana na huduma za data zisizotumia simu za rununu (fixed data) pia yaliongezeka kwa 22% na kufikia Kshs 3.1 bilioni ikiwa ni ongezeko la 23% la wateja hao wa huduma za data zisizotumia simu za rununu (Fixed data).

Tunaendelea kutilia mkazo mpango wetu wa Mtandao Bora Zaidi Nchini Kenya (Best Network in Kenya) kukiwa na uwekezaji wa Kshs 33.7 bilioni kwenye matumizi ya kimtaji mwakani, azimio letu ikiwa ni kutoa huduma bora zaidi na toshelevu kwa wateja wetu kupitia uimarishaji wa ubora wa mtandao wetu, ukubwa na uenevu wake. Tumeongeza uenevu wa mtandao wetu wa teknolojia ya 3G kwenye idadi kubwa ya watu hadi 69%, tumekamilisha kazi ya kuufanya mtandao wetu wote wa teknolojia ya 2G kuwa wa kisasa na ambao sasa umeenea kwa kima cha 92% ya idadi ya watu na tayari tumeunganisha 30% ya vituo vyetu vya msingi (base stations) na nyaya za 'fibre'.

Katika mwezi Machi 2015 tuliagiza tena uchunguzi huru ili kubaini ubora wa huduma zetu kama vile kukamilika kwa mazungumzo, ubora wa huduma ya maongezi na kasi ya huduma ya data, uchunguzi huu unathibitisha kuwa mtandao wetu unatoa huduma bora zaidi za data na huduma za sauti hapa Kenya zinazolingana na hadhi ya kimataifa.

Kwa mwaka mwingine mfululizo, tumepata matokeo imara na kuwaletwa wanahisa wetu thamani ikisaidiwa na ukuaji uliodhihirika katika vitengo vyetu vyote vya biashara. Ukuaji huu wa mapato, pamoja na matumizi bora ya fedha, ulisukuma juu mapato kabla ya kutoza riba, ushuru na gharama zisizolipiwa kwa pesa taslimu (EBITDA) hadi 43.6%, ikiwa ni imariko la alama 1.5 ppt.

Fedha zilizosalia baada ya matumizi lakini kabla ya kulipa mgao wa hisa (Free cash flow) ziliongezeka kwa 21% hadi kufikia Kshs 27.5 bilioni kutokana na matokeo mazuri ya kibiashara na kuongezeka kwa mtaji wa kufanyia

biashara (working capital). Mradi wa Mtandao wa Kitaifa wa Upelelezi wa Polisi ulipunguza fedha zilizosalia baada ya matumizi lakini kabla ya kulipa mgao wa hisa mwakani kwa Kshs 1.1 bilioni, na tunatarajia upungufu wa Kshs 5.9 bilioni katika mwaka wa kifedha wa 2016.

Kutokana na matokeo haya imara ya kifedha ya mwaka uliopita, Bodi inapendekeza kutolewa kwa mgao wa senti 64 kwa kila hisa, ikiwa ni ongezeko la 36%. Ikisubiriwa idhini ya wamilikihisa, tutalipa mgao wa kiasi cha Kshs 25.64 bilioni, hii ikiwakilisha 80% ya jumla ya faida yetu, ya mwaka uliomalizikia Machi 31, 2015; kwa mara nyingine tena, huu ukiwa mgao mkubwa zaidi katika historia ya Kenya.



## MIKAKATI MUHIMU

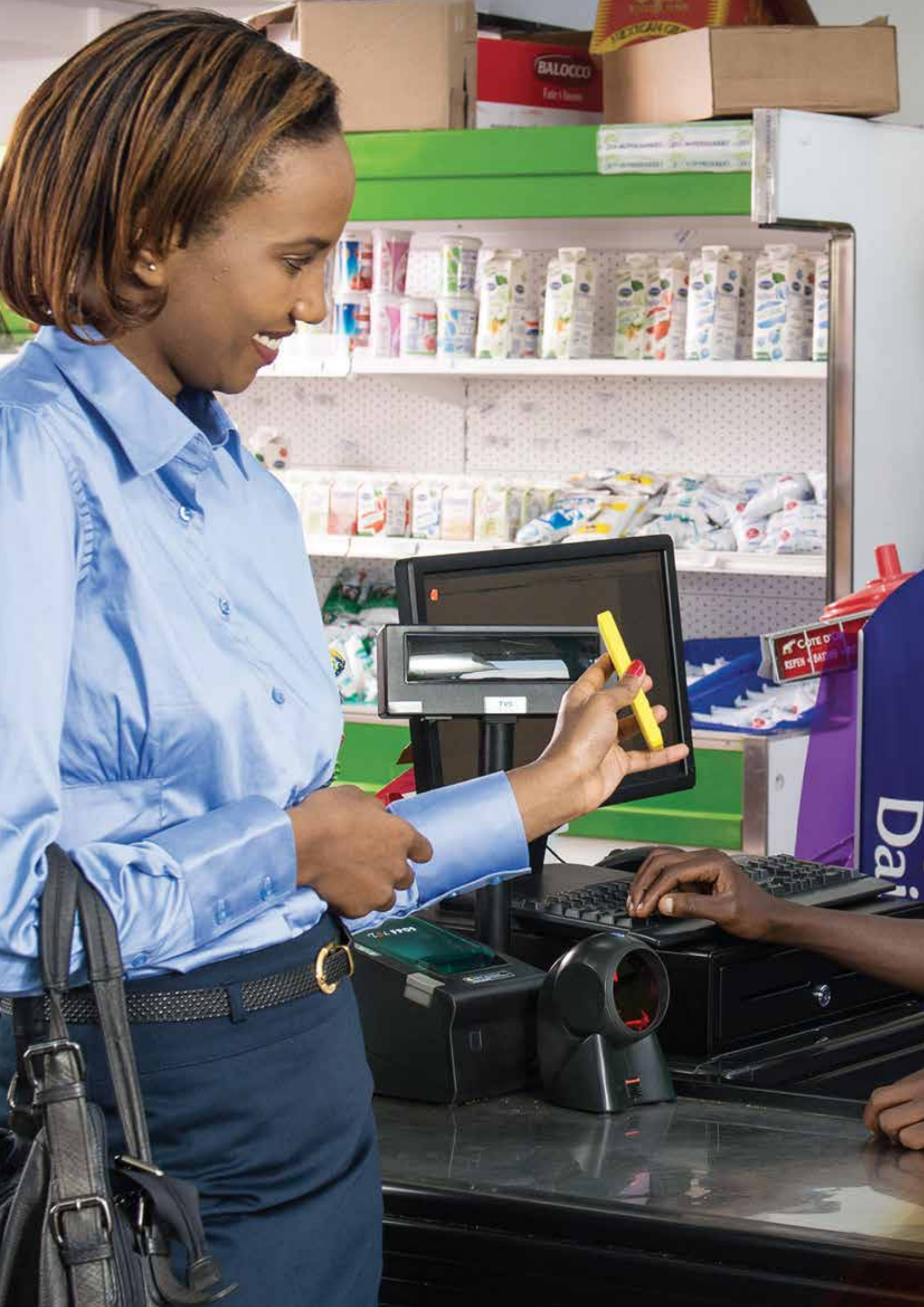
Huduma ya M-PESA iko katika mstari wa mbele katika kujumuisha wengi kwenye matumizi ya huduma za kifedha hapa Kenya. Katika mwaka uliopita, tumekuwa tukihamasisha matumizi ya huduma ya Lipa na M-PESA inayowezesha wateja wetu kutumia akaunti zao za M-PESA kama njia ya kulipia huduma na bidhaa. Tunaamini kuwa katika Machi 2015 huduma ya Lipa na M-PESA ilibadilisha takriban 5% ya malipo ya kibiashara yaliyokuwa awali ya pesa taslimu, na lengo letu ni kuharakisha upanuzi zaidi wa huduma hii. Hii itachangia pakubwa katika kubadilisha maisha ya wateja wetu na pia kuipeleka Kenya mbele katika uchumi usiohitaji pesa taslimu kulipia huduma na bidhaa.

Kuendelea mbele, tutatilia mkazo kuweka wateja wetu mbele, kutoa bidhaa zinazofaa na utendaji bora zaidi wa shughuli zetu. Hivi karibuni tutakamilisha uunganishaji wa nyaya za fibre kwenye majumba 1,000 ya kwanza ili kuboresha zaidi uandalizi wetu wa PABX, huduma ya maongezi ya simu zisizo za rununu, huduma za data zisizo za rununu, huduma za 'cloud' na usimamizi wa huduma kwa niamba ya wateja wetu (managed services).

Mwezi mei, tulitangaza rasmi uzinduzi wa bidhaa ya Safaricom ya mtandao mpana wa internet majumbani, ambao ni kupitia kisanduku cha runinga (set-top box) kinacholeta mtandao wa teknolojia ya 3G na 4G hadi majumbani, na kusambaza kwa uunganishaji wa kasi kupitia Wi-Fi kwa vifaa vyote vilivyoko nyumbani vyenye uwezo wa kutumia Wi-Fi. Kama bahashishi, kisanduku hiki cha runinga kinakuja na idhaa za dijitali za runinga za hapa Kenya zinazoonyeshwa bure kwa wateja wetu. Tutatoa huduma zingine nyingi husika na Video kwa wanaohitaji katika mwaka unaokuja.

Tunazidi kuendeleza safari yetu ya kuwa Mtandao Bora zaidi nchini, tukiwa na malengo mapya ya kuongeza idadi ya watu wanaotumia mtandao wetu wa teknolojia ya 3G na kuenea hadi 80%, na kusambaza mtandao wetu wa teknolojia ya 4G hadi kufikia miji 13 zaidi ifikapo Desemba 2015.

ROBERT COLLYMORE  
AFISA MKUU MTENDAJI







# 02 BUSINESS REVIEW

# WHAT WE DO

## CUSTOMERS

Our customer base stands at 23.3 million of which 98% are on Prepaid services.

- We provide customers with a range of integrated telecommunication services, including mobile and fixed voice, SMS, data, internet and M-PESA
- These range of services are provided to both individual and corporate customers



## NETWORK

We have 3,382 sites:

- Our network is on 2G, 3G, 4G and Wimax technology
- We cover 92% of the population on 2G and 69% on 3G
- We launched 4G in Nairobi and Mombasa, now with 236 sites.
- We have over 2,010 km of fibre in key metro areas
- Our M-PESA runs on the upgraded (G2) system

## DEVICES

We offer a wide range of devices such as:

- Mobile handsets, mobile broadband modems, routers, tablets, and notebooks
- In 2015, we had 4.4 million 3G and 4G-enabled devices on our network
- Through our partnership with Vodafone and other partners, we have access to newly released smartphones and low-cost devices
- Customers can also acquire devices through redemption of Bonga Points and credit facilities

## DISTRIBUTION

We have the largest distribution network with the widest reach:

- Airtime: Distributed through our dealers and over 275,000 retailer outlets
- Customers can also top up their airtime through M-PESA
- M-PESA: Agent footprint now stands at 85,756
- Enterprise business: We have a large sales team spread over the 47 counties selling mobile and fixed voice, data and converged services to businesses
- Retail outlets: We have 42 retail outlets selling airtime, devices and offering personalised services to our customers



## DATA

We offer our customers unmatched high speed data connectivity for access to email and internet through fixed and mobile broadband:

- Mobile data services on modems, handsets and tablets
- Safaricom Live web portal provides a large selection of local content
- Data bundles for both Prepaid and Postpaid customers
- Routers which allow several devices to share a single mobile data connection



We have maintained our record of exceptional growth through superior commercial performance across our entire service portfolio



## VOICE

We offer a wide range of voice pricing plans on Prepaid and Postpaid options, often bundled with SMS and Data services. Voice services include national and international roaming services. The unique features of our voice offering include:

- An emergency top-up credit facility - Okoa Jahazi
- Bonga Points, a customer loyalty programme
- Caller ring back service, Skiza, which is a value-added service

## M-PESA

M-PESA is a fast, convenient and affordable way to send and receive money, and pay for goods and services via mobile phone:

- The service has over 20 million registered customers served by a network of about 85,756 agents spread across the country
- Lipa na M-PESA allows for payment of goods and services, now with 49,413 active merchants receiving payments
- Other services on M-PESA include Paybill, bulk payments, dividend payments and international money transfer services
- Our customers can save and borrow money through the M-Shwari and KCB M-PESA products
- They can also access electricity credit through Okoa Stima



## MESSAGING

We offer a variety of messaging services to our customers:

- Basic SMS as well as attractive and discounted SMS bundles
- MMS that enables our customers to send pictures, music and video messages
- 'Please Call Me', a service that allows customers to request a callback using SMS from another mobile user
- A call back SMS notification for missed calls and alert SMS when an unavailable mobile user becomes available

## OTHER SERVICES

We provide other value-added services and converged business solutions:

- Access services such as wireless, fixed line and mobile solutions, including fibre and leased lines
- Dedicated internet solutions for enterprises and hosted services, such as data storage, hosting and security solutions
- We heavily engage in corporate social responsibility and other activities that transform lives



# THE VALUE WE CREATE

## REINVESTING IN OUR BUSINESS

We invested Kshs 33.7 billion (2014: Kshs 27.8 billion) in capital expenditure allocated to fibre with over 2,010 km completed in key metro areas, modernisation and upgrade of 2G networks, investment in 3G and 4G networks, new M-PESA platform and information system upgrades. Total sites have increased to 3,382, of which 1,943 are 3G-enabled, giving Safaricom the most extensive coverage in the country.

## CONTRIBUTION TO REVENUES OF THE GOVERNMENT

The Group continues to be a major contributor to the revenues of the Government and remitted Kshs 54.8 billion (2014: Kshs 47.6 billion) in the year. The contributions were as follows: value-added tax - Kshs 12.2 billion; corporate tax - Kshs 20.6 billion; excise duties - Kshs 17.5 billion; as well as through our licence fees - Kshs 4.5 billion (2014: Kshs 1.9 billion).

## INVESTING IN OUR PEOPLE

We distributed Kshs 11.4 billion (2014: Kshs 10.1 billion) to our employees through salaries, short and long-term incentives and contributions to pension funds and medical aid schemes. We also continued to invest in our employees through development and talent programmes.

## RETURNS TO OUR INVESTORS

Our investors received Kshs 19.9 billion (2014: Kshs 13.9 billion) of our total value created. We paid dividends of Kshs 18.8 billion (2014: Kshs 12.4 billion) to equity holders and interest of Kshs 1.1 billion (2014: Kshs 1.5 billion) to debt providers.

## CONTRIBUTION TO OUR SUPPLIERS

We distributed Kshs 88.2 billion (2014: Kshs 81.9 billion) to our providers of goods and services. Some of the key suppliers are airtime dealers and M-PESA agents who were paid Kshs 22.9 billion (2014: Kshs 20.2 billion).





# OUR STRATEGIC PRIORITIES

## BEST NETWORK IN KENYA

- We launched Kenya's first 4G network in Nairobi and Mombasa
- We successfully deployed the next generation (G2) M-PESA system in Kenya
- 2,010 km of metro fibre rolled out to date, with 1,070 (30%) of our base stations connected
- 720 buildings connected to our own fibre
- 100% of our Radio Network now modernised
- Trusted to build the National Police Security Network with phase 1 having gone live on 25<sup>th</sup> May 2015
- Our 3G with the highest data speeds averaging 4.3Mbps and improvements in call drop rates

## GROWING MOBILE DATA

- Achieved 21% growth in 30-day active mobile data users to 11.6 million - 50% of our customer base
- Our smartphone users grew by 98% to 3.4 million through provision of low-cost smartphones
- 3G and 4G enabled devices on our network now at 4.4 million
- Grew active data bundle users to 4 million
- Achieved 38% increase in average mobile data usage per customer

## DELIGHTING OUR CUSTOMERS

- We increased the number of web self care service users to 2.7 million
- We introduced flexi loyalty redemption and credit facilities for customers to acquire smart devices
- Revamped Okoa Jahazi to make it more accessible

## DEEPENING FINANCIAL INCLUSION

- Our M-PESA 30-day active customers grew by 14% to 13.9 million users
- We launched International Money Transfer to Vodacom Tanzania
- 30-day active Lipa na M-PESA merchants posted a growth of 105% to 49,413. Payments received by the merchants in March 2015 was Kshs 11.6 billion
- 30-day active M-Shwari customers now at 3 million; deposits at Kshs 5.5 billion and loans of Kshs 2.1 billion
- We launched KCB M-PESA, which closed the year with 1.4 million customers
- We launched Okoa Stima, an emergency loan facility to pay for electricity

## STAYING AHEAD OF THE CURVE

- Idea Lifecycle Management Portal: enabling ideas to be shared internally and externally
- Kshs 90 million venture fund that will invest in high potential start-ups using mobile technology
- 'Okoa Stima': Innovative product allowing users to take a loan to purchase Kenya Power electricity services (Prepaid & Postpaid) and repay via M-PESA
- M-Ledger: Launched an Android based application which empowers customers to keep track of their M-PESA transactions

## GROWING THE YOUTH SEGMENT

- Youth brand equity is now at 79% with the Youth Net Promoter Score at 57%
- Grew youth subscribers by 1.28 million
- Substantially reduced mobile data pricing to ensure affordability
- Recruited youth ambassadors to increase young subscribers through initiatives like Activ8
- Initiated youth targeted Bonga offering and created more products and propositions for the youth that touched on data and value-added services
- Engaged the youth through various activities such as the 7s Rugby Series and Groove Awards

## PARTNER OF CHOICE FOR BUSINESS

- We increased penetration of additional products targeting our corporate customer base (Fixed data at 21% and M-PESA at 22%)
- Achieved deeper county government penetration with 60% of counties using at least one enterprise solution
- We grew SME active customers by 106% to 64,000 customers
- Fixed voice billing customers grew by 48% to 605 customers
- Rolled out dedicated SME support team to boost customer retention

# HOW WE ARE MANAGED

Good corporate governance is at the core of our efforts to build and sustain the business. Additionally, we promote an ethical culture anchored in ethical management and responsible control. Operationally, we weigh up the risks and rewards while balancing our stakeholders' interests in fulfilling our obligations.

## ETHICS AND COMPLIANCE

We have an Ethics and Compliance function that ensures conformity with regulations, laws and Safaricom internal policies. We continue to promote the right ethical culture through intensive and interactive ethics awareness initiatives for our staff and other stakeholders. We also collaborate with law enforcement authorities to tackle crime affecting our products and services. This has enhanced the efficiency and effectiveness of investigations involving various types of crimes in the industry.

## GOVERNANCE

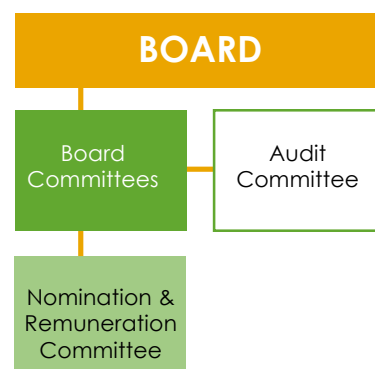
Good governance is integral to business sustainability, integrity and maintaining investors' trust in the Company. At Safaricom, we foster a culture that values and rewards the highest ethical standards at personal and corporate levels. We make sure that our governance structures support effective decision making and robust controls. These structures are informed by changing business requirements as well as local and international best practice. Our Directors and employees are expected to act with honesty, integrity and fairness. We also act in accordance with the laws of Kenya and observe and respect the diverse cultures of the Kenyan people.

## REMUNERATION

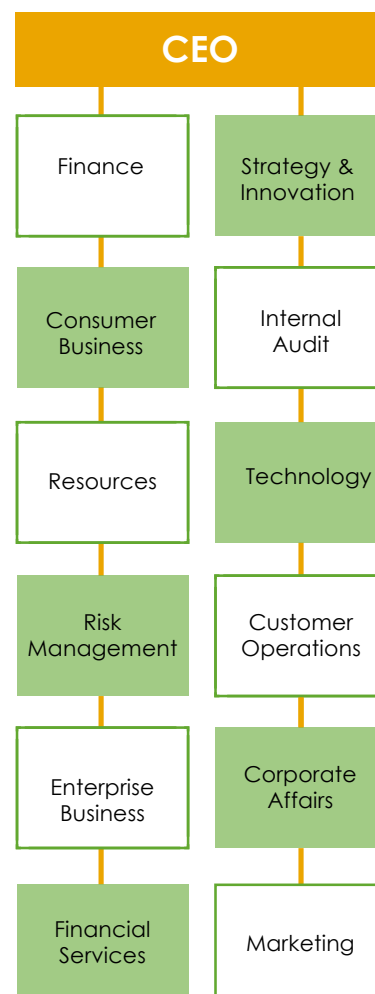
Our remuneration policy is aimed at attracting and retaining the best talent and ensuring our executives are compensated in line with their performance. The remuneration is measured against financial performance, delivery of strategy and how faithfully they apply Safaricom's business principles of speed, simplicity and trust. This process determines:

- The annual bonus awarded to employees
- Share grant programmes for senior management
- The annual pay increase

## BOARD OF DIRECTORS



## SENIOR LEADERSHIP TEAM







## SAFARICOM WINS 'EUROMONEY BEST MANAGED COMPANIES' AWARD FOR KENYA

Safaricom won the Euromoney Award for the Best Managed Company in Kenya for the year 2015. The best managed companies ranking is based on a survey of market analysts at leading banks and research firms around the world.

The survey involves respondents nominating the top three listed companies in each of the following categories;

- Most convincing and coherent business strategy
- Best system of corporate governance
- Most accessible senior management
- Most transparent financial accounts
- Best for shareholder value
- Most useful and informative website

We believe this award recognises our commitment of transforming lives and creating value for our shareholders and customers.



# WHO GOVERNS US



**From left to right: Seated**

**Esther Koimett** - Non-Executive Director, alternate to Henry Rotich, **Nicholas Nganga** - Chairman & Non-Executive Director

**From left to right: Standing**

**Enid Muriuki** - Company Secretary, **John Tombleson** - Executive Director, alternate to Robert Collymore, **John Otty** - Non-Executive Director, **Nancy Macharia** - Non-Executive Director



Profiles of the Directors are  
on pages 138 to 140



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**From left to right: Seated**

**Serpil Timuray** - Non-Executive Director, **Robert Collymore** - Executive Director & CEO

**From left to right: Standing**

**Gianluca Ventura** - Non-Executive Director, **Michael Joseph** - Non-Executive Director, **Susan Mudhune** - Non-Executive Director

Not in picture: **Henry Rotich** - Non-Executive Director



# WHO LEADS US



**Robert Collymore**  
Chief Executive Officer



**John Tombleson**  
Chief Financial Officer



**Sylvia Mulinge**  
Director, Consumer Business



**Roy Masamba**  
Director, Resources



**Nicholas Mulila**  
Director, Risk Management



**Rita Okuthe**  
Director, Enterprise Business



**Betty Mwangi**  
Director, Financial Services



**Joseph Ogutu**  
Director, Strategy & Innovation



**Denish Osodo**  
Director, Internal Audit



Profiles of the Senior Management Team  
are on pages 141 to 143



**Thibaud Rerolle**  
Director, Technology



**Jannet Atika**  
Head, Customer Operations



**Stephen Chege**  
Director, Corporate Affairs



Our objective is to ensure  
ethical management and  
responsible control

# CORPORATE GOVERNANCE STATEMENT

The Safaricom Board of Directors is charged with the responsibility of ensuring the Company is managed in a sound manner that delivers shareholder value within an environment of good corporate governance.

The Board is responsible for reviewing and approving the business strategic objectives and providing the necessary leadership and oversight to the management. In this regard, the Board is a key player in the Company's corporate governance system and is ultimately accountable for the performance of the business. As part of its obligations to the Company, the Board commits itself to adopting the principles of good corporate governance.

## BOARD ORGANISATION AND STRUCTURE

### Duties and responsibilities of the Board

The Board's role is to ensure transparent accountability for the well-being and performance of the Company on behalf of shareholders and other stakeholders. In addition, the Board:

- Provides effective leadership in collaboration with the Executive management team
- Facilitates the setting up of appropriate corporate governance structures for the management of the Company's operations
- Establishes Board committees, policies and procedures that facilitate the most effective discharge of the Board's roles and responsibilities
- Reviews and approves the Company's annual budget as proposed by the Executive management team
- Facilitates Board accountability through effective Board evaluation and succession planning
- Evaluates and approves compensation of the Company's Chief Executive Officer
- Reviews the succession plans for the position of the Chief Executive Officer and the Executive management team
- Reviews and approves management's strategic and business plans. This requires the Board to develop an in-depth knowledge of the Company's business, understanding and questioning the assumptions upon which such plans are based and reaching an independent judgment on the probability that the plans will be realised
- Reviews and approves the Company's financial objectives, plans and actions, including significant capital allocations and expenditure
- Ensures that the key strategic risks of the Company are identified and understood, including their ongoing status, and that the risks are managed effectively and are regularly monitored
- Ensures that appropriate and effective risk management and internal control processes are in place and operating within the Company
- Monitors corporate performance against the strategic and business plans, including overseeing the operating results on a regular basis to evaluate whether the Company is being properly managed
- Upholds ethical behaviour and compliance with applicable laws and regulations, auditing and accounting principles, and the Company's own governing documents
- Assesses its own effectiveness in fulfilling these and other Board responsibilities
- Proposes distributions to the shareholders for approval at the annual general meetings
- Provides leadership and vision that enhances shareholder value and ensures long-term sustainability and growth of the Company
- Performs other functions as prescribed by law or assigned to the Board in the Company's Articles of Association



## Activities of the Board

While the Board is solely responsible for its agenda, it is the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, in coming up with the Annual Board Work Plan and agenda for Board meetings.

The Board meets at least four times a year and the meetings are structured to allow for open discussions. All substantive agenda items have comprehensive briefing papers, which are circulated at least two weeks prior to the meeting. The submissions and notification period may be waived should any urgent and critical matters arise within the two-week period to the date of the meeting.

Directors attend Board meetings regularly and effectively participate in conducting the business of the Board.

The senior management team may be invited to attend the board meetings as may be deemed necessary. Where directors are unable to attend a meeting, they are advised on the matters to be discussed and given an opportunity to make their views known to the Chairman or the Chief Executive Officer prior to the meeting.

The Non-Executive Directors have a particular responsibility of ensuring the business strategies proposed are fully discussed and critically reviewed, as they do not form part of the executive management team. This enables the Directors to promote the success of the Company for the benefit of its shareholders, with consideration to, among other matters, the interests of employees, the fostering of business relationships with customers, suppliers and others, and the impact of the Company's operations on the communities in which it operates as well as the environment.

The Non-Executive Directors are the custodians of the governance process, and oversee the operational performance of the business. To perform these tasks, they have full and timely access to all relevant information, with updates provided on governance and regulatory matters affecting the Company. In addition, Executive Committee members and other senior executives are invited, as appropriate, to Board and strategy meetings to make presentations on their areas of responsibility.

Non-Executive Directors are occasionally invited to attend the senior leadership strategic and operations review meetings to gain further insight into different aspects of the business.

## Division of responsibilities

A clear separation of roles has been established between the Chairman and the Chief Executive Officer. These roles have been assigned and agreed on by the Board as captured in the Company's Board Charter to ensure that decision making is regulated and unbiased.

The Chairman's responsibilities include the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda.

The Chief Executive Officer's role and responsibilities include the day-to-day management of the Company's business and the implementation of strategy and policies.

## Board composition and independence

The Board of Directors is well constituted to enable effective oversight of the executive management. The number of Directors is optimum and allows the Board to have interactive discussions and to make swift and astute decisions. The Board has two established Board Committees and a Special Projects Committee that meets on an ad hoc basis to address specific Company matters that may not be within the ambit of the two committees.

The constitution of the Company's Board is dictated by the Company's Articles of Association and comprises nine members of whom, eight are Non-Executive Directors and one is Executive. Safaricom's Non-Executive Directors (including the Chairman) are expected and required to demonstrate complete independence in character, judgment and action in fulfilling their duties.

## BOARD EFFECTIVENESS

### Appointments to the Board

The Board is responsible for recommending independent Directors for election by the shareholders at the Annual General Meetings (AGMs). Nominated Directors undergo a formal screening process by the Nominations and Remuneration Committee before being formally appointed to the Board.

The Committee also considers Director nominees recommended by shareholders and uses the same criteria for screening candidates. Between AGMs, the Board may appoint Directors to serve until the next AGM. Any such appointment of an independent Director must be ratified by the shareholders at the AGM following their appointment.

# CORPORATE GOVERNANCE STATEMENT

## BOARD EFFECTIVENESS (continued)

### Independent advice

The Board recognises that there may be occasions when one or more Directors considers it necessary to take independent legal and /or financial advice at the Company's expense. There is a documented procedure to enable them to do so.

### Board training

To empower the board members to effectively execute their oversight role, the Company conducts both in-

house and facilitator-led trainings regularly covering different aspects of the business, governance and other areas that affect the Company's operations and the industry. In the last financial year, trainings on the following were conducted:-

- Building a strong brand
- Financial reports review

We have also developed a comprehensive induction programme for all new Board members.

## Board members meetings and members' attendance for 2014/15

Board Member	Position	12 <sup>th</sup> May 2014	15 <sup>th</sup> Sep 2014	4 <sup>th</sup> Nov 2014	6 <sup>th</sup> Mar 2015
Nicholas Nganga	Chairman	√	√	√	√
Michael Joseph	Non-Executive Director	√	√	√	√
Susan Mudhune	Non-Executive Director	√	√	-	√
Nancy Macharia	Non-Executive Director	√	√	√	√
Esther Koimett	Alternate Director to Henry Rotich	√	√	√	√
Sunil Sood	Non-Executive Director	√	-	√	Resigned on 6 <sup>th</sup> March 2015
John Otty	Non-Executive Director	√	√	√	√
Serpil Timuray	Non-Executive Director	√	√	√	√
Gianluca Ventura	Non-Executive Director	-	-	-	Appointed on 6 <sup>th</sup> March 2015
Robert Collymore	CEO	√	√	√	√
John Tombleson	CFO	√	√	√	√
Enid Muriuki	Company Secretary	√	√	√	√

## Board committees

The Board has established committees to enable it to carry out its governance roles and responsibilities effectively and efficiently. The Board currently has two standing committees, an Audit Committee and a Nominations & Remuneration Committee, each has formal terms of reference approved by the Board. The Board is satisfied that the terms of reference for each of these committees satisfy the requirements of the Capital Markets Authority and are reviewed on a regular basis by the Board. The committees are provided with all necessary resources to enable them undertake their duties in an effective manner.

### Audit Committee

The Audit Committee consists of four Non-Executive Directors and report to the Board after every Committee meeting. The Chairperson is an independent and

Non-Executive Director. The constitution of the Committee is well aligned with the Code of Corporate Governance that has been issued by the Capital Markets Authority.

The Audit Committee meets four times a year and its mandate includes:

- Reviewing and assessing the Company's risk management process and the adequacy of the overall control environment
- Reviewing reports on internal audits conducted by the Director of Internal Audit and ensuring appropriate action is taken to address any weaknesses identified
- Receiving reports from the Director of Internal Audit, CFO or Director of Risk Management on any fraud, whether material or not, that involves management or other employees who have a significant role in the Company's internal controls



- Reviewing the results of the Company's key controls questionnaire and ensure appropriate action is taken to address any weaknesses identified
- Monitoring compliance with statutory and continuing listing obligations as stipulated under the Companies' Act and by the Capital Markets Authority
- Reviewing the financial statements and recommending their approval to the Board of Directors
- Reviewing and discussing with management and the external auditor any significant events or transactions affecting the Company's financial reporting
- Considering findings from the external and internal auditors on any material weaknesses in accounting and financial control systems
- Reviewing the independence, objectivity and effectiveness of the external auditor, including their quality control procedure and steps taken to respond to changes in regulatory and other requirements
- Overseeing the activity and credentials of the Company's internal audit division, including the review of the internal audit charter, code of ethics, plans, resource requirements, staffing and organisational structure
- Receiving reports on the status of significant audit findings, recommendations and management's responses

## Audit Committee meetings and members' attendance for 2014/15

MEMBER	POSITION	8 <sup>TH</sup> MAY 2014	12 <sup>TH</sup> SEP 2014	3 <sup>RD</sup> NOV 2014	4 <sup>TH</sup> MAR 2015
Susan Mudhune	Chairperson	√	√	√	√
Esther Koimett	Member	√	√	-	√
Nancy W Macharia	Member	√	√	√	√
John Otty	Member	√	√	√	√
Robert Collymore	CEO	√	√	√	√
John Tombleson	CFO	√	√	√	√
Enid Muriuki	Company Secretary	√	√	√	√
Anne Eriksson	Representing PwC, External Auditors	√	√	√	√

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises five members and is mandated to review the balance and effectiveness of the Board and remuneration of Directors and senior management as well as the succession planning at Board and Senior Management levels. The Committee meets four times a year and undertakes the following functions:

- Monitoring the size and composition of the Board
- Recommending individuals for nomination as members of the Board and its committees
- Reviewing all executive appointments, succession and development plans
- Reviewing and proposing the remuneration structures for Executive and Non-Executive members of the Board

## Nomination and Remuneration Committee meetings and members' attendance for 2014/15

COMMITTEE MEMBER	POSITION	8 <sup>TH</sup> MAY 2014	12 <sup>TH</sup> SEP 2014	3 <sup>RD</sup> NOV 2014	4 <sup>TH</sup> MAR 2015
Nicholas Nganga	Chairman	√	√	√	√
Michael Joseph	Member	√	√	√	√
Esther Koimett	Member	√	-	-	√
Susan Mudhune	Member	√	√	√	√
Gianluca Ventura	Member	-	-	-	Appointed on 6 <sup>th</sup> March 2015
Robert Collymore	CEO	√	√	√	√
Roy Masamba	Director, Resources	√	√	√	√
Enid Muriuki	Company Secretary	√	√	√	√

# CORPORATE GOVERNANCE STATEMENT

## BOARD EFFECTIVENESS (continued)

### Special Committees

The Board is authorised by the Company's Articles of Association to form ad hoc or special committees to deal with specific matters for a defined term period. The Board retains oversight authority over such committees and can disband them as and when deemed necessary.

### Company Secretary

The Company Secretary's roles and responsibilities include:

- Providing a central source of guidance and advice to the Board, and within the Company, on matters of statutory and regulatory compliance and good governance
- Providing the Board as a whole and to Directors individually with detailed guidance on how their responsibilities should be properly discharged in the best interests of the Company
- Facilitating the induction training for new Directors and

assisting with the Directors' professional development as required. This includes identifying and facilitating continuous Board education

- In consultation with the CEO and the Chairman, ensuring effective flow of information within the Board and its committees and between senior management and Non-Executive Directors. This includes the timely compilation and distribution of Board papers and minutes, as well as communication of resolutions from Board meetings
- Ensuring proper development of Board meetings and providing Directors with clear advice and information
- Guiding the Company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to the decision making of institutional investors, shareholders, customers and other stakeholders
- Keeping formal records of Board discussions and ensuring timely execution of agreed actions

### Board of Directors shareholding

Directors can purchase or sell shares of the Company in the open market. As at 31<sup>st</sup> March 2015, Board members shareholding was as follows;

DIRECTOR	SHAREHOLDING
Nicholas Nganga	855,100
Robert Collymore	908,000
Michael Joseph	2,357,000
Henry Rotich	2,200
Esther Koimett	517,600
Nancy W Macharia	43,000



## Ethics Committee

The Ethics committee comprises seven members of the Executive Committee and is chaired by the CEO. The Committee plays an oversight role on behalf of the Company with regard to matters of ethics, integrity and best business practices. The Committee provides strategic direction to the organisation on ethics and Integrity, and in particular on matters that touch on the following;

- Code of Conduct and business practices
- Guidance on enforcement of the provisions of the Code of Conduct, particularly with regard to

conflict of interest declarations and disclosures made by employees pursuant to the Code of Conduct

- Promotion of an ethically sound culture and integrity within the organisation and among business partners
- Ethics advocacies to the wider business community in Kenya through the United Nations Global Compact (UNGC)
- Resolution of major ethical dilemma in the organisation

## Ethics Committee Meetings and members' attendance for 2014/15

COMMITTEE MEMBER	POSITION	29 <sup>TH</sup> APR 2014	4 <sup>TH</sup> SEPT 2014	18 <sup>TH</sup> DEC 2014
Robert Collymore - Chairman	CEO	√	√	√
John Tombleson	CFO	√	√	-
Joseph Ogutu	Director, Strategy and Innovation	√	√	√
Roy Masamba	Director, Resources	-	√	√
Nicholas Mulila	Director, Risk Management	√	√	√
Denish Osodo*	Director, Internal Audit	-	√	√
Nzioka Waita**	Director, Corporate Affairs	-	-	√
Patrick Kinoti - Secretary	HOD, Ethics and Compliance	√	√	√

\*Denish Osodo joined the Committee on 4<sup>th</sup> September 2014

\*\*Nzioka Waita resigned from the Company following his appointment in Government in April 2015

# RISK MANAGEMENT

Risk management is a critical function of Safaricom's business and is entrenched in our strategy and operations. Our Risk Management division ensures that all risks are managed optimally and oversees overall compliance with the Company policies, good corporate governance and corporate security.

## STRATEGIC RISKS

Risk assessments at Safaricom are conducted twice in a year in conjunction with the Company's business units and other stakeholders. This involves the scrutiny and proactive oversight of a number of key elements of Safaricom.

The assessments identify various risks, their chances of occurrence, potential impact and capability of measures set to tackle the risks. Furthermore, planned mitigations are tracked for implementation and reported to the Board Audit Committee.

## Competition

The industry has become increasingly competitive both in terms of service delivery and product offerings.

Safaricom encourages healthy competition since it is core in ethical business practice.

Statistics from the Communications Authority of Kenya (CA) quarterly industry report confirms that competition in Kenya's telecoms industry is active and healthy as shown in the table below.

Some of the key highlights from the report include;

- Safaricom has lost ground in 4/8 reported market parameters
- Airtel has seen declines in 2/8 parameters
- Orange has gained in all parameters
- Safaricom grew total subscribers, including data customers, and minutes. But lost on subscriber market share
- Orange had the highest 'organic growth' growing voice minutes by 170% and subscribers by 52% .

We have invested heavily in improving our network quality and distribution channels to ensure our customers get the best products in the market. We also seek to grow and retain our customer base by leveraging on strategic partnerships within the financial sector in the effort to continue offering superior and innovative products that resonate well with our customers.

### Industry performance summary: March 2015 versus March 2014

	Safaricom			Airtel and YU			Orange			Equitel
	Mar '15	Mar '14	%	Mar '15	Mar '14	%	Mar '15	Mar '14	%	Mar '15
Market share by subscribers (%)	67.1	67.8	-1%↓	20.2	24.2	-17%↓	10.8	8	35%↑	1.9
Mobile subscribers (millions)	23.3	21.6	8%↑	7	7.8	-10%↓	3.8	2.5	52%↑	0.7
Market share by Voice minutes (%)	71.7	78.5	-9%↓	21	18.5	14%↑	7.1	3.1	129%↑	0.2
Total minutes (billions)	6.28	6.02	4%↑	1.84	1.42	30%↑	0.62	0.23	170%↑	0.009
SMS market share (%)	91.6	96.4	-5%↓	6.9	3.1	123%↑	1.3	0.4	225%↑	0.1
Total SMS (billions)	6	6	0%▬	0.45	0.2	125%↑	0.09	0.03	200%↑	-
Mobile Data market share (%)	65	72.1	-10%↓	18.5	17.6	5%↑	13	10.3	26%↑	3.6
Total Mobile Data subscriptions (millions)	12.1	9.6	26%↑	3.5	2.3	52%↑	2.5	1.4	79%↑	0.6
	Mar '15	*Oct '14	%	Mar '15	Oct '14	%	Mar '15	Oct '14	%	Mar '15
Mobile Money subscribers (millions)	20.6	20.1	2%↑	3.1	3.2	-3%↓	0.19	0.19	0%▬	0.6
Mobile Money market share (%)	76.2	77.3	-1%↓	11.5	12.3	-7%↓	7.2	7.3	-1%↓	2.2

\*CA started reporting on Mobile Money in October 2014



## Regulatory environment

The Regulatory environment that Safaricom operates in is increasingly becoming complex and we made it an area of focus during the financial year. The nature of our industry and the types of products and services that we provide require us to comply with a wide range of rules and laws, including Licence conditions, sector Regulations, by-laws and legislation.

While we comply with all Regulations and applicable laws, we continue to build constructive, respectful and open relationships with all regulators while adopting a firm approach on issues that we consider may be detrimental to industry growth.

In December 2014, the CA began a comprehensive review of the Regulations governing the Information and Communications Technology (ICT) sector. These reviews were ongoing at the end of the financial year under review. These proposed Regulations addresses Fair Competition, Tariffs, Licensing, Universal Service, Broadcasting and Consumer Protection.

Safaricom is particularly concerned with the proposed Fair Competition and Tariff Regulations based on the draft by CA. In their current format, these two Regulations seek to remove the test of abuse of dominance and will automatically punish successful ICT players with significant market share.

We believe this is inconsistent with international best practice and Safaricom will continue to engage with the CA, ICT Ministry and Competition Authority of Kenya (CAK) to ensure that proper Regulations are passed. These Regulations need to promote innovation, investment and ensure customers enjoy the very best offerings in terms of variety, price and quality through healthy competition.

## Economic growth prospects

Kenya has maintained a stable macroeconomic environment amid challenges coming from a volatile currency and rising interest rates that continue to negatively impact on various sectors of the economy. Monetary policy interventions have in the past eased these concerns, but as a business we continue to proactively observe and mitigate these challenges. This has cushioned our business and customers.

## OPERATIONAL RISKS

### Security

Security is at the core of Safaricom's day-to-day operations and is enshrined in our comprehensive Occupational Safety and Health policy (OSH). Recently, terrorism related issues have adversely affected the country and businesses alike. To this end, Safaricom has invested immensely to ensure staff, critical assets and other interests are protected at all times. We continue to work closely with Law Enforcement Authorities to secure our assets and protect the interest of our customers.

### Information security

At Safaricom, we have in place information security, preventive and detective measures on all our platforms. The deployment of these controls is based and commensurate with the services offered and information processed. Our ISO 27001 Information Security certification is an independent confirmation to our customers that we have implemented appropriate processes and controls relating to our cloud services, billing and customer support services to protect the privacy of their information. Of particular interest are robust cyber security controls accompanied by a full-time in-house monitoring, including round the clock monitoring of our M-PESA system, to safeguard the services offered to our customers and the nation.

Safaricom complies with the laws regarding protection of customers' privacy and consumer data in line with Article 31 of the Constitution of Kenya and the Kenya Information and Communications Act. Safaricom also complies with the customer privacy terms as set in its operating licence issued by the Communications Authority of Kenya (CA).

The Company has put in place a Data Protection Policy in anticipation of the enactment of a Data Protection law in Kenya. The policy has a Data Privacy Statement detailing how data in Safaricom's possession is collected, used, stored and disposed of, among other things.

### Business continuity and crisis management

The need to guarantee availability of our products and services at all times is critical to Safaricom's operations. We have in place the Business Continuity and Crisis Management plan, which ensures availability of all Safaricom services and products in event of disasters or failure of our systems. The ISO 22301 Business Continuity

# RISK MANAGEMENT

## OPERATIONAL RISKS (continued)

(covering Voice, Data, SMS and Cloud services) and ISO 27001 Information Security Management System (covering Cloud services, Billing services and Customer Support) certifications of 2014, underscores the proficiency and relevance of our plan.

To enhance our response capability, Safaricom has a Crisis Management Team (CMT) that ensures appropriate disaster responses are implemented and timely communication circulated within the Company and to other stakeholders.

Throughout the year, substantial internal audit efforts were directed towards assurance on significant and ongoing projects in the Company. This was aimed at supporting project efficiency, pre-implementation reviews and data migration assurance.

## Ethics and Compliance

Building on the foundation set in previous years, we continued with our ethics plans covering all members of staff and key business partners.

The following were the key highlights in the year:

- Ethics awareness programme targeting all members of staff and key business partners
- Training sessions for all our staff and key business partners
- Conflict of interest declaration covering all staff and the Board members
- Ethics perception survey that is expected to inform our ethics and integrity programme for the next two years
- Advocacy initiatives through the United Nations Global Compact (UNGC) local chapter, which aims at improving the ethics and integrity standards within the wider business community
- Additional reporting lines to support our whistle-blowing channels to capture unethical conducts

We have zero tolerance policy on fraud. To boost our fight against fraud, we have invested in systems that assist in detecting fraudulent activities and arresting cases before they affect the Company.

To improve customer experience, we work closely with the law enforcement authorities to ensure that fraudsters targeting our customers are arrested and taken to court. This has led to a drastic reduction in fraudulent activities targeting our customers.

## Whistle-blowing

We have an ethics hotline that is managed by an independent accredited institution.

Through the hotline, anonymous reports on unethical/fraudulent behaviour can be made. The hotline reports are forwarded to Safaricom based on an arrangement that ensures the information is not sent to the suspected persons. The individual reports are then channelled to the following; Director-Risk Management, CEO, or Chairperson of the Board Audit Committee, depending on the nature of the breaches.

Whistle blowing statistics are reported to the Ethics Committee and the Board Audit Committee quarterly.

Staff and business partners are regularly sensitised on the need to report on unethical business practices and how to make such reports.

## Code of Conduct and Ethics

We have a Company Code of Conduct that governs ethical conduct of all employees. Employees are taken through various aspects of the code every year as part of the company-wide ethics awareness programme. All members of staff must commit to abide by the code of ethics when joining Safaricom.

## Responsible market practices

Our Code of Conduct and ecosystem charter offer guidance on what constitutes acceptable market practice. All employees and business partners engaged in selling are regularly sensitised on what constitutes ethical selling practices. The sales process is regularly reviewed to confirm its compliance with the requirements of the code.

We also have a supplier code of ethics to guide conduct of suppliers while dealing with Safaricom. The code covers elements such as conflict of interest, health and safety, labour standards, anti-corruption and environmental protection. Every two years, Safaricom performs due diligence on our suppliers to ensure that they are abiding by the code. We also regularly hold sessions with our suppliers to ensure that they are aware of the code.



## Anti-corruption measures

We have a company-wide framework that guides our risk monitoring and correction measures. In the year under review, we engaged in the following anti-corruption monitoring measures;

Anti-corruption monitoring measures	FY13	FY14	FY15
Fraud risk assessments	12	12	7
Fraud reviews	12	13	6
Special request reviews	-	3	11

Investigations were conducted where unethical action was suspected during the year. The investigations covered various forms of fraud including asset misappropriation, fraudulent expense claims and corruption cases.

The investigations led to disciplinary action against staff involved in misconduct and some cases were forwarded to the law enforcement authorities, leading to prosecution.

Anti-corruption corrective measures	FY13	FY14	FY15
Fraud cases investigated	49	89	29
<b>Outcomes of investigations:</b>			
Disciplinary warnings	8	16	13
Dismissals	55	56	58
Cases reported to law enforcement agencies	28	7	4

It is pleasing to note that the overall number of cases dropped during the year.



An independent ethics perception survey was conducted by the Ethics Institute of South Africa in January 2015. The purpose of the survey was to measure the 'ethical climate' within Safaricom.

We are pleased to report that the survey has become even more representative with 77% of all Safaricom employees (3,474) participating in the survey, up from 44% in 2012.

Anti-corruption preventive measures	FY13	FY14	FY15
Ethics perception survey (% of total staff)	-	-	77%
Ethics and anti-corruption staff training (% of total staff)	60%	94%	94%
High risk departments	-	98%	97%
Medium risk departments	-	81%	83%
<b>Business partner ethics sessions</b>			
• Suppliers	-	86	115
• Dealers	-	-	138
• Agents forums attended	-	7	10

## Ethics training

All members of staff at Safaricom are expected to attend a training sessions on ethics at least once a year. In the past two years, we have been able to achieve a 94% attendance rate. Most of the training was done through face-to-face sessions and backed by e-learning courses.

The awareness training is tailored to address the specific ethics risks faced by the attendees. For high corruption-risk departments, the training focuses on anti-corruption and bribery.

## INTERNAL AUDIT

The Internal Audit division reports directly to the Board. The division provides assurance on the internal control environment and risk management processes of the business, deepens good governance practices and supports the organisation to achieve best in class controls through continuous engagement.

The independence of Internal Audit is enhanced through governance support from the Board Audit Committee to which the function reports.

During the financial year under review, 19 planned audit reviews were conducted to appraise the adequacy, design and operating effectiveness of controls. In

addition, 11 reviews were undertaken at the request of stakeholders.

The audit reviews related to:

- Customer value management
- Procurement
- Cyber security
- Network operations

Significant effort in the year was directed at project assurance on significant Company projects.







# 03 STRATEGIC REVIEW

# DELIGHTING OUR CUSTOMERS

Our philosophy at Safaricom is to ensure customers delight in our products and services. We have achieved this by continuously offering innovative solutions, best-in-class support, exciting promotions and aiming at exceptional customer experience.

## OUR OFFERING

### Growing our customer base

Our customer base continues to grow as a result of efforts centred on retaining and rewarding loyal customers. We grew our customer base by 8% to 23.3 million. According to the Communications Authority of Kenya (CA) December 2014 report, we have the largest subscriber share of 67.4%.

### Voice

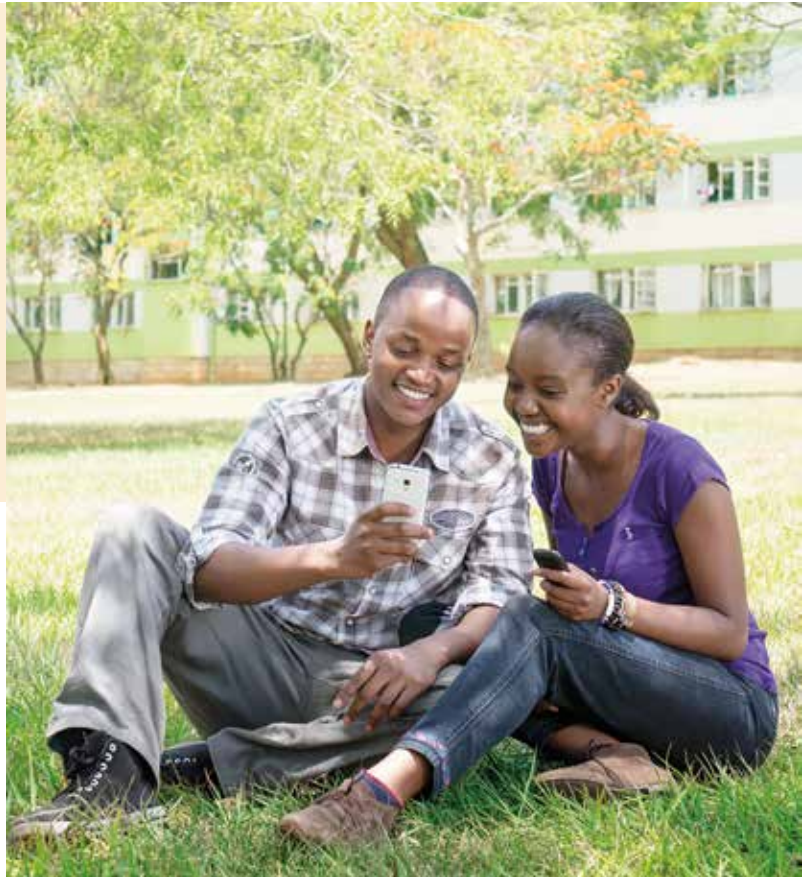
Voice continues to be the largest revenue generator with revenues growing 4% to Kshs 87.4 billion, an increase attributed to the 8% growth in our customers, a strong and convenient Prepay airtime distribution network of over 275,000 retail outlets and 42 retail shops for top-ups and personalised services. Customers can also top up through M-PESA, which continues to grow and accounts for 38% of airtime top-ups.

### Unmatched Experience

We increased the number of customers accessing our Web self-care to 2.7 million and also made our emergency airtime top-up facility (Okoo Jahazi) more accessible. The emergency airtime top-ups recorded a 32% increase.

### Messaging

Our SMS service revenue registered a double-digit growth this year and grew by 15% to Kshs 15.6 billion on the back of 8% growth in 30-day active SMS users to 13.35 million, 34% increase in active SMS bundle users to 4.0 million and a 14.1% growth in SMS usage per customer.



### Device acquisition

To enable our customers to acquire smartphones and other data-enabled devices, we introduced Flexi Bonga loyalty programme where a customer can pay for a device with part cash and part Bonga (loyalty points).

We also partnered with financial institutions to provide a handset financing option for our customers.

### 4G high speed internet

At Safaricom, we are committed to making available best-in-class quality of service to our customers. We launched 4G network in Nairobi and Mombasa, enabling our customers to access and enjoy high speed internet. As part of the transition, any customer with a 4G-enabled device can access a free 4G-SIM Card at our retail stores.

### Data bundle affordability

Based on our strategic focus of putting the customer first, we reduced our data bundle prices with the core objective of making internet browsing affordable.



## ROBUST DISTRIBUTION CHANNELS

Safaricom remains focused on the need to ensure accessibility for our customers across the country. Our customer reach has grown significantly over the past year, supported by an expanded dealer network, retailer footprint, M-PESA agents and Safaricom retail shops

## SAFARICOM RETAIL SHOPS

Shops continue to be strategic customer touch-points, providing customer care services, Safaricom products and a wide range of ancillary cellular devices and products. We closed the financial year with 42 shops



## RETAILER NETWORK

Access to our products and services by our growing customer base requires an elaborate retailer network. We closed the year with over 275,000 retailers spread across the country, offering a wide range of products and services

## DEALER NETWORK

Safaricom's dealer outlets have proven effective in reaching the retail network. This year we undertook various initiatives aimed at ensuring our customers access quality products and services through our dealer network. These initiatives include;

- Dealer support through partnerships with financial institutions where dealers were facilitated to acquire motorbikes through co-payment schemes
- Training of dealer managers and line staff on Branch operations and stock management. The aim was to equip dealers and their staff with management skills and customer service skills
- We have over 60 dealer points that offer personalised service
- Our annual Dealer of the Year Awards (DOYA), which recognises star performers and entrench loyalty
- Facilitation of access to working capital support geared towards ensuring dealers meet customer needs

## M-PESA AGENT NETWORK

To ensure easy access to M-PESA in line with our strategy to deepen financial inclusion and live up to our brand promise of "transforming lives", we grew our M-PESA agent footprint by 6% to 85,756

Initiatives rolled out to support our agents include:

- **Sub-Agent Management:**  
As requested during our various M-PESA Agent Feedback sessions and consultations with some of the M-PESA Agents, we have put together administrative requirements that would ensure uniformity and proper management of the sub-agents. We have also provided a standard sub-agent contract
- **M-PESA Agency Credit:**  
Float financing provided to M-PESA Agents to assist in increasing their float levels
- **M-PESA Agent Forums:**  
Regional M-PESA Agent Principal forums carried out in all the five regions where they got a platform to discuss issues affecting their business
- **Branding of agent stores/outlets**
- **Regional M-PESA Agent Awards:**  
Presented to the top sub-agents in each of the regions as a reward for best business practices and promoting the brand

# DELIGHTING OUR CUSTOMERS

## CUSTOMER FIRST

More than ever before, putting the customer first remains our utmost focus. The thrust is to embed the customer in each of our decisions by having an in-depth understanding of who our customers are and their needs.

## MULTIPLE CHANNELS

Safaricom has one of the largest state-of-the-art insourced contact centre facilities in Africa. Our Voice, SMS, Social Media, Email, Chat and IVR have been revamped to increase efficiency levels. The IVR tree was reviewed to make it more customer-friendly and empowering our customers to solve their issues. Additionally, we have increased USSD service, making it an effective tool of solving customer issues at our touch points.

## SERVICE EXCELLENCE

Our determination for quality customer service saw Safaricom maintain its position as Kenya's most admired brand, with an overall brand equity score of 86% and a Net Promoter Score (NPS) of 53%, according to an internally commissioned research by Milward Brown and TNS respectively. Additionally, Safaricom scooped, for the second year running, the coveted Kenya Social Media Awards (SoMA) in the following categories:

- Best Customer Service on Twitter
- Best Customer Service on Facebook
- Best Social Media Personality for the Safaricom CEO

We continue to set the pace in service excellence, which is attributable to the right attitude by our staff, exciting promotions and offers, excellent shop ambience and professional handling of customers.



## PROVIDING UNMATCHED SERVICES

Empowering our customers to solve their problems will not only give them a worry-free lifestyle, but it will also increase their confidence in our products and services. Towards this, we have increased the number of our face-to-face touch-points by empowering more than 60 dealer outlets to handle customer resolutions in addition to our 42 Retail shops.

Empowering more dealers has gathered momentum as we build more capacity to match the growing demand. These initiatives continue to culminate in a significant reduction in queue waiting time at the shops, enhancing the best practice in face-to-face customer service delivery.



## Looking ahead

- We will seek to innovate and offer personalised value propositions by empowering our customers to solve their problems through available channels.
- Improve retail queue waiting time and build digital touch points to match international standards.
- Remove call reasons into the call centre, further enhancing customer experience and setting unmatched standards befitting our esteemed customers.
- Robust acquisition of subscribers through empowering of our dealers to fully address customer needs.



# DEMOCRATISING DATA

Safaricom has retained its leadership position in the provision of internet access to our customers. With our 3G network covering over 69% of population and the launch of the first ever 4G network in Kenya, we can promise a superior internet experience.



## SUSTAINED GROWTH

We grew our mobile data revenue by 59% to Kshs 14.8 billion. This was attributed to:

- 21.2% growth in 30-day active mobile data users to 11.6 million – 50% of our customer base
- 3G and 4G-enabled devices in our network now stand at 4.4 million
- Affordable data bundles that resulted in increased data users to 4 million
- Increased data usage per customer that rose 38%

## SMARTPHONES

To accelerate smartphone penetration, we were also able to lower the cost of smartphones to under Kshs 5,000. These among other efforts have seen our smartphone users grow in the year by 98% to 3.4 million.

To further drive affordability as we delight our customers, we partnered with financial institutions to offer device purchase credit as well as enabling them to purchase by redeeming their Bonga Points.



## FIRST-HAND DATA EXPERIENCE

To ensure that customers have a first-hand data experience from Safaricom, we have bundled all devices sold in our retail channels and in the open market with a FREE Safaricom data bundle.

We also collaborated with Coca-Cola to make available FREE data bundles on select Coke bottles with the aim of growing our customer base of data users. This initiative aimed at offering non-data users who possess data-enabled devices, FREE data bundles to access the internet for a period.

## DELIVERING RELEVANT CONTENT

In our quest to grow the internet browsing culture and instil it as a habit, we embarked on various campaigns to drive awareness and usage.

We ran a FREE YouTube campaign that allowed our customers to watch videos on their mobile phones and tablets FREE of charge. This campaign resulted in customers increasingly using their smartphones to enjoy a second screen experience for entertainment and news.



## Looking ahead

We aim to:

- Increase smartphones, 3G and 4G devices penetration
- Commercialise the Safaricom Home Broadband proposition “The Big Box”
- Nurture and expand partnerships with local and global content providers

# BEST NETWORK IN KENYA

## LEVERAGING ON A WORLD-CLASS NETWORK IN KENYA

Our endeavour to deliver a world-class network to our customers saw us invest Kshs 33.7 billion in enhancing the capacity, coverage and the modernisation of our network. This enhances our customer experience in accessing our wide range of services. We have 92% coverage of our population on 2G and 69% on 3G.

## 2G, 3G and 4G network coverage

We continue to roll out 2G and 3G base stations and now have 3,382 2G base stations, of which 1,943 are 3G-enabled. 4G has become a reality in Kenya, Safaricom becoming the first operator to deploy the technology, with 236 4G base stations in Nairobi and Mombasa. We also deployed 33 security sites in 13 counties in key security hotspots.

In the financial year under review, we invested Kshs 33.7 billion in the following capital expenditure projects: 2,010 km of fibre has been laid in key metro areas, modernisation and upgrade of 2G, investment in 3G and 4G networks, new M-PESA (G2) platform and upgrades of Information Systems.

## Network modernisation and optimisation

Our radio network is now 100% modernised. This was undertaken to achieve the desired level in quality of service allowing for activation of new features and capabilities previously unavailable. In the past one year, over 460 2G base stations have been modernised, resulting in positive customer sentiments on improved network experience. This will ensure that service accessibility is guaranteed during peak hours. We have also inculcated optimisation cycles driven by drive test measurement to ensure that we continuously improve the customer experience.

## 3G enhancement and additional spectrum

Increased uptake of smartphones by our customers and elevated appetite for data usage have necessitated additional investments in our 3G infrastructure. This has seen deployment of UMTS 900, which is an innovative solution aimed at increasing our 3G capacity, enhancing its indoor penetration. Additionally, following Essar acquisition, we are now utilising the additional spectrum to provide the much needed capacity as well as improve overall voice and data performance for our customers.

## Own fibre project

We maintained our fibre deployment momentum in the key metro cities of Nairobi, Mombasa, Kisumu, Nakuru and Eldoret where we have laid over 2,010 km of fibre to date. Our enterprise clients are benefiting from our own fibre deployment through the roll-out of Fibre-to-the-Buildings (FTTB) with over 720 buildings now connected. This has seen enterprise clients migrated from leased fibre to our own fibre, resulting in further cost reductions for Safaricom and better pricing for our customers. Fibre-to-Homes has seen seven pilot estates connected reaching 640 homes.

## Network stability

Network stability is at the heart of our customer care and we have now deployed power back-up solutions such as the high capacity and cyclic batteries to mitigate power fluctuations. We are working with Kenya Power to connect our base stations to the national grid with 94% of our base station locations currently being served by the grid. Additionally, we have deployed Low Voltage Automatic Phase Selectors (LV APS) in 13% of our base stations and deployed the free cooling solution in 12% of our base station locations. On the data centre front, we also invested in power redundancy where we now have three of our data centres on tier 3 level of redundancy and recently commissioned a new 224-Rack state-of-art data centre.

## M-PESA platform upgrade

To provide a more stable and a higher capacity platform, Safaricom embarked on an ambitious plan to relocate its M-PESA servers from Germany to Kenya. Following a rigorous project, the new platform was successfully deployed in a one-of-its-own-kind delivery in April 2015. We are already experiencing improved response times in all M-PESA transactions, minimal delayed transactions and a more stable system. The new platform will also allow for faster and flexible deployment of new products.







## Superior network quality - Best in Class Certification

In the financial year, we commissioned a number of independent network quality tests covering mobile Voice and Data by P3 Communications, an international leader in independent mobile benchmarking services.

Safaricom emerged the best, having garnered the highest overall score ahead of its two peers and was awarded the 'Best in Test' P3 certification following our successful implementation of the Best Network in Kenya initiatives last year in major metropolitan locations.

The certification covered the following indicators:

- 6,000 km
- 20,000 Voice calls
- 5,000 Data sessions

Areas covered and interconnecting highways:

Nairobi, Ruiru, Thika, Makuyu, Embu, Chuka, Meru, Nanyuki, Nyeri, Nyahururu, Nakuru, Eldoret, Malava, Kakamega, Kisumu, Ahero, Oyugis, Kisii, Keroka, Bomet, Narok, Kikuyu, Athi River, Voi, Mariakani, Mombasa, Mtwapa, Malindi

VOICE TESTS RESULTS (MOBILE 2 ISDN)				
Operator	Call Setup Success Ratio [%]	Dropped call Ratio[%]	Call Setup Time[s]	Speech Quality
Safaricom	97.3	0.3	4.3	2.7
Competitor x	96.8	0.4	4.4	2.8
Competitor y	96.5	0.9	4.6	2.6

Competitive Voice performance with:

- Safaricom ahead of competition in call setup success rate, dropped calls and call setup time
- Speech Quality at par with competition

DATA TESTS RESULTS				
Operator	Mean User Data Rate Download 3MB (kbps)	Mean User Data Rate Upload 1MB (kbps)	Mean Web browsing Session Time[s]	Youtube SD reproduction without interruptions [%]
Safaricom	4,336	1,466	4.7	87.8
Competitor x	3,393	1,134	5.2	66.7
Competitor y	3,924	1,041	6.0'	15.6

Safaricom materially offering best data experience with:

- Highest broadband download and upload speeds
- Fastest web browsing
- Highest number of uninterrupted video playouts



## Looking ahead

In the next financial year;

- We aim to increase 3G population coverage from 69% to 80%
- Extend 4G deployment to reach 13 more towns and cities across Kenya
- Implement big data capability to improve customer experience
- Continue to roll out fibre to additional 10 towns and connect another 200 base stations
- Fibre-to-the-Buildings (FTTB): reach 1,000 commercial buildings
- Fibre-to-the-Homes (FTTH): reach 8,000 homes in 50 residential estates

# DEEPENING FINANCIAL INCLUSION





Deepening financial inclusion remains at the core of our strategy. With the successful migration of the next generation (G2) M-PESA platform to Kenya, we will continue offering our customers superior and innovative financial services.

## Sustained growth

The past year witnessed sustained progress in driving financial inclusion, with M-PESA having registered over 20 million customers, contributing 20% of our total revenue. This highlights its significance as a key driver of growth. The performance was driven by a 13.1% increase in 30-day active M-PESA customers to 13.9 million coupled with an increase in the average number of transactions per customer. During the year, M-PESA agent outlets increased to 85,756 further increasing our reach to customers.

## Lipa na M-PESA

This is a payments collection service for corporate organisations and merchants, which enables organisations to accept payments via M-PESA and transfer collected funds to either a bank account or to the owner's M-PESA account.

As at the end of the financial year, the service had 49,413 merchants who were active on 30-day basis. They received payments of Kshs 11.6 billion in March 2015 for goods and services.

Lipa na M-PESA has grown tremendously and is currently the largest cashless service in Kenya in terms of number of transactions, transaction value, number of customers and active merchants. The service creates value for both the merchants and their customers with key benefits including:

- Merchant to merchant settlement
- Unmatched safety, which eliminates the risks associated with handling and transporting cash
- Reduces losses and eliminates risk associated with fake currency
- Enhances record keeping with details of every transaction made readily accessible through statements
- Short and flexible settlement cycles. Most small businesses want to use the funds collected on the same day
- Addresses the challenge of high cost of point of sale terminals

## M-Shwari

The growth of M-Shwari has been remarkable. We now have over 10 million customers on the service who continue to enjoy savings and borrowing facilities.

### M-Shwari Performance

	March 2015	March 2014
Active customers	5.8 million	3.6 million
30-day active users	3.0 million	1.8 million
Net deposits	5.5 billion	3.5 billion
Loan balance	2.1 billion	1.2 billion
Non performing loans (%)	2%	3%

## KCB M-PESA

Safaricom and KCB Bank Group launched the KCB M-PESA account by the close of the financial year. The service is part of financial inclusion initiatives undertaken by Safaricom, offering our customers more credit options.

## International Money Transfer (IMT)

M-PESA registered subscribers enjoy sending and receiving money from international partners. Safaricom has partnered directly with Western Union, Money Gram, Home send Hub, Vodacom Tanzania and MFS Africa Hub to make this possible.



## Looking ahead

- Leverage on the new G2 M-PESA system
- Drive growth of Lipa Na M-PESA
- Drive uptake of saving & loans through M-Shwari and KCB M-PESA
- Grow business-to-business payments
- Grow IMT within the region
- Improve merchant real-time settlement to banks on Lipa na M-PESA

# PARTNER OF CHOICE FOR BUSINESS

ICT has been at the forefront of new innovations offering solutions to critical sectors of the Kenyan economy. Adoption of IT solutions by both Government and private sector businesses has presented Safaricom with low hanging fruit and an opportunity to give services to these customers and grow value to our shareholders.

## Market snapshot

Information Communication Technology (ICT), has been identified as an essential pillar to the achievement of Vision 2030. Indeed, the Government has been leading in ensuring the sector drives its economic agenda as evidenced by our involvement in the National Police Security Network Project. Adoption of mobile payments by public and private entities is opening up new business opportunities in the enterprise segment of the business. We are witnessing SMEs embracing new 'M' and e-commerce platforms, which have revolutionised commerce.

## Impressive revenue growth

Our nationwide reach in both subscriber numbers and network, coupled with our extensive M-PESA ecosystem continues to give us more opportunities to be the partner of choice for Corporates, SMEs, Public Sector Players as well as NGOs.

Leveraging on our extensive network and innovation, we recorded full-year revenue for period ended 31 March 2015 of Kshs 12.84 billion, which is a growth of 26% compared to the previous year.

Our enterprise business now commands 49% of the enterprise market share, up from 32% in March 2014. Key to this growth was more than double-digit growth in enterprise data to Kshs 5.3 billion, representing a growth of 26%, business related M-PESA revenue, which grew by 86% to Kshs 2.8 billion and Voice revenue which grew by 5% to Kshs 3.8 billion.

## Government payments

Working with national Government in partnership with county Government, we entered into a programme to facilitate Government payments and revenue collection under the digital payments platform. We now have a county government penetration with 60% of the counties using at least one enterprise solution.



## Focus on SME segment

We continued with our special focus on SME Segment as a pillar of growth and we recorded an impressive growth of 106% in SME customers to 64,125. This growth was driven through our flagship SME proposition 'Zidisha Biashara' and Lipa Na M-PESA, which is the flagship SME payment solution of choice.





## Cashless distribution for Corporates

The solution, which works on M-PESA, is aimed at increasing efficiency, reducing cost of cash collection and cash handling risk. It is being used by distributors of major Fast Moving Consumer Goods (FMCG) and the fuel industry. As at March 2015, we had key customers such as EABL, Unilever, BAT, Nairobi Bottlers, Total, Shell, Oilibya and Brookside with over 1,500 active distributors, driving Kshs 3.5 billion in volumes per month.

## Unified communication platform

With our entrenched unified communication platform, we launched an enhanced offering for corporates with a new package dubbed 'Safaricom ONEConnect Business'. This product provides high quality fixed Voice with added channels and dedicated internet. Key customer benefits include internet and voice, over one link, and value-added services such as ringback tone. As at the end of March 2015, we had over 400 SME customers on this proposition.



## ! Looking ahead

In the coming financial year, we will continue to grow our enterprise segment market share by leveraging on our existing capabilities guided by the following;

- Leverage on own fibre in key towns
- Accelerate commercialisation and growth of managed services
- Develop key vertical specific propositions to drive product penetration among corporates
- Drive fixed voice growth, leveraging on Fibre-to-the-Building
- Grow payments for business: retail, utilities, public sector and FMCGs

# STAYING AHEAD OF THE CURVE

Safaricom fosters an innovative culture within the organisation and partners with other innovators. This is paramount in enabling generation of new and exciting innovations that meet and exceed our stakeholders' and customers' expectations.

## Strategic partnerships and alliances

### Safaricom M-ledger

This is a partnership with Dynamic Data Systems, a start-up from Safaricom Appwiz 2013. M-Ledger is an M-PESA financial journal that provides Android phone users with statements on their M-PESA accounts, search functionality for Paybill, Bank to M-PESA and Lipa Na M-PESA merchants. Launched in November 2014, the application closed the year with over 120,000 users.

### Intellectual property protection

Safaricom recognises that good ideas are difficult to come by and strongly recommend that before sharing the innovations, innovators protect their ideas by legal means. Therefore, to create more awareness on intellectual property and how to safeguard ones' innovations, we have formed a partnership with the Kenya Industrial Property Institute (KIPI) and the Kenya Copyright Board (KECOBO).

Additionally, through the innovations team, Safaricom has carried out roadshows in several institutions of higher learning including Strathmore, Technical University of Kenya and the University of Nairobi. In the coming financial year, we plan to roll out the same to more institutions across the country.

## Safaricom Appstore

The Safaricom Appstore was launched in June 2013. Since then, we have increased partnerships with local developers and organisations to promote applications that have seen an increased uptake of our local applications. Partnerships with OLX, Hello Food and Easy Taxi have promoted locally relevant applications and seen growth in downloads from Safaricom Appstore with over one million downloads in the past financial year.



## Safaricom Appwiz Challenge

Safaricom Appwiz Challenge runs annually with the aim of building and nurturing early-stage start-ups in Kenya. Since its launch in July 2014, the challenge has received over 300 registrations by the close of the year.

A selection of four winners with solutions leveraging on social innovation, cloud solutions, youth and media engagement are awarded.

Currently, we are working with start-ups to build and drive usage of Data, SMS and increase engagement with the youth. Some of the start-ups include Grand Winner Magazine Reel with over 100,000 monthly users.

Safaricom Appwiz Challenge runs annually with the aim of building and nurturing early-stage start-ups in Kenya



## Zindua Café Portal



In January 2015, an innovation portal targeting external innovators was launched to replace the previous method of submitting ideas through emails. The launch was themed around intellectual property: *"How to protect it and monetise it"*. This was in conjunction with the Kenya Industrial Property Institute (KIPI) and the Kenya Copyright Board (KECOBO).

## Design thinking methodology

In the year, Safaricom adopted an integrated engagement approach to innovation that includes customer engagement, collective idea creation, product prototyping and testing.

## Okoa Stima

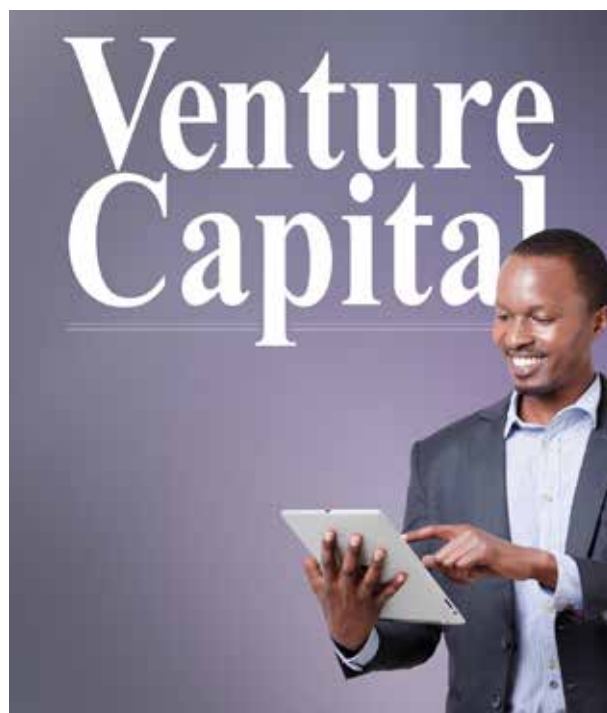
Okoa Stima is a partnership with the national electricity distributor, Kenya Power, to provide micro-credit to retail consumers allowing them to continue using electricity services.



## Building and nurturing innovative entrepreneurs: Spark Venture Fund

We launched a Kshs 90 million venture capital fund that aims to support the successful growth and development of high potential mobile technology based start-ups in Kenya. The support is in form of capital investment and technical assistance.

TBL Invest was appointed as the fund manager and is responsible for sourcing, assessment, recommendation and management of the investment process. Start-ups will receive funding of between Kshs 6 million – 22 million.



## Looking ahead

- Continue to engage with internal and external innovators
- Introduce parental control of internet use for children
- Provide Sandbox for more developers to connect and use SMS and USSD

# STAYING AHEAD OF THE CURVE

## EMPLOYER OF CHOICE

Our strategy of transforming lives extends to our employees and this is in line with Safaricom's strategy of improving peoples lives and communities. As a world-class employer of choice, we go to great lengths to ensure the needs of our workers are well met. We adopt various best practices to create a friendly work environment and encourage work-life balance.

### Employee welfare

The Company continues to focus on improving staff welfare;

- We have invested in facilities that make work experience supportive of our excellent performance. In the interest of promoting a healthy workforce, employees have access to fully equipped gymnasiums. We also have game rooms to unwind and socialise. Employees who cannot access the Company-owned gymnasiums due to their work locations are facilitated to use third party facilities
- We have also revised our maternity leave policy allowing working mothers maternity leave of four months, up from three months. This can be accessed together with the one month annual leave, making it possible for the working mother to be away for five consecutive months with full pay. On resuming work, the mothers are allowed to work half day for six months

### Promoting a healthy lifestyle

At Safaricom, we value and treasure a healthy workforce, which is critical in ensuring the Company's performance is not compromised. In the year under review, the Company facilitated medical camps for employees in collaboration with medical service providers. These camps provide employees with opportunities for medical reviews and check-ups.

### People Survey

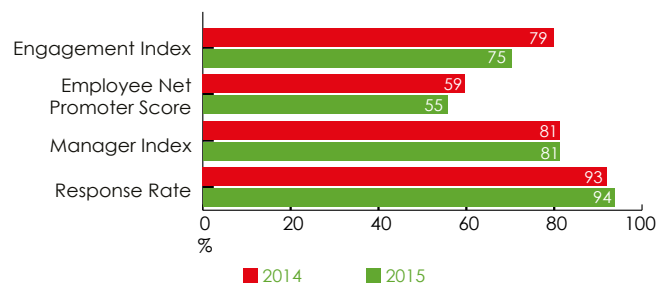
People Survey offers employees a platform to make a difference in the way the organisation is managed. It is an additional platform for employees to comment on issues that concern them and the business as a whole. It also offers an opportunity for the management to listen to employees and foster a culture of continuous improvement.

In the year under review, the survey once again was completed online and looked at the following trends;

- Feedback from the previous year's survey
- The organisation climate measured through the engagement index and the manager index
- Leadership capacity measured by manager index
- Safaricom's position measured against global high performing organisations.

### People Survey Results

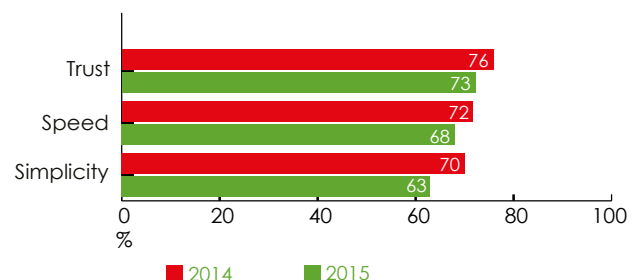
People survey in the period under review compared to the previous years.



- The engagement index measures each employee's pride, motivation, overall workplace rating and intention to stay with Safaricom
- The manager index measures people management and the aspects of team climate that are within a manager's control
- Employee net promoter score (NPS) measures the overall willingness of employees to recommend Safaricom's products and services to other people

### Safaricom Way Heroes

There was a marginal decline in comparison to last year's levels.





## SAFARICOM WAY HEROES

We celebrate individuals who are outstanding and demonstrate the Safaricom Way attributes of Speed, Simplicity and Trust

In the coming year, we will raise the bar and start to showcase our best stories externally by participating in the global Vodafone Heroes programme



Customer Care Innovation  
**SIMPLICITY**



Clement Miano  
**SIMPLICITY**



Peter M Mimano  
**SIMPLICITY (Posthumous)**



Martin Gicharu Muiruri  
**TRUST**



National Police Service Project  
**TRUST**



Women In Technology  
**CEO AWARD**



Garissa Fire Exchange Rescue  
**SPEED**

Teams and individuals are recognised for exhibiting the values of speed, simplicity and trust

# STAYING AHEAD OF THE CURVE

## DIVERSITY AND INCLUSION

This year, we made a deliberate effort to inculcate the Safaricom culture within the organisation. We reviewed what diversity and inclusion meant to customers, colleagues and communities, taking into account how Safaricom relates with them. To foster this culture, the following priorities were reviewed:

- Being reflective of the communities we serve
- Inclusive leadership
- Career development

As a result, we had all staff trained in aspects of diversity, inclusion and encouraged adoption of these priorities at the work place.

In the spirit of inclusiveness, our Technology Division enrolled six intern graduates with impaired hearing and in the process the organisation reviewed the manner in which all internal communications and events are conducted. Currently, all our events have a sign language interpreter with videos now having subtitles.

The table below shows the head count and the gender ratios:

Employee Category FY 2014/15	2014	2015
No. of Employees	4,037	4,192
No. of Contractors	48	59
Total Employees	4,085	4,251

Gender Ratio	FY2013/14	FY2014/15
Male: Female	1:1	1:1
Male: Female (Senior Leadership Team)	3:2	2:1
Male: Female (Head of departments)	3:2	2:1

## CAPABILITY DEVELOPMENT

An organisation's competitive position hinges on its ability to perform at a high level in differentiated ways and its strategic success is enabled by distinctive organisational capabilities. In today's dynamic world, we face the ongoing need to identify and develop new capabilities to respond to changing customer demands and competitive threats.

As a major player in the telecommunication market, Safaricom has been very keen on building capabilities fit

for the current business needs as well as future business requirements. We have delivered value through a two-year Safaricom People Development Programme, which covers:

- Safaricom employees development training that targets personal effectiveness for entry-level staff
- Safaricom managers development that targets to offer management and supervision skills
- Safaricom leader development aimed at senior leadership
- Talent development programmes for the talent pool

We comply with all training and skills development legislation in our efforts to drive the best quality training as a means to transforming our business, industry and country.

In the year under review, we recorded an average training index of 79% across the business against a target of 78%, with an average training index of 48.2% for female employees. This is higher than the training index achieved last year of 32%. Our average training hours per employee was 57.8, with our senior leadership team training hours averaging 54.0.

Safaricom launched and implemented its Career Path Framework, which has redefined how staff carry out their competence assessments. Training is now aligned to both their competence gaps and career paths. We have a comprehensive training and development programme to increase the employability and skills of our staff. We also invest annually in the development of 16 new graduates under the new Safaricom Discover Programme as well as learnerships to develop a talent pool for our own business as well as contribute to the overall regional and continental talent, leadership and skills pool.



## Looking ahead

- Develop the right capabilities to ensure a continuous transformation towards customer focus
- Build operational excellence, skills, product knowledge and innovation
- Develop talent for future rising stars as well as coaching culture within the organisation
- Implement a virtual Safaricom Academy in 2015, which will be a virtual knowledge centre for both our internal staff and external partners based on expertise





## HEALTH AND SAFETY AT SAFARICOM

Health and Safety is core and a valued aspect that is deeply ingrained in Safaricom's culture.

We are committed to ensuring the health, safety and well-being of not only our employees, but also that of our clients, contractors and the general public who may be affected by our operations.

We believe that all our stakeholders are entitled to an environment where risks to their health and safety are properly mitigated.

To us, health and safety makes good business sense and investing in it positively enhances our bottom line, affording us cost savings, efficient operations and enhanced employee and contractor productivity.

Our focus for the year was on embedding our seven Absolute Rules through the "I Pledge" Campaign.

The Absolute Rules were developed to focus on common causes of fatalities and serious injury that could arise as a result of exposure to any of the high risk activities associated with our business. These are:

- Driving
- Working at height
- Electrical work
- Contractor activities
- Street and underground work

The campaign involved engaging staff to conduct an honest self-assessment of their behaviour around the Absolute Rules and aimed at eliciting a commitment to observing them, not because the Company demands it, but because they save lives.

The response was overwhelming with a notable increase in Absolute Rules awareness level across the organisation from 83% in the last financial year staff survey to 92% in the current year.

**For us, health and safety makes good business sense and investing in it positively enhances our bottom line.**

# GROWING YOUTH APPEAL

Youthfulness is a symbol of hope, strength, dynamism and a bright future. At Safaricom, we are cognisant of the fact that the youth will remain a key driver of change in the business.

Owing to the youth's openness to change and innovation, they continue to shape the trends in music, fashion, entertainment and communication gadgets.

## Sustained youth appeal

We maintained our attractiveness to the youth with our youth brand equity at 79% and the youth Net Promoter Score (NPS) at 57% according to an internally commissioned research by Milward Brown and TNS respectively. To ensure affordability of Data to our youth customers, we reduced our mobile Data prices. These, among other initiatives, enabled us to acquire 1.28 million youth subscribers.

Owing to the dynamic nature of this segment, we maintained our innovativeness in crafting products which resonate with them. We relied heavily on our Data proposition to leverage on the youth preference to

communicate on various social networking sites using targeted campaigns to showcase our product offering. Some of these campaigns include;

- Safaricom games: a recruitment drive to download from our games portal
- Daily bundles meant to stimulate and push our daily bundles uptake
- Twitter campaign which targeted the recruitment of youth and Generation Y (GY) to the Twitter platform
- Safaricom MyTunes and Skiza offering premised on the youth preference for music downloads
- Youth-centric campaigns to push 10Mb bundle

## Driving intent to purchase and usage

During the year, we realised value for the business through effective youth-appealing marketing and advertising initiatives that were fresh, creative, relevant and exceptional. We also positioned financial inclusion through youthful communication to drive uptake of products like M-Shwari and Lipa Na M-PESA. Our targeted Communications for Enterprise also had a focus on SMEs and leveraged on brand youthfulness attributes.





## TARGETED CAMPAIGNS

We engaged in youth-targeted campaigns by offering value through internet and content proposition such as;



### SAFARICOM GAMES

A recruitment drive to download from our games portal targeting the youth

### DAILY BUNDLES

To stimulate and push our daily bundles



### TWITTER CAMPAIGN

Targeted to recruit the youth and GY to the Twitter platform

### SAFARICOM MyTunes

Targeted the youth with music downloads



### 4G

Launch of the 4G 'speed is good', especially for the youth

### 10MB BUNDLE

Youth-centric campaign to push 10Mb bundle



### NEW BUNDLE TARIFF

Targeted all segments of our customers



## SAFARICOM ACTIV8 CAMPUS YOUTH INFLUENCERS

This is our major youth ambassador programme with a presence in most towns. The programme has over 4,000 product youth ambassadors who in the past financial year, actively drove below the line activations and usage of our products among the youth. They actively promoted the following:

- M-Shwari
- MyTunes
- Bonyeza
- Alternative Customer Care Channels – USSD and Social Media

The effectiveness of the programme was enhanced through the Safaricom Activ8 App, especially in providing information on Safaricom products and services.



BRAND  
ASSETS

## MUSIC ASSETS

## GROOVE WITH SAFARICOM

As part of Safaricom's youth strategy, we intend to get more engaged in activities that will be geared towards building the brand's active engagement and connection with the youth, thereby enhancing Safaricom's brand equity in this crucial segment.

To this end, we partnered with the Groove property, which is a renowned, modern, youthful and hip gospel music property that attracts Kenya's most celebrated and influential gospel musicians and also appeals to youth aged between 18 and 24 years across the social-cultural and economic divide especially in the urban and peri-urban areas.

Groove with Safaricom is an initiative that seeks to celebrate and grow gospel music talent in the country while at the same time allowing us to engage with our customers.

The property has grown in stature and allows us to reach a vast base of our customers especially through Skiza.

Overall, it was a very successful property that engaged over 100,000 people directly.



## SAFARICOM JAZZ FESTIVAL

In February 2014, the first ever Kenyan Jazz festival was staged at the Safaricom International Jazz Festival. Over eight local and international classical Jazz musicians performed for a week for 250 guests in an intimate setting, leading up to the large outdoor jazz concert for more than 5,000 fans at the Ngong Racecourse.

The aim was to bring a never-seen-in-Kenya Jazz Festival at an affordable cost so that Kenyans from all walks of life could attend. This will trigger and harness a Jazz culture amongst our community members.

The 2014 event was very successful with an opportunity to create a series.







## SAFARICOM YOUTH ORCHESTRA PROFILE

In Kenya, most children who play a classical or orchestral instrument have learnt to do so in school or by attending music school or taking private lessons. For the average Kenyan child, learning an instrument is often a challenge due to cost and the inability to access the instrument itself.

With this in mind, Safaricom CEO, Robert Collymore, launched The Safaricom Youth Orchestra in April 2014. The aim was to create an Orchestra that is world-class and one that gives every child an opportunity to showcase their talent.

We have brought together the best tools and resources; distinguished music directors and tutors, facilities and music instruments to all the children in the orchestra. The platform will provide an opportunity for the children to be nurtured and guided by highly qualified, motivated and passionate music professionals and to obtain the skills necessary to become Kenya's next generation of professional musicians.

Since May 2014, the orchestra has had more performances and appearances than a typical standard

orchestra. The year was indeed a great one, with many positive and promising developments for individual members as well as collectively as an orchestra. The success of the orchestra is in great part due to the overwhelming support from parents, music teachers and school administrations of the various members of the orchestra.

The first public appearance was at the 2014 Safaricom Groove Awards, barely a month after the very first rehearsal. Many performances followed including at the 2014 Safaricom Annual General Meeting, a Grand Orchestra / Safaricom Choir concert and many more.

The orchestra has 65 members aged between 11 and 17 years drawn from all walks of life with more than 60% of them from underprivileged backgrounds.

Safaricom Youth Orchestra continues to transform the lives of the children – most of whom have been able to build their talent and to have a fair chance at enhancing their skills and talent. This has been made possible by simply providing the same opportunity for every child.

## BRAND ASSETS

### SPORTS ASSETS



#### SAFARICOM 7s SERIES

Safaricom has been a huge supporter of sports in this country in line with our spirit of transforming lives. One of the sporting disciplines we have always supported overwhelmingly is rugby, more specifically the 7s.

Safaricom got involved with 7s Rugby six years ago and over time we have seen the sport grow significantly both in terms of the country's rugby stature and also the fan

base. When it started off, we only had a fan base of 8,000 and this has grown to a whopping 42,000 in the last edition of the now famous Safaricom Sevens, which was expanded to include five local tournaments in the 7s circuit. Safaricom Sevens is the region's largest sporting event.

The 7s series has been a success in growing the sport with new talent discovered and incorporated into the new-look 7s team and the significant growth of the fan base.



## SAFARICOM ATHLETICS SERIES

As part of the Safaricom's strategy of transforming lives, the organisation set out to establish a property in partnership with other organisations, whose aim was not only to transform lives, but also to increase the brand love within the CORE target segment.

Towards this end, in 2013, Safaricom established the Safaricom Athletics Series, which is an umbrella property that has merged different races that Safaricom sponsored in an ad hoc manner. This year, a total of 15 long distance races were supported.

Last year, the series took a different turn and added short distance races to its agenda, thus supporting three relay edition races under the Safaricom Relays Edition. This was in addition to 14 races under the Safaricom long distance races edition.

The Safaricom Athletics Series umbrella has grown and transformed the lives of various athletes in the country, helping some to reach world championships levels. To name a few: Dennis Kimetto launched his athletics career during the Iten Road Run in 2010; Rita Jeptoo launched her comeback race within the KASS marathon in 2012; and Beryl Wamira and Simon Cherono broke world records during the Deaflympics Games in 2013 in Bulgaria through training supported under the 2013 series.

The series has equally seen the growth in numbers of M-Shwari customers in the year to 37,000 new activations. It has also supported revenue growth within the Okoa Jahazi and Masaa ya SMS products within the 2014 edition as well as increased the brand equity.



## SAFARICOM MARATHON

**This is a Safaricom flagship asset which started off as a simple idea in 2000 and has grown into a world-renowned event. The marathon is exceptional in many ways; it combines an unusual fundraising initiative with one of Kenya's greatest sporting passions - running!**

The Safaricom Marathon allows participants from all over the globe to compete in an internationally acclaimed event whilst running through some of Africa's most breath-taking scenery. As a result, it has developed into one of the country's major sporting events with a reputation for being one of the 10 "must do" marathons in the world.

The marathon has stimulated and provided substantial financial help to a wide range of beneficiaries throughout Kenya, with a primary focus on northern Kenya. The impact has been huge and the benefits tangible.





## SOCIAL IMPACT



### SAFARICOM AND M-PESA FOUNDATIONS

The two foundations work together to transform the lives of Kenyans. Safaricom Foundation invests in small-scale, short-term projects, which create lasting social, economic and environmental transformation, while M-PESA Foundation invests in larger projects through long-term grants in partnership with other organisations.

Both focus on areas of greatest needs while applying holistic but relevant approaches to deliver long-term and sustainable results.

Together, the foundations give priority to strategic partnerships. They work in partnership with national and county Governments, the Civil Society Sector including Non Governmental Organisations (NGOs), Community Based Organisations (CBOs), corporates, corporate foundations and Kenyan communities to improve the quality of life. Both foundations are aligned with Kenya's Vision 2030, the UN Millennium Development Goals and the Sustainable Development Goals.



The newborn unit can now offer better neonatal services which are aimed at reducing neonatal and child deaths

## SAFARICOM FOUNDATION

Safaricom Foundation is the Corporate Social Responsibility arm of Safaricom and is funded by Safaricom Limited and Vodafone Group Foundation.

### Safaricom Foundation unveils its new three-year strategy

With a footprint in all of Kenya's 47 counties, and a strong history of partnerships dating back to its inception in 2003, the Safaricom Foundation has worked with Speed, Simplicity and Trust to implement over 1,000 community projects. It has impacted over three million people, through the thematic areas of Health, Education, Environmental Conservation, Economic Empowerment, Water, Disaster Relief, and Arts & Culture.

During the year, the Foundation marked an important milestone when it unveiled a three-year strategy aimed at enabling the Foundation maximise its impact and transform the lives of Kenyan communities.

The three-year strategy, which runs from April 2014 to March 2017, will build on the strong history of results and partnerships, and will contribute towards Vision 2030 and the Sustainable Development Goals. It will also leverage the power of innovation and technology to drive our projects forward and offer a blend of grants, equity and ultra-low cost loans to our partners.

The strategy spells out the areas Safaricom Foundation will focus on for the next three years. It also outlines nine strategic directions in which the Foundation intends to make a significant contribution. These are: -

- Scale up the development and use of mobile technology for development
- Increase access to equitable and innovative educational opportunities
- Improve the health status of Kenyans and economically empower young people
- Preserve and protect the environment
- Increase access to water in water-insecure counties
- Preserve, protect and enhance Kenya's arts and culture
- Reduce suffering, disease and death due to disasters and complex emergencies
- Develop as an effective corporate foundation recognised as a leader in its field



## Project Highlights

### Kenyatta National Hospital Newborn Unit

Founded in 1901, Kenyatta National Hospital (KNH) has 50 wards, 22 out-patient clinics, 24 theatres (16 specialised) and Accident and Emergency Department. The Private Wing has 209 out of the total bed capacity of 1,800. KNH has over 6,000 employees. It sits on an area of 45.7 hectares.

As part of the Kenya @50 legacy projects, Safaricom Foundation provided Kshs 50 million in the last financial year towards the rehabilitation and equipping of the Newborn Unit.

The Kenyatta National Hospital's Newborn Unit caters for at least 100 babies per day. However, the neonatal deaths at the facility have remained high over the years due to poor infrastructure. The Foundation renovated the unit and purchased the following medical equipment: three NCPAP Machines (Pressure machine that provides continuous positive airway to pre-term babies to open their lungs), four oxygen blenders, one blood gas analyser, one ultrasound machine, three resuscitators, one neonatal ventilator, three cardiac monitors and four syringe pumps.

Following the refurbishment and equipping of the Newborn Unit, the facility can now offer better neonatal services which are aimed at reducing neonatal and child deaths. The unit was handed over by Her Excellency the first Lady of Kenya, Margaret Kenyatta.

In 2013, Kenya was position 33 globally in under five deaths in the Save the Children 15th Annual State of the World's Mother Report. The leading cause of neonatal deaths was said to be severe infections followed by asphyxia, which is a severe deficiency of oxygen to the body. This was followed by pre-term births and congenital anomalies.

SOCIAL  
IMPACT

## Project Highlights (continued)

**Mathari National Referral and Teaching Hospital**

Mathari Hospital is a specialised National Referral, Training and Research Public Institution in mental health and the only public health facility that solely caters for patients suffering from mental disorders in Kenya. It has a capacity of 700 in-patients and serves in excess of 60,000 outpatients annually. It is estimated that at any given time, 10% of adults are experiencing a current mental disorder and that 25% will develop one at some point in their lifetime.

Again, in partnership with the Kenya @50 Secretariat, the Mathari Hospital project involved renovation of three wards; two male and one female ward, purchase of 100 beds and office furniture, fixing the sewer system as well as upgrading of laundry facilities at the hospital.

The renovation was geared towards improved quality of life for the patients, a recognition that a healthy mind is the basis of relationships, productivity and happiness. To deny mental health patients treatment and compassion, for any reason, sentences them to a life of isolation, unemployment and endless sorrow. The project was officially handed over by H.E. Uhuru Kenyatta, the President of the Republic of Kenya, who promised an additional Kshs 50 million to renovate three other wards.

**Safaricom Foundation commemorates Kenya's Golden Anniversary**

The Safaricom Foundation commemorated the Golden Anniversary of Kenya's independence by supporting two legacy projects at a cost of Kshs 100 million. The two projects were part of eight projects identified by the Kenya @50 Secretariat which are now hallmarks of the country's Jubilee year.

**Hatua Likoni**

The Likoni Community Library is a community resource centre equipped with over 6,000 books, nine reading tables, 100 seats and nine computers. It offers the residents free access to books and a quiet study environment seven days a week, from 9am to 8pm on weekdays and 10am to 5pm on weekends. Safaricom Foundation supported the library to build shelves and purchase primary and secondary school curriculum-based books at a cost of Kshs 500,000. This aimed at supporting local students who cannot afford textbooks.

Since launching the new curriculum books, the number of library users increased from an average of 2,226 monthly to 6,614 users. The majority of the users are primary and secondary school students, particularly those in Class Eight and Form Four. Students come from 108 schools. Some of the beneficiaries had the following to say;

"My name is Mary Awino. I go to Lake Star Academy and I am in Class Six. I have been using the library for the past three years to read, study and to complete my school homework. I am glad I have been able to complete my homework, something which would have been impossible since I do not have school course books at home. After school I come to the library every day from 6pm to 8pm. I would like to urge the library to keep it up and also add more books for Kiswahili and Insha. I also like the junior fiction books; they have helped me to improve my English grammar."

- Mary Awino, Class 6 - Lake Star Academy

"I am a parent of Tabitha Aswan, a Form Four student at Mwasere Girl's Secondary School. I would like to appreciate the library for offering our kids a conducive environment for studies. I like the course and revision books and I have personally come to the library and verified that indeed we have good books. This will go a long way to motivate our young ones as everything they need for studies is available in the library. The homework helpers programme has also relieved parents of school work questions, most of which we can no longer respond to as we left school decades ago."

- Lillian Ayango Adero, Parent



## M-PESA FOUNDATION

Registered in 2010 as an independent development charitable trust, the M-PESA Foundation invests in innovative large scale programmes in health, environmental conservation, education and integrated water projects. During the year, the M-PESA Foundation also celebrated its five-year anniversary.

The M-PESA Foundation was established to promote education, health and environmental conservation and other social welfare initiatives in Kenya. The Foundation is funded by interest earned on M-PESA funds.

During the year, the M-PESA Foundation funded and implemented the following projects:

- Construction of an ultra-modern library at Starehe Girls Centre
- Completion of Phase I of the Health Enablement Learning platform to enhance training and upskilling of community health workers in partnership with AMREF and Accenture
- Completion of Phase I of the Samburu Maternal and Child Health Project in partnership with PharmAccess Foundation and AMREF
- Completion of the fencing of 43.3 km at the Mau Eburu Forest in Nakuru County
- The Integrated Food Security project in Kwale that entails reconstruction of the Nyalani dam, economic empowerment of the Kinango community and improvement of health, hygiene and nutrition outcomes, a partnership with Kenya Red Cross Society

During the year, the following programmes were initiated;

- Commencement of the construction of the M-PESA Academy that will deliver world-class Kenyan education based on the KCSE system
- Phase II of the Health Enablement Learning platform to enhance training and upskilling of community health workers in Kenya; in partnership with AMREF and Accenture

- Phase II of the Samburu Maternal and Child Health Project to improve child and maternal health outcomes in the entire county

## M-PESA Foundation strengthens partnerships with corporate foundations and trusts

During the year, in partnership with Department for International Development (DFID), the M-PESA Foundation brought together corporate Foundations and Trusts in Kenya to explore opportunities for greater impact in the different areas where they work. Two meetings were held to improve synergies and partnerships for greater and sustainable impact.

## The M-PESA Foundation Academy

Once completed, the M-PESA Foundation Academy will be a state-of-the-art, national, mixed boarding high school providing world-class Kenyan education based on the KCSE curriculum. Driven by leadership, entrepreneurship, technology and innovation, the Academy will serve talented but economically disadvantaged students with demonstrable leadership potential. The vision of the academy is to develop transformational leaders through innovative approaches to education. It will strive to be the top leadership development institution in the region that will attract exceptional, motivated and talented students. The first batch of students will be admitted in January 2016.



## M-PESA Foundation celebrates five years of doing more

The Foundation commemorated five years since inception. Under the theme 'Five Years of Doing More', it took stock of the investments in the Kenyan community and resulting long-lasting and impactful transformation.

SOCIAL  
IMPACT

## CASE STUDY

**The fruit and flavour of  
Mau Eburu**

At independence in 1963, the Mau was one forest, representing more than 40% of Kenya's entire forest cover. The Mau Eburu is one of the 22 blocks measuring 8,715.3 hectares that was gazetted in 1932 as a national reserve.

When the Kenya Forest Service (KFS) mapped the Reserve in 2009, it was estimated that 2,031 hectares of it had been degraded. This was through extensive illegal activities like cedar logging, charcoal burning, uncontrolled grazing as well as increased human settlement.

This is Joseph Lengetu's story. A member of the Ndorobo community, part of the larger Ogiek ethnic group. Lengetu and his family lived off the forest lands. When the KFS surveyors arrived from Nairobi, it was found that Lengetu and his kinsmen had encroached the Mau Eburu.

"There was a time that you could stand here on top of Ngobobo and all you would see was smoke cloud. People cut down the trees to sell the wood and make charcoal. We forgot that we were the protectors of the forest", laments Lengetu.

Driven to protect this important heritage, the Rhino Ark Charitable Trust made a formal commitment in December 2010 to fence the Mau Eburu's 50 km long perimeter. The M-PESA Foundation provided a grant of Kshs 155 million for the fencing project, the first of its kind in the Mau Complex. By ensuring the full participation and involvement of people like Lengetu, the 50 km fence has been completed.

"From the water tower, I can see the fruits of our labour. The trees are growing and the animals are safe. Our children are learning about conservation and they have been asking us a lot of questions. We have also become scouts for the Kenya Forest Service and inform them of any illegal activity happening in the forest", says Lengetu.

"But they have also shown us how to store the honey. We have also been introduced to markets outside Eburu and we are earning money from selling honey. Today we sell a kilo of filtered high quality honey for Kshs 600", he adds.



## THE 47 IN 1 PROJECT

This is a corporate social responsibility initiative of the Safaricom Technology division staff launched in September 2014. The Division targeted to build one computer lab in a public primary school in each of the 47 counties in Kenya, hence the 47 in 1 Project.

The division aims to reinforce community and the public sector's efforts to uplift education standards and realise Safaricom's vision of Transforming Lives. The goal is 'Equipping our Primary Schools with Technology for Learning' to enhance teaching at the schools through a co-creation process with students and their teachers.

To see the project to completion, the team came up with creative milestone 'checkpoints' that create a competitive yet productive team spirit amongst the more than 680 members of the technology family for engaging a primary school community in all the 47 counties, and maintaining a sustained momentum to realise the goal. The 47 groups were made up of 14 members from the Technology Division and other units as well as from our supplier ecosystem who are equally passionate about transforming lives. To enhance the chances of achieving the intended results, the key stakeholders in each community are identified and involved right from inception through implementation. Their values and aspirations are incorporated every step of the way.



Each of the 47 projects began by with making an initial appearance to a school in the target community, establishing the purpose for this project, and encouraging them to narrate to the team their best moments in the history of their school and the reasons they are proud of the community. Together, the team identifies the community values and what it will take to strengthen these values, without forgetting what Safaricom members value in transforming lives.

The cost of a solar-powered fully kitted container plus installation costs is approximately Kshs 1.6 million, hence the total amount to be raised, including logistical and administrative activities and the support community engagement came to Kshs 85 million. The energy-efficient, solar-powered computer lab consists of 11 computers aimed at 10 pupil stations and one teacher server station, networked and running on free software, and is housed in a semi-permanent structure like a 40 foot container like pre-fabricated building.



Funds are being raised by each of the 47 teams at the county level with a target of a minimum of Kshs 800,000 per county team. This has to be raised before the lab implementation can begin to encourage community ownership for sustainability. The other half is being raised through corporate partnerships offering lab co-branding sponsorship levels at the county level. As at the close of the financial year, Kshs 68 million had been raised and the first lab will be launched in August 2015 in Kiambu County.

## SOCIAL IMPACT



### NEEMA CHILDREN'S PROJECT

The Consumer Business Unit (CBU) is involved in a project dubbed Neema Children's Project which targeted to transform two homes, Children's Garden in Kawangware and Angel's Centre for Abandoned Children in Dagoreti.

The CBU team came up with innovative ways to raise the funds and the main ones were:

- Car wash event
- Staff fundraising initiative

- Staff contributions through payroll
- Sale of T-Shirts
- Food donations
- Providing labour in the construction of the dining sets

So far these activities have raised Kshs 5.1 million to support the above needs.

Fundraising will continue to cover the balance of Kshs 4 million to ensure the construction project is ongoing.

### ANGEL'S CENTRE

This centre caters for young abandoned children. It is run by a young lady, Wamaitha. The kids in the home are aged from 2 or 3 days to 4 years. The home also facilitates adoptions and has so far successfully facilitated the adoption of 11 children.

By the time CBU team came on board, the centre was home to 19 children.

The immediate needs in the centre were rent, food, milk, medical expenses and school fees, storage facilities and the children's play area.

The team achieved the following at the Angel Centre: rehabilitation of the home, provision of children's playground, additional storage for foodstuff and paid one year rent for the home, all at a cost of Kshs 1 million.



### CHILDREN'S GARDEN

The home is run by Mr Moses and his wife and has over 150 children on the property. There are both primary and secondary school going students. Among them are students who are soon completing Form four studies.

To raise some income, the home has a small farm for vegetables, a greenhouse, cows, rabbits and a cooking area that is also hired out.

At the time the CBU team came on board, the immediate needs of the home were: a secondary school block of four streams, a boys' dormitory and a toilet block,

kitchen and dining restoration, food supplies and school books.

On the Children's Garden, the team delivered new dining hall table seats as well as rehabilitation of the cooking equipment. The next project is construction of the boys' dormitory which is scheduled to begin soon.

These initiatives have yielded exciting results by providing CBU team a forum to give back to the society either in kind or in cash. The cohesion and the productivity of the CBU team members is also expected to improve as they learn to work together.



## mAGRICULTURE

### Fertiliser E-Subsidy

Through competitive bidding, the Ministry of Agriculture, Livestock and Fisheries (MoALF) awarded Safaricom a consultancy for system development and capacity building in December 2014.

The objective of the e-input subsidy management system is to improve the disbursement of fertiliser subsidies to smallholder farmers in Kenya.

This product will provide improved security, transparency and efficiency over the pre-existing manual systems in use at the MoALF. Improved access to fertiliser will increase yields and productivity.

The MoALF aims to provide the service to between 3 million and 5 million Small Holder Farmers (SHF). This product will change the lives of many Kenyans.

The solution uses different communication channels like Mobile Originating (MO) and Mobile Terminating (MT) SMS, USSD, M-PESA (B2C), web and other mobile based applications. Interaction by users of the E-Voucher System (farmers and agro dealers) is not specific to any communication channel, for example agro dealers can verify and redeem an e-voucher using a public USSD service or a native or web-based mobile application.

The E-Subsidy Management System is delivered by linking several 'loosely coupled' modules to a central database to deliver an end-to-end solution.



## SUSTAINABILITY

For us, sustainability continues to evolve and reflects our conviction that it is a journey, not a destination. From a strategic perspective, sustainability remains a symbol of our common commitment to our shared future, a positive principle that unites us as we recognise our responsibility to help shape that future.

We are convinced that continuously adding value to the lives of our stakeholders through our technology, products and services will go a long way in uplifting the communities, corporates and individuals within our ecosystem. We aspire to use our products and services to transform lives and contribute to sustainable living throughout Kenya. Based on this fundamental aspiration, our vision sets out how we use our ability to deliver connectivity and innovative services to improve the quality of life and livelihoods of the people we reach. Central to achieving this vision is our commitment to managing our operations responsibly and ethically. The following table defines our sustainability framework.

### Safaricom Participation in the United Nations Global Compact (UNGC)

Safaricom is an active participant in the United Nations Global Compact (UNGC), which is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Our CEO, Robert Collymore, was recently re-appointed board member of the UNGC. Beyond his mandate of strategic guidance and promotion of the UN Global Compact, he is also engaged as a member of the Anti-Corruption Working Group that is advancing principle 10 to improve on the ease of doing business globally. He is also a member of the Africa Strategy team that is working specifically to make sustainability and responsible business relevant to Africa and has been increasingly called upon as a thought leader and thought shaper in the field of sustainability and responsible business – setting a tone for honest and open dialogue.

United Nations Global Compact has achieved a number of milestones in the last financial year, which include initiatives in partnership with other members of the network, development of the code of ethics for business in Kenya, facilitation of multi-stakeholder dialogues and partnerships to advance business sustainability. Others are knowledge development and best practice sharing, capacity development of companies to enhance sustainability performance, increasing private sector sustainability knowledge and capacity to implement the ten principles as well as mobilising Kenya private sector voice to the post-2015 development agenda.

OUR BUSINESS: What we do and why, how we do it, and the value we have created.						
OUR MATERIAL MATTERS: The impacts and opportunities of greatest concern and significance to us.						
Network quality		Innovation	Governance, risk and regulation		Environmental impact	
Our network is core to our business. It allows us to differentiate ourselves in a competitive market and is the medium through which we transform lives.		Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow.	Upholding the highest standards of corporate governance and acting in an ethical fashion is not only our key responsibility as a good corporate citizen, but also makes business sense.		We understand that we have an impact on the environment and that we have a responsibility to mitigate our negative environmental impacts.	
OUR STAKEHOLDERS: The individuals, communities and organisations that are most affected by, or most likely to influence, our business.						
Customers	Employees	Business partners	Shareholders	Society	Regulators	Media



We are the first telecommunications company in East Africa to attain ISO 14001 certification

## ENVIRONMENTAL IMPACT

### Management approach

At Safaricom, we recognise that environmental considerations are not separate from our core business, but an integral part of our overall business strategy. Our approach is guided by our Environmental Policy, which has been approved by Safaricom CEO and the Executive Committee. Our response to this material matter is primarily managed through:

- Energy consumption targets (of electricity, diesel and water)
- Carbon footprint objectives (our greenhouse gas emissions)

- E-waste collection and recycling targets
- Environmental Impact Assessments (of new infrastructural developments)
- Environmental Audits (of existing infrastructure)

The Corporate Responsibility Department (CRD) is responsible for managing the environmental performance at Safaricom. The department falls within the Corporate Affairs Division (CAD) and the Director is a member of the Executive Committee.

## OUR ENVIRONMENTAL CONSIDERATIONS

### Certification

One of our major commitments last year was to achieve ISO 14001 certification for our Environmental Management System (EMS) and we are pleased to report that this important milestone was achieved. The international ISO 14001 standard sets out the criteria for an effective EMS and achieving full ISO 14001- certification provides our stakeholders with assurance that our environmental impact is being measured and reported upon methodically and accurately.

### Reporting on performance

Auditing our network as part of efforts to monitor and evaluate Safaricom's environmental impact, we continued to undertake Environmental Impact Assessments (EIAs) of our infrastructural developments, such as new Base Transceiver Stations (BTS) and fibre optic networks, and Environmental Audits (EAs) of our existing infrastructure as required by National Environment Management Authority (NEMA).

### Managing our emissions

The current scientific consensus is that global carbon emissions need to be reduced by 80% by 2050 to avoid catastrophic climate change. We are committed to being a responsible corporate citizen and visibly monitoring, reporting and reducing our carbon footprint to help meet this target.

80%

Percentage of global carbon emissions that need to be reduced by 2050



### E-waste campaign raises awareness

We are delighted to report that 170 tonnes of E-waste (discarded electrical or electronic devices and appliances) was collected during the year, compared to 50 tonnes collected the previous year. The dramatic increase in waste collected was as a result of successful awareness campaign and collection road shows during the year.

### Improving water and waste management in our facilities

One of Safaricom's objectives is to make our facilities as environmentally friendly and efficient as possible. During the year, we commissioned an independent assessment of the water footprint and carried out an internal audit of the solid waste streams at our main facilities: Safaricom House (our headquarters); the Jambo Contact Centre (JCC); and the Safaricom Care Centre (SCC).

## CASE STUDY

**Managing our Energy Demands**

The availability of our network remains a critical necessity and we are pleased to report that our energy failure rate (power failures as a percentage of total failures) dramatically dropped during the year. Additionally, we met our target of reducing energy costs per site by 10% this year and continued to deploy a range of energy availability and efficiency initiatives throughout the network. Our assessment of managing our energy demands is evaluated from two perspectives: improving energy availability and improving energy efficiency.

**Improving energy availability**

The excellent accomplishment of reducing our energy failure rate by 30% is as a result of a combination of initiatives, including our ongoing work with Kenya Power and investments in backup solutions such as deep cycle batteries and alternative energy sources. We also invested heavily in power redundancy at our data centres during the year, three of which have now achieved the highest level possible in the region, tier 3. The following table describes the mix of energy sources used throughout our network and it tracks the progress of our key energy availability-related initiatives, which are described in detail after the table.

Network energy sources by site (total at year-end)	FY13	FY14	FY15
KPLC* and genset	2,466	2,566	2,763
KPLC* (No generator)	297	303	323
24/7 diesel generator	79	17	41
Power cube (energy efficient generator)	34	79	91
Diesel generator/battery hybrid solution	6	13	11
Solar/wind hybrid solution	55	65	56**
Solar	12	12	36

\* Kenya Power (National grid supply)

\*\*The reduction in hybrid sites is based on some of the wind sites not being functional. We will look at the business case (costs) to return functionality otherwise we will convert these sites into solar.

**Improving energy efficiency**

As our network continues to grow in size and sophistication, achieving energy efficiency will become even more important. Our vision is to create a powerful, streamlined network with minimal amounts of energy to meet demands of a growing array of services. Reflecting on our energy efficiency performance, 2015 was a year of maintaining the momentum achieved in 2014 and we are pleased to have achieved our target of reducing energy costs per site by 10%.

**Initiatives for improving energy efficiency**

One of our ongoing programmes is to replace the standard diesel generators with power cubes. These are extremely efficient hybrid energy systems in which all the power components are in one enclosure. The components (generator, fuel tank, DC power system, batteries and controller) are all factory-integrated to reduce generator runtime, human interference, prolong battery life, reduce fuel theft and enable remote monitoring. We converted a further 12 sites during the year, bringing the total to 91. We are also replacing our standard generators with newer, more efficient units.

We also rolled out the next phase of our Low-voltage Auto Phase Selectors (APS) initiative and a further 303 units were installed during the year, bringing the total number

of units to 478 across the network. These units allow our sites to utilise grid power at voltages as low as 110V, which reduces significantly the instances and lengths of time the generators have to run.

Another initiative that we continued with during the year was the installation of free cooling units. These units reduce the cooling energy requirement at sites by exchanging the warm air inside with colder air from outside. As most of our sites are in areas of moderate temperatures, it has been possible to achieve significant savings with these units, especially at night. We installed a further 235 units during the year, increasing the total number of operational units to 640.

One of our goals this past year was to create an energy baseline for the network, which we can use to benchmark ourselves against other operators and create our SMART energy management programme. Although this process is yet to be completed, we successfully audited the sites targeted for the year in June (large sites with average energy consumption levels of 15,000 kWh or higher), which represents approximately 30% of all sites and 60% of all energy consumed. The next step is to audit a sample of the remaining smaller sites and then create our energy baseline. We plan to complete this process and publish our first energy baseline in the coming year.



## Alternative energy solutions implemented during 2015



Solar energy solutions deployed:

📍 **24 SITES**



Power cubes (efficient hybrid energy systems) deployed:

📍 **12 SITES**



Free cooling units installed:

📍 **235 SITES**



Low-voltage Auto Phase Selectors (LV APS) deployed:

📍 **303 SITES**



Deep cycle batteries installed:

📍 **48 SITES**

### Energy consumption

Electricity (MWh)



FY 14 **113,800** | FY 15 **98,018**


Diesel (Litres)



FY 14 **6,833,590** | FY 15 **6,166,942**

### Environmental performance

Carbon Footprint\*:

	FY 14	FY 15
Scope 1 emissions	34,341 tCO <sub>2</sub> e	24,298 tCO <sub>2</sub> e
Scope 2 emissions	37,387 tCO <sub>2</sub> e	32,202 tCO <sub>2</sub> e
Scope 3 emissions	3,634 tCO <sub>2</sub> e	4,952 tCO <sub>2</sub> e
 <b>Total carbon footprint</b>	<b>75,362 tCO<sub>2</sub>e</b>	<b>61,452 tCO<sub>2</sub>e</b>

Environmental Impact Assessments:



**260**

Environmental Audits:



**275**

E-waste collected:



**170 tonnes**

#### \*Carbon Footprint Scopes

##### Scope 1 emissions

Includes diesel consumed in our generators, the fuel used in our fleet vehicles and the fugitive emissions associated with our air-conditioning systems

##### Scope 2 emissions

Includes indirect emissions associated with our consumption of purchased electricity

##### Scope 3 emissions

Includes other indirect sources, such as air travel and taxi hire









# 04

## FINANCIAL REVIEW

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# DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

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The Directors submit their report together with the audited financial statements for the year ended 31 March 2015, which disclose the state of affairs of Safaricom Limited ("the Company") and its subsidiaries (together, "the Group").

## PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of telecommunication services, providing a comprehensive range of integrated telecommunication services, including mobile and fixed Voice, SMS, Data, Internet and M-PESA.

## RESULTS AND DIVIDEND

The net profit for the year of Shs 31,871,303,000 (2014: Shs 23,017,540,000) has been added to retained earnings. No interim dividend was paid during the year (2014: nil). The Directors recommend the approval of a final dividend of Shs 25,641,874,000 (2014: Shs 18,830,751,000).

## DIRECTORS


The Directors who held office during the year and to the date of this report were:

N Nganga	Chairman
R Collymore	Managing Director and Chief Executive Officer
N Macharia	
S Mudhune	
M Joseph	
J Otty	
H Rotich	
S Timuray	
G Ventura	(Appointed 6 March 2015)
J Tombleson	(Alternate to R Collymore)
E Koimett	(Alternate to H Rotich)
S Sood	(Resigned 6 March 2015)

## AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with section 159(2) of the Kenyan Companies Act.

By order of the Board



Mrs Enid Muriuki

SECRETARY

6 May 2015

# STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2015

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The Kenyan Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Group and Company keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- (ii) Selecting and applying appropriate accounting policies; and
- (iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company as at 31 March 2015 and of the Group and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Board of Directors on 6 May 2015 and signed on its behalf by:



Nicholas Nganga

Chairman and  
Non-executive Director



Robert Collymore

Managing Director  
and Chief Executive Officer



# 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), as set out on pages 78 to 132. These financial statements comprise the consolidated statement of financial position at 31 March 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the 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 2015 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Directors' 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 assurance about 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 the auditor's judgment, 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 Company'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 Company'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 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 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 of the Company at 31 March 2015 and of the financial performance 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

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 and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Anne Eriksson – P/772.



*Anne Eriksson*

Certified Public Accountants

Nairobi

6 May 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

Year ended 31 March			
	Notes	2015 Shs'000	2014 Shs'000
Revenue	5	163,364,121	144,672,477
Other income	6	575,604	126,625
Direct costs	7 (a)	(56,708,576)	(51,963,714)
Other expenses	7 (b)	(36,039,990)	(31,892,090)
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		71,191,159	60,943,298
Depreciation of property, plant and equipment	17	(21,850,707)	(21,281,441)
Impairment of property, plant and equipment	17	(2,849,518)	(4,083,905)
Amortisation – Licences	18	(542,902)	(153,890)
Amortisation – Indefeasible Rights of Use	20	(327,032)	(267,995)
<b>Operating profit</b>		45,621,000	35,156,067
Finance costs	8	(1,347,720)	(1,882,358)
Finance income	8	1,772,589	1,695,412
Share of (loss) / profit of associate	19 (b)	(4,041)	15,309
Asset purchase gain	30	107,717	-
<b>Profit before income tax</b>		46,149,545	34,984,430
Income tax expense	11	(14,278,242)	(11,966,89)
<b>Profit for the year</b> (of which Shs 31,751,249,000 (2014: Shs 22,852,333,000) has been dealt with in the accounts of the Company)		31,871,303	23,017,540
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		31,871,303	23,017,540
<b>Profit and total comprehensive income attributable to:</b>			
Owners of parent		31,871,303	23,017,540
Non-controlling interest		-	-
		31,871,303	23,017,540
<b>Earnings per share</b>			
- Basic and diluted (Shs per share)	12	0.80	0.57



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2015

	Notes	At 31 March	
		2015 Shs'000	2014 Shs'000
<b>Equity attributable to owners</b>			
Share capital	13	2,003,271	2,003,271
Share premium	13	2,200,040	2,200,040
Retained earnings		74,431,346	68,201,917
Proposed dividend	14	25,641,874	18,830,751
<b>Total equity</b>		<b>104,276,531</b>	<b>91,235,979</b>
<b>Non-current liabilities</b>			
Borrowings	15	490,762	5,102,380
<b>Total non-current liabilities</b>		<b>490,762</b>	<b>5,102,380</b>
<b>Total equity and non-current liabilities</b>		<b>104,767,293</b>	<b>96,338,359</b>
<b>Non-current assets</b>			
Deferred income tax	16 (a)	1,666,417	2,750,879
Property, plant and equipment	17 (a)	107,756,919	97,710,542
Intangible assets – Licences	18 (a)	9,863,260	726,422
Intangible assets – Goodwill	18 (a)	219,151	219,151
Investment in associate	19 (b)	11,819	15,860
Indefeasible Rights of Use	20 (a)	4,848,505	4,855,097
Prepaid operating lease rentals	22	1,002	1,527
		<b>124,367,073</b>	<b>106,279,478</b>
<b>Current assets</b>			
Inventories	21	8,258,601	2,955,967
Receivables and prepayments	23	10,301,643	7,746,617
Cash and cash equivalents	24	14,030,309	17,618,884
		<b>32,590,553</b>	<b>28,321,468</b>
<b>Current liabilities</b>			
Payables and accrued expenses	25	41,423,899	29,473,060
Current income tax		617,216	1,276,527
Borrowings	15	10,149,218	7,513,000
		<b>52,190,333</b>	<b>38,262,587</b>
<b>Net current liabilities</b>		<b>(19,599,780)</b>	<b>(9,941,119)</b>
		<b>104,767,293</b>	<b>96,338,359</b>

The financial statements on pages 78 to 132 were approved for issue by the Board of Directors on 6 May 2015 and signed on its behalf by:



Director  
Nicholas Nganga



Director  
Robert Collymore

# COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2015

		At 31 March	
Equity attributable to owners	Notes	2015 Shs'000	2014 Shs'000
<b>Equity</b>			
Share capital	13	2,003,271	2,003,271
Share premium	13	2,200,040	2,200,040
Retained earnings		75,584,707	69,475,332
Proposed dividend	14	25,641,874	18,830,751
<b>Total equity</b>		<b>105,429,892</b>	<b>92,509,394</b>
<b>Non-current liabilities</b>			
Borrowings	15	490,762	5,102,380
<b>Total non-current liabilities</b>		<b>490,762</b>	<b>5,102,380</b>
<b>Total equity and non-current liabilities</b>		<b>105,920,654</b>	<b>97,611,774</b>
<b>Non-current assets</b>			
Deferred income tax	16 (b)	1,653,376	2,737,839
Property, plant and equipment	17 (b)	107,724,849	97,618,163
Intangible assets – Licences	18 (b)	9,852,858	714,931
Investment in subsidiaries	19 (a)	837,341	745,891
Investment in associate	19 (b)	11,819	15,860
Indefeasible Rights of Use	20 (b)	4,757,055	4,855,097
Prepaid operating lease rentals	22	1,002	1,527
Loan to related party	27 (x)	633,408	707,906
		<b>125,471,708</b>	<b>107,397,214</b>
<b>Current assets</b>			
Inventories	21	8,258,601	2,955,967
Receivables and prepayments	23	10,101,896	7,709,309
Cash and cash equivalents	24	13,996,400	17,585,006
		<b>32,356,897</b>	<b>28,250,282</b>
<b>Current liabilities</b>			
Payables and accrued expenses	25	41,141,067	29,245,744
Current income tax		617,666	1,276,978
Borrowings	15	10,149,218	7,513,000
		<b>51,907,951</b>	<b>38,035,722</b>
<b>Net current liabilities</b>		<b>(19,551,054)</b>	<b>(9,785,440)</b>
		<b>105,920,654</b>	<b>97,611,774</b>

The financial statements on pages 78 to 132 were approved for issue by the Board of Directors on 6 May 2015 and signed on its behalf by:



Director  
Nicholas Nganga



Director  
Robert Collymore



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Attributable to owners of the Company					Non-controlling interest	Total equity
		Share capital	Share premium	Retained earnings	Proposed dividends			
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000		
Year ended 31 March 2014								
At start of year		2,000,000	1,850,000	64,015,128	12,400,000	-	80,265,128	
Profit and total comprehensive income for the year		-	-	23,017,540	-	-	23,017,540	
Issue of new shares	13	3,271	350,040	-	-	-	353,311	
Transactions with owners:								
Dividends:								
- Final for 2013		-	-	-	(12,400,000)	-	(12,400,000)	
- Proposed final for 2014	14	-	-	(18,830,751)	18,830,751	-	-	
		-	-	(18,830,751)	6,430,751	-	(12,400,000)	
At end of year		2,003,271	2,200,040	68,201,917	18,830,751	-	91,235,979	
Year ended 31 March 2015								
At start of year		2,003,271	2,200,040	68,201,917	18,830,751	-	91,235,979	
Profit and total comprehensive income for the year		-	-	31,871,303		-	31,871,303	
Transactions with owners:								
Dividends:								
- Final for 2014	14	-	-	-	(18,830,751)	-	(18,830,751)	
- Proposed final for 2015	14	-	-	(25,641,874)	25,641,874	-	-	
		-	-	(25,641,874)	6,811,123	-	(18,830,751)	
At end of year		2,003,271	2,200,040	74,431,346	25,641,874	-	104,276,531	

The notes on pages 84 to 132 are an integral part of these consolidated financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
<b>Year ended 31 March 2014</b>						
At start of year		2,000,000	1,850,000	65,453,750	12,400,000	81,703,750
Profit and total comprehensive income for the year		-	-	22,852,333	-	22,852,333
Issue of new shares	13	3,271	350,040	-	-	353,311
Transactions with owners:						
Dividends:						
- Final for 2013		-	-	-	(12,400,000)	(12,400,000)
- Proposed final for 2014	14	-	-	(18,830,751)	18,830,751	-
		-	-	(18,830,751)	6,430,751	(12,400,000)
<b>At end of year</b>		<b>2,003,271</b>	<b>2,200,040</b>	<b>69,475,332</b>	<b>18,830,751</b>	<b>92,509,394</b>
<b>Year ended 31 March 2015</b>						
At start of year		2,003,271	2,200,040	69,475,332	18,830,751	92,509,394
Profit and total comprehensive income for the year		-	-	31,751,249	-	31,751,249
Transactions with owners:						
Dividends:						
- Final for 2014	14	-	-	-	(18,830,751)	(18,830,751)
- Proposed final for 2015	14	-	-	(25,641,874)	25,641,874	-
		-	-	(25,641,874)	6,811,123	(18,830,751)
<b>At end of year</b>		<b>2,003,271</b>	<b>2,200,040</b>	<b>75,584,707</b>	<b>25,641,874</b>	<b>105,429,892</b>

The notes on pages 84 to 132 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

Year ended 31 March			
	Notes	2015 Shs'000	2014 Shs'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	74,636,662	62,913,283
Interest received	8	1,292,085	1,140,069
Interest paid	8	(1,073,091)	(1,494,836)
Income tax paid		(13,853,092)	(11,425,327)
Net cash generated from operating activities		61,002,564	51,133,189
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	17 (a)	(33,866,124)	(27,780,723)
Acquisition of licences	18	(9,692,259)	-
Investment in Indefeasible Rights of Use	20	(228,990)	(1,116,411)
Proceeds from disposal of property, plant and equipment		93,835	45,725
Acquisition of a subsidiary	19 (a)	(91,450)	-
Acquisition of additional equity in associate	19 (b)	-	(551)
Net cash used in investing activities		(43,784,988)	(28,851,960)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	13	-	353,311
Dividends paid	14	(18,830,751)	(12,400,000)
Proceeds from long-term borrowings	15	5,914,152	615,380
Repayments on long-term borrowings	15	(7,889,552)	(8,227,958)
Net cash used in financing activities		(20,806,151)	(19,659,267)
Net (decrease)/ increase in cash and cash equivalents		(3,588,575)	2,621,962
<b>Movement in cash and cash equivalents</b>			
At start of year		17,618,884	14,996,922
(Decrease)/ increase		(3,588,575)	2,621,962
<b>At end of year</b>	24	14,030,309	17,618,884

The notes on pages 84 to 132 are an integral part of these consolidated financial statements.

## 1 General information

Safaricom Limited is incorporated in Kenya under the Companies Act as a public limited liability company, and is domiciled in Kenya.

The address of the registered office of the Company is:

L.R. No. 13263  
Safaricom House, Waiyaki Way  
P.O Box 66827-00800  
NAIROBI

The Company's shares are listed on the Nairobi Securities Exchange.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousands, except where otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgment in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### (i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2014, management has assessed them and none has had a material impact on these consolidated financial statements.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units (CGUs) which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.



## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (i) New and amended standards adopted by the Group (continued)

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2014 are not material to the Group.

#### (ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through SOCI. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### (b) Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured and special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

## 2 Summary of significant accounting policies (continued)

### (b) Consolidation (continued)

#### (i) Subsidiaries (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. Changes in ownership interests in subsidiaries without change of control Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

#### (iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associate' in the statement of comprehensive income.



## 2 Summary of significant accounting policies (continued)

### (b) Consolidation (continued)

#### (iv) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising from investments in associates are recognised in the statement of profit or loss.

#### (v) Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings (Shs), which is the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and cumulated in 'available-for-sale financial assets reserve'.

### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team (SLT) that makes strategic decisions.

The SLT consider the Group to be comprised of one operating segment. The financial statements are presented on the basis that risks and rates of return are related to this one reportable segment.

### (e) Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sales of goods and services, and is stated net of value-added tax (VAT), excise duty, rebates and discounts. The Group's principal business is the provision of telecommunication services. The business is transforming itself to a Total Telecommunication Solution provider. Airtime can be bought as scratch cards or PINless top ups through dealers and own-retail centres spread across the country. Customers can also buy airtime through M-PESA, emergency top up and direct top up for bulk purchases. Income from sale of the airtime is deferred and recognised as revenue on usage. Customers can use airtime to make voice calls, send SMS and browse the internet.

## 2 Summary of significant accounting policies (continued)

### (e) Revenue recognition (continued)

#### (i) Voice and SMS revenue

The Safaricom Limited headline Voice tariff is called Uwezo and Advantage PostPay at on-net rate of Shs 4 during the day and Shs 2 from 10pm to 8am and Shs 4 off-net applicable to PrePay and PostPay customers respectively. Other PostPay tariff plans are available for subscribers who opt to pay their bills at the end of the month. Corporate customers, depending on their usage, also qualify for further discounts. Revenue from voice customers on both Prepay and Postpay plan is recognised on usage.

The Group has signed interconnect agreements with both local and foreign partners. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised when partners' calls are terminated to the Groups' network.

The Group has roaming agreements with roaming partners that enable customers to make and receive calls when travelling around the world. The agreed charges differ per partner. When visitors roam on Safaricom network, revenue is earned by billing the visiting customers' network while revenue from Safaricom customers is earned from customer billing for voice, SMS and data usage while roaming on other networks. Revenue is recognised on billing.

Customers can send messages for Shs 1 on both on-net and off-net. There are also attractive SMS bundles which offer an effective price per SMS lower than Shs 1. Revenue from SMS service is recognised on usage.

#### (ii) Data revenue

Mobile data has a wide range of propositions available based on customers' requirements. These include daily bundles, 7 day, 30 day, 90 day bundles and time based billing. Revenue arising from the different service plans and tariffs are recognised as and when the service is used by the customer.

Fixed data services allow customers internet connectivity. Revenue is based on the bandwidth and speed contracted by the customer. Revenue is recognised at the end of every month based on a standard monthly charge.

#### (iii) M-PESA revenue

M-PESA is a mobile phone service allowing customers to deposit, transfer and withdraw money or pay for goods and services (Lipa na M-PESA) using a mobile phone. Kenya was the first country in the world to use this service, which is operated under licence from Vodafone. M-PESA is available to all Safaricom Limited subscribers (PrePay and PostPay). Registration is free and available at any M-PESA agent countrywide. The M-PESA application is installed on the SIM card and works on all makes of handsets. Revenue from this service is earned largely from transfer and withdrawal transactions performed by customers. A tariff that is graduated depending on the funds being transacted is applied on all transactions which are cumulatively reported as M-PESA transaction commission revenue.

To further drive financial inclusion Safaricom is currently running two bank services; M-Shwari and KCB M-PESA.

M-Shwari is essentially a bank service in partnership with Commercial Bank of Africa (CBA) that allows M-PESA customers to save, earn interest and borrow money using their mobile phones. M-Shwari customers can save as little as Shs 1 (USD 0.011) and get loans from as little as Shs 100 (USD 1.083). This has enabled more subscribers to get access to mobile banking services that they did not have before. M-Shwari has no application forms, no ledger fees, no limits on the frequency of withdrawal, no minimum operating balance and no charges for moving money from M-PESA to M-Shwari and vice versa. M-Shwari lock box product enables customers to make fixed deposit savings at a higher interest rate.

In the year, the Group in partnership with Kenya Commercial Bank (KCB) launched KCB M-PESA service. This service allows customers to borrow money using their mobile phones.

Revenue from these services is earned from the fee charged at the point of loan disbursement and this is shared between Safaricom Limited and the banks.

Mobile phone handsets, starter packs and other accessories are sold through dealers and own-retail centres spread across the country. These are recognised as revenue in the period in which the Group delivers products to the customer.



## 2 Summary of significant accounting policies (continued)

### (e) Revenue recognition (continued)

#### (iii) M-PESA revenue (continued)

The customer has accepted the products and collectability of the related receivables is reasonably assured. Starter packs consist of a SIM card and information brochures. Handsets have no right of return and revenue is recognised on sale, however, income from sale of SIM cards is deferred and recognised as revenue when the customer activates the line through initial top up.

#### (iv) Loyalty programme

A loyalty programme, 'Bonga', was introduced in January 2007 to both prepay and postpay subscribers. In this scheme, subscribers earn one Bonga point for every Shs 10 spent on voice calls, short messages service (SMS), data and M-PESA services. These points can be redeemed for free airtime, SMS or merchandise such as phones, modems and tablets.

Management defers revenue for every point accumulated and recognises the revenue relating to the point earned only on redemption. The position as at 31 March 2015 was that 77% (2014: 84%) of the points redeemed in the year were for non-merchandise items (voice minutes, data bytes and SMS) while 23% (2014: 16%) was redeemed for merchandise items.

#### (v) Construction contracts

The Group has construction contract for the construction of a national secure communication network and surveillance system for the national police service. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology, and functions, or their ultimate purpose or use.

The contract has a construction and management service elements. Construction costs incurred are accumulated under inventory work in progress until when they are billed. Revenue from construction is recognised progressively on a percentage of completion basis under other income. Revenue from the managed service of the infrastructure is recognised when delivered on a pro rata basis. Costs relating to the managed service are recognised under other expenses as incurred. Costs incurred in the year in connection with future managed services are presented under inventories as work in progress.

#### (vi) Others

Other revenue/income is recognised appropriately in the Statement of Comprehensive Income when earned. Interest income is recognised using the effective interest method.

### (f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Network infrastructure	3 - 10 years
Equipment and motor vehicles	3 - 5 years
Fibre	25 years
Leasehold improvements	Shorter of life of lease or useful life of the asset
Network maintenance spares	3 - 10 years

## 2 Summary of significant accounting policies (continued)

### (f) Property, plant and equipment (continued)

Effective 31 March 2015, the Group adopted amendment to IAS 16 "Property, Plant and Equipment" that clarifies that items such as spare parts, standby equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment.

The Group transferred network maintenance spares supporting the network previously classified under inventory to property, plant and equipment. See additional details under Note 17.

The Group capitalises staff costs directly attributable to construction of network infrastructure that meet the recognition criteria of IAS 16.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each period end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Property, plant and equipment acquired in exchange for non-monetary assets or a combination of monetary and non-monetary assets are measured at fair value of the new asset. If the fair value cannot be determined reliably, then the exchanged asset is measured at the carrying amount of the asset given up.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are taken into account in determining profit for the period.

### (g) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the aggregate of the fair value of compensation transferred, the acquisition date fair value of any previously held interest and any non-controlling interest over fair value of assets and liabilities acquired.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold. Any negative goodwill arising from an acquisition is credited to the statement of comprehensive income.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

#### (ii) Licences

Separately acquired trademarks and licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences that have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 to 15 years.

A telecommunication licence is a requirement of the Communications Authority of Kenya (CA) for mobile telephone companies. The licence is renewable for an additional period upon its expiry.

## 2 Summary of significant accounting policies (continued)

### (g) Intangible assets (continued)

#### (ii) Licences (continued)

Telecommunication licence fees are capitalised at cost and amortised over the period of the licence on a straight-line basis from commencement of the service of the network.

Currently, the Group has the following licences:

Safaricom Limited is licenced under the Unified Licence Framework which means it possesses;

- Network Facilities Provider licence Tier 1 (NFP) licence
- Applications Services Provider (ASP) licence
- Content Service Provider (CSP) licence
- International Gateway Systems and service (IGSS) licence
- Spectrum licence 2G (900, 1800 MHz) licence
- Spectrum licence 3G (2100 MHz) licence

These licences were initially issued in June 1999 for a 15 year term ending 30 June 2014. The licences were further renewed by CA for a period of 10 years and expire in June 2024. The 3G licence will expire in June 2022.

In December 2014 Safaricom acquired additional spectrum that had previously been assigned to Essar Telecom Kenya Limited (which exited the market). The Communications Authority amended Safaricom's existing Spectrum Licence to add the acquired spectrum (2x10MHz in 1800MHz band and 2x7.5MHz in the 900MHz band) for a licence period of 10 years to expire in June 2024.

Licence fees are amortised on a straight line basis over the life of licence. There are annual network licence fees associated to these licences which are expensed each year.

The following licences are also in place:

- Local Loop Operator Licence (LLO) issued to Comtec Training and Management Services Limited in March 2006
- Internet Service Provider (ISP) issued to Flexible Bandwidth Limited in March 2006
- Digital Carrier Network Operation (DCNO) issued to Comtec Integration Systems Limited in March 2006
- Public Data Communications Network Operator Licence (PDCNO) transferred to Safaricom Limited in September 2011 (held by PacketStream Data Networks Limited from July 2005)
- Public Data Network Operators Licence (PDNO) transferred to Safaricom Limited in September 2011 (held by IGO Wireless Limited from July 2005); and Content Service Provider (CSP) and Application Service Provider Licence (ASP) issued to Instaconnect Limited in 30 April 2009
- Additional LLO and DCNO Licences are held under One Communications Limited, a WIMAX service provider, since 31 August 2008

Network licences are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.



## 2 Summary of significant accounting policies (continued)

### (h) Derivative financial instruments

Derivatives, which comprise solely of forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. These derivatives are trading derivatives and are classified as a current asset or liability. Currently there are no derivatives held by the Group.

### (i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### (j) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### (k) Financial assets

#### (i) Classification

The Group and Company classify financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Directors determine the classification of the financial assets at initial recognition.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be realised within 12 months; otherwise, they are classified as non-current.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the Directors intend to dispose of the investment within 12 months of the end of the reporting period.

#### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the entity commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets, carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

## 2 Summary of significant accounting policies (continued)

### (k) Financial assets (continued)

#### (iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### (iv) Impairment of financial assets

##### *Assets carried at amortised cost*

The Group and Company assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Assets classified as available-for-sale*

The Group and Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the entity's right to receive payments is established.

### (l) Indefeasible Right of Use (IRU)

The Group enters into long-term service contracts under which it purchases lit capacity from fibre networks. The purchase involves making prepayments to acquire Indefeasible Right of Use (IRU) for a fixed period of time. The prepayment is amortised and recognised in the statement of comprehensive income on a straight-line basis over the life of the contract.

In the year, the Group also acquired rights to use sites for which lease agreements with respective landlords are with East Africa Tower Company Limited (EATCL). The rights will be amortised over the period in which the lease agreements remain between EATCL and the landlords. On expiry, the lease agreements will be transferred to Safaricom.

IRU	Contract period
TEAMS	20 years
KPLC	20 years
SEACOM	20 years
TATA	15 years
ETISALAT	15 years
EATCL	Dependent on individual lease period

## 2 Summary of significant accounting policies (continued)

### (m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price and other incidental costs. Net realisable value is the estimate of the selling price and other incidental costs.

Provisions for saleable inventories are made based on aged listing for items older than 180 days and damaged stocks.

### (n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the carrying amount of all balances in each class of debt older than;

Postpay, corporate, roaming and corporate debt	91 days
Collocation and fibre debt	61 days
Interconnect and premium rate service debt	31 days
Emergency Top-Up debt (ETU)	5 days
Others	Specific customer terms

### (o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Deferred revenue is accounted for as described under Note 2 (e).

### (p) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value (Shs 0.05) of the shares is classified as 'share premium' in equity.

Ordinary shares represent the residual economic value of a company. They carry rights to distribution of profits through dividends, to the surplus assets of a company on a winding up and to votes at general meetings of the Company.

There are no differences in the voting rights of the ordinary shares held by the shareholders of the Company.

Non-participating preference shares have the right to preference in the payment of the paid up par value in the event of liquidation of the Company and may be redeemed at any time by the Board of Directors of the Company subject to the provisions of the Kenyan Companies Act.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### (q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.



## 2 Summary of significant accounting policies (continued)

### (r) Employee benefits

#### (i) Retirement benefit obligations

The Group and Company have defined contribution plan for its employees. The Group and Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Group and Company pay contributions to publicly or privately administered plans on a mandatory, contractual or voluntary basis. The entity has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

#### (ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### (s) Share-based payments

The Group operates an Employee Performance Share Award Plan (EPSAP) under which senior management and other qualifying staff are entitled to receive a predetermined number of shares at a predetermined price, subject to fulfilment of the vesting conditions.

The process of EPSAP includes the Group purchasing shares from the market prorata to vesting period and then issuing the same to eligible employees after a 3-year vesting period at no cost. The shares are purchased through a trust and held by the same until the end of the vesting period. The cost of purchase is charged to the Statement of Comprehensive Income.

Until 26 February 2014, the Group had an Employee Share Ownership Plan (ESOP) under which, subject to the vesting conditions, eligible employees were entitled to acquire units in a separately administered Trust, each unit in the trust representing one share in the Company. The direct cost to the Group of fulfilling its obligations under the above schemes was charged to the statement profit or loss when incurred.

The cost of issued share options was recognised in the statement of profit or loss over the vesting period, measured at the fair value of the option. On allocation of shares to the trust, appropriate adjustments are made to increase share capital and the corresponding adjustments were made to the trust account. On vesting, the trust allocated the shares to the eligible individuals with adjustments made to the ESOP liability.

When the options were exercised, the entity issued new shares. The proceeds received net of any directly attributable transaction costs were credited to share capital (nominal value) and share premium when the options are exercised.

### (t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 Summary of significant accounting policies (continued)

### (t) Current and deferred income tax (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates except where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (u) Borrowings

Borrowings are recognised initially at fair value including transaction costs and subsequently stated at amortised cost using the effective interest method. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

### (v) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

### (w) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### (x) Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current period.

## 3 Critical accounting estimates and judgments

### (x) Comparatives (continued)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

#### (i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 18.

##### *Income taxes*

Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### *Property, plant and equipment*

Critical estimates are made by management in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2 (f) above.

##### *Valuation of Bonga Points*

Bonga Points are valued based on fair value which is determined by historical redemption information. The length of historical period used to determine the fair value is set by management and is based on previous redemptions rates on airtime or merchandise.

##### *Fair valuation of assets acquired from business combination*

Management used internal technical experts in determining the fair value of assets and liabilities acquired from Essar Telecom Kenya Limited. The fair value of assets acquired are set out in Note 30.

#### (ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgments in determining:

- the classification of financial assets and leases
- whether assets are impaired

#### (iii) Critical judgment on going concern

The Group's current liabilities exceed its current assets by Shs 19,599,780,000 (2014: Shs 9,941,119,000) at the statement of financial position date.

This net current liability position is expected to remain in the near future. A significant portion of creditors relate to network infrastructure investments rather than on-going trading, hence net working capital is typically a negative amount. This is due to payment terms for capital creditors being longer than receivables and inventory turnover period owing to longer project implementation period.

Other significant portion of current liabilities relates to deferred income on both airtime and the loyalty points programme (Bonga Points). Airtime is deferred when sold and loyalty points are deferred when awarded and are recognised as income on usage of airtime and redemption of the loyalty points respectively. See details of the amounts under note 25.



## 4 Financial risk management

The Group's activities expose it to a variety of financial risks, market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

Financial risk management is carried out by the treasury section in finance division under policies approved by the Board of Directors. The treasury section identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

Loans and receivables have been disclosed at their carrying values. Financial liabilities have been carried at amortised cost.

### Market risk

#### (i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar, SDR and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using spot and forward contracts, but has not designated any derivative instruments as hedging instruments. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 March 2015, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 221 million (2014: Shs 130 million) higher/lower, mainly as a result of US dollar denominated cash and bank balances, receivables and payables.

Profit is more sensitive to movement in Shs/US dollar exchange rates in 2015 than 2014 because of the increased amount of US dollar-denominated creditor balances.

At 31 March 2015, if the Shilling had weakened/strengthened further by 10% against the Euro with all other variables held constant, consolidated post tax profit for the year would have been Shs 43 million (2014: Shs 75 million) lower/higher, mainly as a result of Euro denominated cash and bank balances.

#### (ii) Price risk

The Group does not hold investments or securities that would be subject to price risk. The Group is not exposed to commodity price risk.

#### (iii) Interest rate risk

Interest rate risk arises from long-term and bank borrowings. Borrowings issued at variable rates expose the Group and Company to cash flow interest rate risk which is partially offset by cash held at variable rates. To manage interest rate risk the Group ensures that a portion of its borrowings are fixed rate borrowings. The Group and Company regularly monitor financing options available to ensure optimum interest rates are obtained.

At 31 March 2015, an increase/decrease of 100 basis points (2014: 100 basis points) would have resulted in a decrease/increase in consolidated post tax profit of Shs 136 million (2014: Shs 163 million), as a result of higher/lower interest charges/income on variable rate borrowings and cash balances.

### Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks as well as trade and other receivables. The Group has no significant concentrations of credit risk. Derivative financial instruments and bank deposits are re-valued at closing rates at the end of the period.

For banks and financial institutions, only reputable well established financial institutions are used. Category 1 is made up of counter-parties with international credit ratings; Category 2 are counter-parties who are subsidiaries of parents with international credit ratings; Category 3 counter-parties have local credit ratings or are not rated but are classified as large by the Central Bank of Kenya.

## 4 Financial risk management (continued)

### Credit risk (continued)

#### (i) Cash at bank and short term bank deposits

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Category 1	4,135,918	3,643,005	4,135,918	3,643,005
Category 2	4,125,954	6,255,295	4,105,267	6,234,601
Category 3	5,763,641	7,715,397	5,750,418	7,702,214
Others	4,796	4,818	4,797	4,818
	14,030,309	17,618,515	13,996,400	17,584,638

#### (ii) Trade and other receivables

For trade and other receivables, depending on the type of customer, the Group credit controller or head of consumer sales assesses the credit quality of each customer, taking into account its financial position, past experience and other factors, including information from credit reference bureau. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

Dealers comprise the largest distribution network for the Group. Dealers operate either on a cash basis or on credit following successful application of the credit facility. All credit limits are supported by a bank guarantee.

Postpay debtors have a 15-day credit period after which individual customers must pay within 10 days after due date, while business accounts have up to 30 days. Postpay debtors comprise of individuals as well as corporate customers. The auto-bar feature ensures that once the limit has been reached the customer account is barred. This minimises the credit risk associated with these customers.

The Group currently has 531 (2014: 495) signed international roaming agreements in place. The roaming strategy targets countries which historically have had the most visitors to Kenya, including UK, Italy, Spain, Sweden, South Africa, and Kenya's neighbouring countries. Roaming partners have entered into an agreement with the Group to terminate their calls on the Group's network for visitors travelling into Kenya. Amounts due from the roaming partners are settled within 60 days unless a dispute arises. Disputes are handled by Synverse, a roaming clearing house.

The Group has also signed interconnect agreements with partners to terminate calls to and from other networks on the Group's network. Amounts due from interconnect partners are settled within 30 days of invoice unless a dispute arises. Disputes are handled in the first instance by the Regulatory Department of the Group. The Group's maximum exposure to credit risk is approximated by the carrying amounts.

The Group has an elaborate aging system for monitoring its receivables. Dealers' transactions and credit positions are closely monitored. All fully performing balances are within 90 days. The other categories are past due. Collateral is held for bulk of the trade receivables in the form of bank guarantees and deposits. None of the above assets are either past due or impaired except for the following amounts in trade receivables.

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Past due but not impaired:				
- by up to 30 days	259,553	436,039	259,553	436,039
- by more than 30 days	94,884	300,308	7,836	279,126
Total past due but not impaired	354,437	736,347	267,389	715,165
Receivables individually determined to be impaired	1,031,454	1,074,966	1,018,298	1,061,463

## 4 Financial risk management (continued)

### Credit risk (continued)

#### (ii) Trade and other receivables (continued)

(a) Group	Neither past due nor impaired Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
<b>At 31 March 2015</b>				
Dealers	165,154	267,389	2,928	435,471
Postpay	1,275,196	-	457,008	1,732,204
Roaming and interconnect	1,352,552	-	208,127	1,560,679
Amounts due from related parties	1,765,228	-	33,268	1,798,496
Other receivables	1,753,276	87,048	330,123	2,170,447
<b>Total</b>	<b>6,311,406</b>	<b>354,437</b>	<b>1,031,454</b>	<b>7,697,297</b>
<b>At 31 March 2014</b>				
Dealers	940,761	138,827	-	1,079,588
Postpay	762,279	198,556	252,795	1,213,630
Roaming and interconnect	591,336	83,829	380,533	1,055,698
Amounts due from related parties	1,519,267	13,436	15,375	1,548,078
Other receivables	1,384,918	293,954	426,263	2,105,135
<b>Total</b>	<b>5,198,561</b>	<b>728,602</b>	<b>1,074,966</b>	<b>7,002,129</b>
<b>(b) Company</b>				
<b>At 31 March 2015</b>				
Dealers	165,154	267,389	2,928	435,471
Postpay	1,275,196	-	457,008	1,732,204
Roaming and interconnect	1,352,552	-	208,127	1,560,679
Amounts due from related parties	1,972,940	-	33,268	2,006,208
Other receivables	1,465,892	-	316,967	1,782,858
Loan to related parties	633,408	-	-	633,408
<b>Total</b>	<b>6,865,142</b>	<b>267,389</b>	<b>1,018,298</b>	<b>8,150,828</b>



## 4 Financial risk management (continued)

### Credit risk (continued)

#### (ii) Trade and other receivables (continued)

(b) Company (continued)	Neither past due nor impaired Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
<b>At 31 March 2014</b>				
Dealers	940,761	138,827	-	1,079,588
Postpay	762,279	198,556	252,795	1,213,630
Roaming and interconnect	591,336	83,829	380,533	1,055,698
Amounts due from related parties	1,740,430	13,436	15,375	1,769,241
Other receivables	1,157,845	293,953	412,760	1,864,558
Loan to related parties	707,906	-	-	707,906
<b>Total</b>	<b>5,900,557</b>	<b>728,601</b>	<b>1,061,463</b>	<b>7,690,621</b>

Dealers' debt is fully secured by bank guarantees. The Group has bank guarantees of Shs 492 million and Shs 1,179 million as at March 2015 and March 2014 respectively, which can be enforced in the event of default. Customers under the 'past due but not impaired' category continue paying their debts as they trade. The default rate is low. The credit control department is actively following the debts that are overdue but not impaired.

The balances that are impaired have been fully provided for. However, external debt collectors as well as the Group legal department are following up on the impaired balances.

In determination of the impaired balances above, management considered the age of the debt and financial position of the debtor.

#### Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Such forecasting takes into consideration the entity's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets. Surplus cash held by the entity, over and above the amounts required for working capital management are invested in interest bearing current accounts and, fixed deposit accounts and marketable securities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury section maintains flexibility in funding by maintaining availability under committed credit lines. Liquidity position is monitored through daily cash position as well as monthly cash forecast that monitors debt structure and expected cash position.

The table overleaf analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

## 4 Financial risk management (continued)

### Liquidity risk (continued)

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Total Shs'000
<b>(a) Group</b>				
At 31 March 2015:				
- borrowings	6,082,030	512,605	-	6,594,635
- corporate bonds	4,753,690	-	-	4,753,690
- trade and other payables	34,530,264	-	-	34,530,264
<b>Total financial liabilities</b>	<b>45,365,984</b>	<b>512,605</b>	<b>-</b>	<b>45,878,589</b>
<b>At 31 March 2014:</b>				
- borrowings	48,320	663,699	-	712,019
- corporate bonds	8,480,612	4,753,763	-	13,234,375
- trade and other payables	23,493,266	-	-	23,493,266
<b>Total financial liabilities</b>	<b>32,022,198</b>	<b>5,417,462</b>	<b>-</b>	<b>37,439,660</b>
<b>(b) Company</b>				
At 31 March 2015:				
- borrowings	6,082,030	512,605	-	6,594,635
- corporate bonds	4,753,690	-	-	4,753,690
- trade and other payables	34,247,432	-	-	34,247,432
<b>Total financial liabilities</b>	<b>45,083,152</b>	<b>512,605</b>	<b>-</b>	<b>45,595,757</b>
<b>At 31 March 2014:</b>				
- borrowings	48,320	663,699	-	712,019
- corporate bonds	8,480,612	4,753,763	-	13,234,375
- trade and other payables	23,265,949	-	-	23,265,949
<b>Total financial liabilities</b>	<b>31,794,881</b>	<b>5,417,462</b>	<b>-</b>	<b>37,212,343</b>

Guarantees amounting to Shs 406 million (2014: Shs 88 million) have been issued against credit cards for use of senior staff and to various customers for services provided by the Company as detailed under Note 28.

Excluded from the trade and other payables is deferred revenues arising from unused airtime and unredeemed Bonga points under Loyalty Management System (LMS) amounting to Shs 5,393 million (2014: Shs 5,778 million) which are not expected to result into cash outflow in the normal course of business as detailed in Note 25.

## 4 Financial risk management (continued)

### Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

The Company has a dividend policy that permits dividends to be paid if the Board of Directors finds that the payments are sustainable, after taking into account the sufficiency of distributable reserves and liquidity in order to ensure the Company's operational needs and/or business growth are not limited by the unavailability of funds, as well as the Company's known contingencies and compliance with any funding facility covenants.

The first priority of the Company will be to maintain sufficient distributable reserves and liquidity to ensure that operational needs and/or business growth are not limited by the unavailability of funds and also that facilities are available to cover all known contingencies. Additionally, any dividends will only be declared and paid where allowable under any covenants included in any funding facilities.

Subject to this, the Company intends to operate a progressive distribution policy based on what it believes to be sustainable levels of dividend payments.

Whenever possible, it will be the Company's intention to, at least, maintain annual dividend payments at the level declared in the previous year. However, with respect to the initial dividend payment under the current policy, such dividends will not necessarily be at the level declared in the previous years, past dividend payments should not be taken as an indication of future payments.

The Company's focus is to minimise funds tied up in working capital, whilst ensuring that the Company has sufficient financial ability to meet its liabilities as and when they fall due. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The strategy is to maintain gearing at low levels as demonstrated by the position below for the year ended 31 March 2015.

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Total borrowings	10,639,980	12,615,380	10,639,980	12,615,380
Less: cash and cash equivalents	(14,030,309)	(17,618,884)	(13,996,400)	(17,585,006)
Net cash	(3,390,329)	(5,003,504)	(3,356,420)	(4,969,626)
Total equity	104,276,531	91,235,979	105,429,892	92,509,394
Total capital	100,886,202	86,232,475	102,073,472	87,539,768
Gearing ratio	-	-	-	-

### Fair value estimation

Financial instruments measured at fair value are measured using the following levels of fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



## 4 Financial risk management (continued)

### Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## 5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

Management has determined the operating segment based on the reports reviewed by the Senior Leadership Team (SLT) for the purpose of allocating resources and assessing performance.

The SLT considers the business as one operating segment for purpose of financial performance. However, revenue targets are split between the three business units namely Consumer, Enterprise and Financial services units. Currently the SLT reviews the results of the segment on a monthly basis in a formal session where the Chief Financial Officer takes the SLT through all the activities and their impact on the results of the segment.

The reason for looking at the business as one segment is because of the interrelated nature of the products and services on offer as well as their dependence on the network infrastructure. Total profitability is discussed and action plans agreed where necessary to improve performance. Other than revenue, there is no other discrete financial information relating to the revenue streams that the CODM looks at.

The reportable operating segment derives its revenue from the provision of telecommunication services to its customers.

The SLT assesses the performance of the operating segment from revenue to net income. The total revenue, direct costs, trading contribution, operating expenses, interest and foreign exchange gain and losses, tax and net income are reviewed.

Further key performance indicators are also reviewed; for instance, number of subscribers, minutes of use, originating minutes, terminating minutes, average revenue per user, average revenue per minute, number of sites, data usage, etc. are also reviewed monthly. Impacts of new financial policies are also explained to the SLT.

The Group's interest-bearing liabilities are equal to the segment liabilities and are managed by the treasury function.

## 5 Segment information (continued)

The segment information provided to the SLT for the reportable segment for the years ended 31 March 2015 and 2014 is as follows:

	31 March 2015 Shs'000	31 March 2014 Shs'000
Total equity and non-current liabilities	104,767,293	96,338,359
Non-current assets	124,367,073	106,279,478
Current assets	32,590,553	28,321,468
Current liabilities	52,190,333	38,262,587
Net current liabilities	(19,599,780)	(9,941,119)
	104,767,293	96,338,359

The amounts reported with respect to total assets and total liabilities are measured in a manner consistent with these financial statements.

Reportable segment assets are equal to total assets hence no reconciliation is required.

Revenue from subscribers is derived from the sale of airtime, handsets, accessories, M-PESA commissions and data products through the dealer network, direct top-up via M-PESA or through the Company's 42 retail outlets across the country.

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category	2015 Shs' 000	2014 Shs' 000
Voice revenue	87,406,168	84,368,191
Messaging revenue	15,632,926	13,619,377
Mobile Data revenue	14,823,188	9,313,532
Fixed service revenue	3,128,042	2,570,901
M-PESA revenue	32,625,688	26,561,297
Other service revenue	2,630,619	1,927,365
Total service revenue	156,246,631	138,360,663
Handset revenue	5,670,727	4,947,057
Acquisition and other revenue	1,446,763	1,364,757
Total Revenue	163,364,121	144,672,477

The Company and its subsidiaries are domiciled in Kenya. A high percentage of the Group's revenue is attributable to Kenya and all its non-current assets are located in Kenya.

Total revenue increased by 13% to Shs 163.4 billion through focusing on providing quality services, which has resulted in double digit growth across our non-voice service revenue streams.

## 5 Segment information (continued)

Voice service revenue, which now stands at 54% of total revenue, grew at 4% while non-voice service revenue, which accounts for 42% of total revenue, realised a growth of 28% increase to Shs 68.8 billion driven mainly by M-PESA, Messaging, Data and Other Service Revenues. Devices and other revenue contribute 4% of total revenue.

M-PESA, now contributing 20% of total revenue, continues to be a significant driving force for growth. This was driven by a 14% increase in 30-day active M-PESA customers to 13.9 million as well as an increase in the average number of transactions per customer. The M-PESA agent outlets foot print was expanded to 85,756 with the key aim of promoting accessibility of the service to our customers.

Since its launch, the Lipa na M-PESA service has enabled cashless merchant payments and facilitated trade between businesses and their customers while improving business efficiency. In March 2015 the service had 49,413 merchants active on a 30-day basis, who received Shs 11.6 billion of payments.

Mobile Data revenue continues to register impressive growth and increased by 59% driven by a 21% growth in 30-day active mobile Data customers to 11.6 million with 4.3 million customers on 3G enabled devices of which 3.4 million are smartphone users.

Fixed service revenue increased by 22% to Shs 3.1 billion on the back of 23% growth in fixed data customers.

## 6 Other income

	Group	
	2015 Shs'000	2014 Shs'000
Gain on disposal of property, plant and equipment	83,549	44,492
Miscellaneous income	492,055	82,133
	575,604	126,625

## 7 (a) Direct costs

	Group	
	2015 Shs'000	2014 Shs'000
M-PESA commissions	12,284,482	10,684,973
Airtime commissions	10,627,538	9,562,518
Licence fees (spectrum, M-PESA and link leases)	8,035,527	7,961,745
Interconnect and roaming costs	7,035,439	6,462,237
Handset costs	6,593,263	5,395,430
Customer acquisition and retention	5,162,649	5,362,188
Value Added Services costs (Voice and SMS)	5,695,945	5,570,244
Other direct costs	1,273,733	964,379
	56,708,576	51,963,714



## 7 (b) Other expenses

	Group	
	2015 Shs'000	2014 Shs'000
Repairs and maintenance expenditure on property, plant and equipment	191,590	127,875
Operating lease rentals - buildings	750,489	604,024
Operating lease rentals - sites	1,084,596	954,094
Warehousing costs	235,606	213,802
Employee benefits expense (Note 9)	11,436,245	10,089,811
Auditor's remuneration	39,194	34,834
Sales and advertising	5,407,949	4,523,811
Consultancy including legal fees	735,415	412,791
Site and facilities costs	10,387,188	9,257,598
Travel and accommodation	606,677	528,801
Computer maintenance	1,052,223	1,141,052
Office upkeep	618,424	522,520
Bad debts	201,552	142,742
Net foreign exchange losses, other than on borrowings and cash and cash equivalents	80,530	190,896
Other operating expenses	3,212,312	3,147,439
	36,039,990	31,892,090

## 8 Net finance costs

	Group	
	2015 Shs'000	2014 Shs'000
<b>Finance costs:</b>		
Interest expense	1,073,091	1,494,836
Foreign exchange losses on cash and borrowings	274,629	387,522
	1,347,720	1,882,358
<b>Finance income:</b>		
Interest income	(1,292,085)	(1,140,069)
Foreign exchange gain on cash and borrowings	(480,504)	(555,343)
	(1,772,589)	(1,695,412)
<b>Net finance (income)/costs</b>	<b>(424,869)</b>	<b>186,945</b>

## 9 Employee benefits expense

	Group	
	2015 Shs'000	2014 Shs'000
The following items are included within employee benefits expense:		
Salaries and wages	6,911,984	6,072,059
Employee Performance Share Award Plan (EPSAP)	328,790	390,432
Retirement benefits costs:		
- Defined contribution scheme	413,246	333,482
- National Social Security Fund	9,629	8,798
	7,663,649	6,804,771

## 10 Employee share option

### (a) Employee Share Ownership Plan

The Group set up an Employee Share Ownership Plan (ESOP) in March 2010 where 101 million shares were allotted. Subject to vesting conditions, eligible employees were entitled to purchase units in a separately administered trust, each unit in the trust representing one share in the Company.

A total of 66,976,000 of the initially granted options vested on 26 February 2013. Of these options, nil, (2014: 65,428,000) were exercised by 26 February 2014 when the exercise period lapsed.

Shares representing the exercised options were issued from the Company's authorised unissued share capital. The proceeds received were credited to share capital (nominal value) and share premium.

To be eligible for the scheme one must have been a permanent employee of the Company who had completed probation period or had been confirmed.

### (b) Employee Performance Share Award Plan

On 1 July 2011, the Group implemented an Employee Performance Share Award Plan (outright grant) where shares are allocated to qualifying staff based on performance ratings achieved in the previous year's performance appraisal process. Under the outright grant scheme, shares are purchased from the market and then transferred to eligible staff at no cost after a three-year vesting period. The shares are purchased and held by a trust until the end of the vesting period.

During the year 21.8 million shares were bought by the Trust, at a cost of Shs 313 million. Additionally, 24.9 million shares historically valued at Shs 194.7 million (2014: Nil) vested and were exercised by eligible staff.

The Trust currently holds 43.78 million shares at a total cost of Shs 564.58 million (2014: 46.8 million shares at a cost of Shs 446.3 million).

The scheme is a 'cash-settled share based scheme' as described in IFRS 2, Share based payments as the Company provides money to a trust to purchase shares which will be distributed to the entitled employees on the vesting date.

## 11 Income tax expense

	Group	
	2015 Shs'000	2014 Shs'000
Current income tax	13,193,780	12,164,104
Deferred income tax (Note 16)	1,084,462	(197,214)
Income tax expense	14,278,242	11,966,890

## 11 Income tax expense (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable income tax rate as follows:

	Group	
	2015 Shs'000	2014 Shs'000
Profit before income tax	46,149,545	34,984,430
Tax calculated at the applicable income tax rate of 30% (2014: 30%)	13,844,864	10,495,329
<b>Tax effect of:</b>		
Income not subject to tax	(41,055)	(6,237)
Expenses not deductible for tax purposes	504,065	440,218
Over provision of deferred tax in prior year	(1,230)	(59,419)
(Over) / under provision of current tax in prior years	(28,402)	1,096,999
Income tax expense	14,278,242	11,966,890

## 12 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015 Shs'000	2014 Shs'000
Profit attributable to equity holders of the Company (Shs thousands)	31,871,303	23,017,530
Weighted average number of ordinary shares in issue (thousands)	40,065,428	40,065,428
Basic earnings per share (Shs)	0.80	0.57
Diluted earnings per share (Shs)	0.80	0.57

## 13 Share capital and share premium

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
At 1 April 2013	40,000,000	2,000,000	1,850,000	3,850,000
New shares issued for the employee share option scheme	65,428	3,271	350,040	353,311
At 31 March 2014 and March 2015	40,065,428	2,003,271	2,200,040	4,203,311

The total authorised number of ordinary shares is 119,999,999,600 with a par value of Shs 0.05 per share.

The total number of non-voting non-participating redeemable preference shares is 5 with a par value of Shs 4 per share. These shares have the right to preference in the payment of the paid up par value in the event of liquidation of the Company and may be redeemed at any time by the Board of the Company subject to the provisions of the Kenyan Companies Act.



### 13 Share capital and share premium (continued)

The additional shares relates to the Employee Share Option Plan. See details of this plan in Note 10.

The issued share capital comprises 40,065,428,000 (2014: 40,065,428,000) ordinary shares with a par value of Shs 0.05 each and 5 non-voting non-participating redeemable preference shares of Shs 4 each. All issued shares are fully paid.

### 14 Dividend per share

No interim dividend was paid during the year (2014: Nil). At the annual general meeting to be held on 3 September 2015, a final dividend in respect of the year ended 31 March 2015 of Shs 0.64 (2014: Shs 0.47) per share amounting to a total of Shs 25,641,874,000 (2014: Shs 18,830,751,000) is to be proposed.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

### 15 Borrowings

The Group has a five-year corporate bond of Shs 12,000,000,000 issued as a medium term note in two tranches and in fixed and floating rate portions.

Tranche 1 which matured and was fully settled in November 2014 had a fixed portion of Shs 7,049,600,000 at a fixed rate of 12.25% and a floating portion of Shs 463,400,000 at a floating rate of 182-day treasury bill rate plus 1.85% margin.

Tranche 2 which matures in December 2015 has a fixed portion of Shs 4,287,000,000 at a fixed rate of 7.75% and a floating portion of Shs 200,000,000 at a floating rate of 182-day treasury bill rate plus 1.85% margin.

The Group has a two-year term loan facility with Cfc Stanbic Bank Limited for a maximum of Shs 2,124,050,000 (USD 23 Million) for purchases of assets. The Group made a cumulative draw-down of Shs 1,729,531,879 by 31 March 2015. The outstanding loan balance at the close of the year was Shs 1,352,980,401. Interest on this facility is paid quarterly at the rate of 1.0% below the 91-day treasury bill rate.

The Group has two short term facilities totalling Shs 4,800,000,000 with a maturity date of December 2015; made up of Shs 2,400,000,000 held with Commercial Bank of Africa at an interest rate of 0.45% above the 91-day treasury bill rate payable quarterly and Shs 2,400,000,000 held with National Industrial Credit (NIC) bank at the rate of 0.3% above the 91-day treasury bill payable monthly.

The carrying amounts of the Corporate bond and the bank borrowings approximate to their fair value. None of the borrowings was in default at any time during the year.

Borrowings are made up as follows:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
<b>Non-current:</b>				
Bank borrowings	490,762	615,380	490,762	615,380
Corporate bond	-	4,487,000	-	4,487,000
	490,762	5,102,380	490,762	5,102,380

## 15 Borrowings (continued)

	Group		Company	
Current:	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Bank borrowings	5,662,218	-	5,662,218	-
Corporate bond	4,487,000	7,513,000	4,487,000	7,513,000
	10,149,218	7,513,000	10,149,218	7,513,000
Total borrowings	10,639,980	12,615,380	10,639,980	12,615,380
<b>Movement in the borrowings</b>				
Opening balance	12,615,380	20,227,958	12,615,380	20,227,958
Borrowings	5,914,152	615,380	5,914,152	615,380
Repayments	(7,889,552)	(8,227,958)	(7,889,552)	(8,227,958)
	10,639,980	12,615,380	10,639,980	12,615,380

## 16 Deferred income tax

## (a) Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2015 Shs '000	2014 Shs '000
<b>Deferred tax assets:</b>		
– At start of year	(2,750,879)	(1,883,369)
– Credit to statement of comprehensive income (Note 11)	1,084,462	(867,580)
	(1,666,417)	(2,750,949)
<b>Deferred tax liabilities:</b>		
– Deferred tax liability to be recovered within 12 months	-	70
	(1,666,417)	(2,750,879)

Deferred income tax is calculated using the enacted income tax rate of 30% (2014: 30%).

At start of year	(2,750,879)	(2,553,665)
Credit to statement of comprehensive income (Note 11)	1,084,462	(197,214)
At end of year	(1,666,417)	(2,750,879)

Consolidated deferred income tax assets and liabilities and deferred income tax charge / (credit) in the statement of comprehensive income (SOC) are attributable to the following items:

## 16 Deferred income tax (continued)

Year ended 31 March 2015	1.4.2014 Shs'000	Charged/ (credited) to SOCI Shs'000	31.03.2015 Shs'000
<b>Deferred income tax liabilities</b>			
Unrealised exchange gains	70	3,289	3,359
<b>Deferred income tax assets</b>			
Property, plant and equipment	(1,716,879)	1,250,801	(466,078)
Unrealised exchange loss	(31,033)	13,826	(17,207)
Provisions	(989,997)	(183,454)	(1,173,451)
Arising from fair value adjustment on acquisition of subsidiary	(13,040)	-	(13,040)
	(2,750,949)	1,081,173	(1,669,776)
Net deferred income tax asset	(2,750,879)	1,084,462	(1,666,417)

Year ended 31 March 2014	1.4.2013 Shs'000	Charged/ (credited) to SOCI Shs'000	31.03.2014 Shs'000
<b>Deferred income tax liabilities</b>			
Unrealised exchange gains	79,266	(79,196)	70
<b>Deferred income tax assets</b>			
Property, plant and equipment	(1,863,706)	146,827	(1,716,879)
Unrealised exchange loss	(252,096)	221,063	(31,033)
Provisions	(504,089)	(485,908)	(989,997)
Arising from fair value adjustment on acquisition of subsidiary	(13,040)	-	(13,040)
	(2,632,931)	(118,018)	(2,750,949)
Net deferred income tax asset	(2,553,665)	(197,214)	(2,750,879)

An amount of Shs 168 million (2014: Shs 204 million) worth of deferred tax assets relating to One Communications Limited has not been recognised in the financial statements. Although the Directors are confident that taxable profits will be realised in One Communications Limited within the foreseeable future, the amounts are time-barred and are awaiting an extension of the statutory utilisation period from the Kenya Revenue Authority.



**16 Deferred income tax (continued)****(b) Company**

Company deferred income tax assets and liabilities are attributable to the following items:

	Company	
	2015 Shs'000	2014 Shs'000
<b>Deferred income tax liabilities</b>		
Unrealised exchange gains	3,359	70
Total deferred income tax liabilities	3,359	70
<b>Deferred income tax assets</b>		
Property, plant and equipment:	(466,078)	(1,716,879)
Unrealised exchange loss	(17,206)	(31,033)
Provisions	(1,173,451)	(989,997)
Total deferred income tax assets	(1,656,735)	(2,737,909)
Net deferred income tax asset	(1,653,376)	(2,737,839)

In the opinion of the Directors, the deferred income tax balances are expected to be recoverable against future profits.

## 17 Property, plant and equipment

(a) Group		Network infrastructure Shs'000	Capital work in progress (CWIP)* Shs'000	Leasehold improvements Shs'000	Vehicles & equipment Shs'000	Fibre Shs'000	Total Shs'000
<b>At 31 March 2013</b>							
Cost		161,695,370	13,831,177	3,869,419	18,646,198	-	198,042,164
Accumulated depreciation		(87,117,470)	-	(2,666,176)	(12,962,120)	-	(102,745,766)
Net book amount		74,577,900	13,831,177	1,203,243	5,684,078	-	95,296,398
<b>Year ended 31 March 2014</b>							
Opening net book amount		74,577,900	13,831,177	1,203,243	5,684,078	-	95,296,398
Additions		-	27,780,723	-	-	-	27,780,723
Reclassification		6,360	-	-	-	(6,360)	-
Transfers from CWIP		17,961,030	(26,757,772)	455,100	3,888,857	4,452,788	-
Disposal		(53)	-	-	(51,474)	-	(51,527)
Depreciation charge		(17,127,730)	-	(454,642)	(3,655,158)	(43,911)	(21,281,441)
Impairment of assets***		(4,083,905)	-	-	-	-	(4,083,905)
Depreciation on disposal		53	-	-	50,241	-	50,294
Closing net book amount		71,333,652	14,854,128	1,203,701	5,916,544	4,402,517	97,710,542
<b>At 31 March 2014</b>							
Cost		179,656,346	14,854,128	4,324,520	22,483,580	4,452,788	225,771,362
Accumulated depreciation		(108,322,694)	-	(3,120,819)	(16,567,036)	(50,271)	(128,060,820)
Net book amount		71,333,652	14,854,128	1,203,701	5,916,544	4,402,517	97,710,542

## 17 Property, plant and equipment (continued)

(b) Group (continued)		Network infrastructure Shs'000	Capital work in progress (CWIP)* Shs'000	Network maintenance spares** Shs'000	Leasehold improvements Shs'000	Vehicles & equipment Shs'000	Fibre Shs'000	Total Shs'000
<b>Year ended 31 March 2015</b>								
Opening net book amount		71,333,652	14,854,128	-	1,203,701	5,916,544	4,402,517	97,710,542
Transfers from inventory (Note 21)		-	-	890,763	-	-	-	890,763
Additions		-	32,812,634	-	-	-	-	32,812,634
Acquired in a business combination (Note 30)		-	1,036,714	-	-	16,776	-	1,053,490
Transfers		49,866	-	-	583	(50,449)	-	-
Transfers from CWIP		15,700,216	(25,793,531)	32,135	284,372	6,170,096	3,606,712	-
Disposal		(11,570)	-	-	(69,500)	(418,198)	-	(499,268)
Depreciation charge		(16,572,946)	-	(179,847)	(359,272)	(4,478,211)	(260,431)	(21,850,707)
Impairment of assets***		(2,582,122)	-	(267,396)	-	-	-	(2,849,518)
Depreciation on disposal		5,130	-	-	68,344	415,509	-	488,983
Closing net book amount		67,922,226	22,909,945	475,655	1,128,228	7,572,067	7,748,798	107,756,919
<b>At 31 March 2015</b>								
Cost		195,344,992	22,909,945	922,898	4,539,392	28,252,254	8,059,500	260,028,981
Accumulated depreciation		(127,422,766)	-	(447,243)	(3,411,164)	(20,680,187)	(310,702)	(152,272,062)
Net book amount		67,922,226	22,909,945	475,655	1,128,228	7,572,067	7,748,798	107,756,919



## 17 Property, plant and equipment (continued)

(a) Company	Network infrastructure Shs'000	Capital work in progress(CWIP)* Shs'000	Leasehold improvements Shs'000	Vehicles & equipment Shs'000	Fibre Shs'000	Total Shs'000
<b>At 31 March 2013</b>						
Cost	161,551,669	13,809,178	3,869,418	18,563,447	-	197,793,712
Accumulated depreciation	(87,041,029)	-	(2,666,174)	(12,903,298)	-	(102,610,501)
Net book amount	74,510,640	13,809,178	1,203,244	5,660,149	-	95,183,211
<b>Year ended 31 March 2014</b>						
Opening net book amount	74,510,640	13,809,178	1,203,244	5,660,149	-	95,183,211
Additions	-	27,780,723	-	-	-	27,780,723
Reclassification	6,360	-	-	-	(6,360)	-
Transfer from CWIP	17,961,027	(26,757,772)	455,100	3,888,857	4,452,788	-
Disposal	(53)	-	-	(51,474)	-	(51,527)
Depreciation charge	(17,115,225)	-	(454,642)	(3,646,855)	(43,911)	(21,260,633)
Impairment of assets***	(4,083,905)	-	-	-	-	(4,083,905)
Depreciation on disposals	53	-	-	50,241	-	50,294
Closing net book amount	71,278,897	14,832,129	1,203,702	5,900,918	4,402,517	97,618,163
<b>At 31 March 2014</b>						
Cost	179,519,003	14,832,129	4,324,518	22,400,830	4,446,428	225,522,908
Accumulated depreciation	(108,240,106)	-	(3,120,816)	(16,499,912)	(43,911)	(127,904,745)
Net book amount	71,278,897	14,832,129	1,203,702	5,900,918	4,402,517	97,618,163

## 17 Property, plant and equipment (continued)

(b) Company (continued)		Network infrastructure	Capital work in progress (CWIP)*	Network maintenance spares**	Leasehold improvements	Vehicles & equipment	Fibre	Total
<b>Year ended 31 March 2015</b>								
Opening net book amount		71,278,897	14,832,129	-	1,203,702	5,900,918	4,402,517	97,618,163
Transfer from Inventory (Note 21)				890,763	-	-	-	890,763
Additions		-	32,812,634	-	-	-	-	32,812,634
Acquired in a business combination (Note 30)		-	1,036,714	-	-	16,776	-	1,053,490
Reclassification		49,865	-	-	583	(50,448)	-	-
Transfer from CWIP		15,700,216	(25,771,533)	32,135	284,372	6,148,098	3,606,712	-
Disposal		(11,570)	-	-	(69,500)	(418,199)	-	(499,269)
Depreciation charge		(16,532,878)	-	(179,846)	(359,272)	(4,457,969)	(260,431)	(21,790,396)
Impairment of assets***		(2,582,122)	-	(267,397)	-	-	-	(2,849,519)
Depreciation on disposals		5,130	-	-	68,342	415,511	-	488,983
Closing net book amount		67,907,538	22,909,944	475,655	1,128,227	7,554,687	7,748,798	107,724,849
<b>At 31 March 2015</b>								
Cost		195,207,649	22,909,944	922,898	4,539,390	28,147,505	8,053,140	259,780,526
Accumulated depreciation		(127,300,111)	-	(447,243)	(3,411,163)	(20,592,818)	(304,342)	(152,055,677)
Net book amount		67,907,538	22,909,944	475,655	1,128,227	7,554,687	7,748,798	107,724,849

\* Capital working-in-progress largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use at year end.

\*\* The Group transferred network maintenance spares supporting the network previously carried as inventory from inventory to property, plant and equipment in accordance with IAS 16. Shs 161.6 million being depreciation relating to previous years has been accounted for in the current year as the amount is not significant to warrant a prior year adjustment. Resultantly no third balance sheet has been presented.

\*\*\* Impairments amounting to Shs 2,850 million (2014: Shs 4,084 million), being the carrying value of the assets identified as impaired as a result of the ongoing modernisation programme prompted by evolution of technology, have been included in the consolidated statement of comprehensive income.

## 18 Intangible assets

(a) Group	Goodwill	Licence fees	Total
<b>Year ended 31 March 2014</b>			
Opening net book amount	219,151	1,422,011	1,641,162
Amortisation charge for the year*	-	(695,589)	(695,589)
Closing net book amount	219,151	726,422	945,573
<b>At 31 March 2014</b>			
Cost	219,151	6,772,768	6,991,919
Accumulated amortisation	-	(6,046,346)	(6,046,346)
Net book amount	219,151	726,422	945,573
<b>Year ended 31 March 2015</b>			
Opening net book amount	219,151	726,422	945,573
Additions	-	2,894,630	2,894,630
Acquired in a business combination	-	6,797,629	6,797,629
Amortisation charge for the year*	-	(555,421)	(555,421)
Closing net book amount	219,151	9,863,260	10,082,411
<b>At 31 March 2015</b>			
Cost	219,151	16,465,833	16,684,984
Accumulated amortisation	-	(6,602,573)	(6,602,573)
Net book amount	219,151	9,863,260	10,082,411

The goodwill arose on acquisition of One Communications Limited. At the time of acquisition, the five-year plan reflected positive future cash flows which when discounted resulted in the net present value (NPV) exceeding the goodwill recognised.

### Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment level.

On an annual basis, the goodwill is tested for impairment. Goodwill is monitored by the management at the operating segment level. For the purposes of assessment of impairment of goodwill, One Communications business is viewed as an operating segment.

In assessing impairment of the goodwill, management have reviewed the five-year business plans of One Communications Limited and further discounted the cash flows for the same period to determine if the net present value exceeds the investment held in the books at year end. Revenue growth rates of 1% (2014: 5%) in the first year followed by 2% (2014: 3%) in the second and 2% (2014: 2.5%) for the third and fourth and 2% (2014: 2%) for the fifth year had been used. A discount rate of 9.63% (2014: 9.85%), being the Company's cost of capital has been used.

The recoverable amount calculated based on value in use exceeded carrying value by Shs 118 million. A fall in the average annual revenue growth rate of 3% or a rise in discount rate of 6.1% would remove the remaining headroom.

From the assessment carried out at the end of the year, no impairment charge was accounted for as at 31 March 2015 (2014: Nil).



## 18 Intangible assets (continued)

### (b) Company

	Licence fees	
	2015 Shs'000	2015 Shs'000
Opening net book amount	714,931	1,409,334
Additions	2,894,630	-
Acquired in a business combination	6,797,629	-
Amortisation charge*	(554,332)	(694,403)
Closing net book amount	9,852,858	714,931
Cost	16,443,568	6,751,309
Accumulated amortisation and impairment	(6,590,710)	(6,036,378)
Net book amount	9,852,858	714,931

\* In the years 2015 and 2014, the Group received credit notes from the Communications Authority of Kenya (CA) being rebates on 3G licence fees net of related costs. The credit notes amounting to Shs 12 million (2014: Shs 542 million) have been netted off against the period's licences amortisation charge of Shs 555 million (2014: Shs 696 million). As a result, the net licence amortisation charge amount of Shs 543 million (2014: Shs 154 million) is presented in the Statement of Comprehensive Income.

## 19 Investments

### (a) Investment in subsidiaries

All subsidiaries are unlisted and have the same year end as the Company. The investments relate to cost of shares held in the subsidiaries.

	Company	
	2015 Shs'000	2015 Shs'000
At start of year	745,891	745,891
Additional investment: East Africa Tower Company Limited	91,450	-
At end of year	837,341	745,891

The Company's interest in its subsidiaries, all of which are incorporated in Kenya and are unlisted was as follows:

	Year end	% interest	Company	
			2015 Shs'000	2014 Shs'000
One Communications Limited and its subsidiaries (Comtec Training Management Service Limited; Comtec Integrations System Limited; and Flexible Bandwidth Service Limited)	31 March	100	741,941	741,941
Packet Stream Data Networks Limited	31 March	100	-	-
IGO Wireless Limited	31 March	100	-	-
Instaconnect Limited	31 March	100	3,950	3,950
East Africa Tower Company Limited	31 March	100	91,450	-
			837,341	745,891

The investments in subsidiaries are carried at cost. These investments were assessed for impairment indicators as required as at 31 March 2015 and the Directors concluded that the investments are not impaired.

### (b) Investment in associate

	Group and Company	
	2015 Shs'000	2015 Shs'000
The movement in investment in associate is as follows:		
At start of year	15,860	-
Share of profit (before tax) – before 10% acquisition in 2014	-	3,814
Acquisition of additional 10% shareholding	-	551
Share of (loss) / profit (before tax) – after 10% acquisition	(4,041)	11,495
At end of year	11,819	15,860

## 19 Investments (continued)

### (b) Investment in associate (continued)

The investment in associate at 31 March 2015 represents the investment of 32.5% of the ordinary shares of The East African Marines Systems Limited (TEAMS). TEAMS is a private company and there is no quoted market price available for its shares. TEAMS's place of business and country of incorporation is Kenya. There are no contingent liabilities relating to the Group's interest in the associate.

TEAMS has a 30 June year end and derives its revenues from the provision of submarine fibre optic cable system. The fluctuation of the results of the associate is not expected to have a significant impact on the results of the Group. As such, the unaudited nine months results for the associate have been incorporated to the Group's financial statements as at 31 March 2015.

Set out below are the summarised financial information for TEAMS as at 31 March 2015 which is accounted for using the equity method;

Summarised statement of financial position	2015 Shs'000	2014 Shs'000
Current		
Cash and cash equivalents	519,561	108,042
Other current assets (excluding cash)	28,977	264,318
Total current assets	548,538	372,360
Other current liabilities (including trade payables)	(173,410)	(342,572)
Total current liabilities	(173,410)	(342,572)
Non-current Assets	80,565	35,086
Liabilities	(429,676)	-
Net assets	26,017	64,874
Summarised statement of comprehensive income		
Revenue	220,740	382,270
Depreciation	(148)	(906)
Other expenses	(219,987)	(339,158)
Profit before tax	605	42,206
Income tax expense	-	(12,662)
Post tax profit	605	29,544

The information above reflects the amounts presented in the financial statements of the associate (and not Safaricom Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.



## 20 Indefeasible Rights of Use (IRUs)

(a) Group	TEAMS Shs'000	SEACOM Shs'000	KPLC Shs'000	ETISALAT Shs'000	TATA Shs'000	EATCL Shs'000	Total Shs'000
<b>Year ended 31 March 2014</b>							
Opening net book amount	1,864,843	1,164,949	713,912	98,978	163,999	-	4,006,681
Additions	986,812	129,599	-	-	-	-	1,116,411
Amortisation charge	(136,360)	(71,129)	(40,825)	(7,419)	(12,262)	-	(267,995)
Closing net book amount	2,715,295	1,223,419	673,087	91,559	151,737	-	4,855,097
<b>At 31 March 2014</b>							
Cost	3,049,467	1,531,226	816,494	111,280	183,914	-	5,692,381
Accumulated amortisation	(334,172)	(307,807)	(143,407)	(19,721)	(32,177)	-	(837,284)
Net book value	2,715,295	1,223,419	673,087	91,559	151,737	-	4,855,097
<b>Year ended 31 March 2015</b>							
Opening net book amount	2,715,295	1,223,419	673,087	91,559	151,737	-	4,855,097
Additions	203,545	3,627	21,818	-	-	-	228,990
Acquired in a business combination	-	-	-	-	-	91,450	91,450
Amortisation charge	(157,679)	(76,728)	(72,946)	(7,419)	(12,260)	-	(327,032)
Closing net book amount	2,761,161	1,150,318	621,959	84,140	139,477	91,450	4,848,505
<b>At 31 March 2015</b>							
Cost	3,253,011	1,534,853	838,312	111,280	183,914	91,450	6,012,820
Accumulated amortisation	(491,850)	(384,535)	(216,353)	(27,140)	(44,437)	-	(1,164,315)
Net book value	2,761,161	1,150,318	621,959	84,140	139,477	91,450	4,848,505

**20 Indefeasible Rights of Use (IRUs) (continued)**

<b>(b) Company</b>	<b>TEAMS Shs'000</b>	<b>SEACOM Shs'000</b>	<b>KPLC Shs'000</b>	<b>ETISALAT Shs'000</b>	<b>TATA Shs'000</b>	<b>Total Shs'000</b>
Opening net book amount	1,864,843	1,164,949	713,912	98,978	163,999	4,006,681
Additions	986,812	129,599	-	-	-	1,116,411
Amortisation charge	(136,360)	(71,129)	(40,825)	(7,419)	(12,262)	(267,995)
Closing net book amount	2,715,295	1,223,419	673,087	91,559	151,737	4,855,097
<b>At 31 March 2014</b>						
Cost	3,049,467	1,531,226	816,494	111,280	183,914	5,692,381
Accumulated amortisation	(334,172)	(307,807)	(143,407)	(19,721)	(32,177)	(837,284)
Net book value	2,715,295	1,223,419	673,087	91,559	151,737	4,855,097
<b>Year ended 31 March 2015</b>						
Opening net book amount	2,715,295	1,223,419	673,087	91,559	151,737	4,855,097
Additions	203,545	3,627	21,818	-	-	228,990
Amortisation charge	(157,679)	(76,728)	(72,946)	(7,419)	(12,260)	(327,032)
Closing net book amount	2,761,161	1,150,318	621,959	84,140	139,477	4,757,055
<b>At 31 March 2015</b>						
Cost	3,253,011	1,534,853	838,312	111,280	183,914	5,921,370
Accumulated amortisation	(491,850)	(384,535)	(216,353)	(27,140)	(44,437)	(1,164,315)
Net book value	2,761,161	1,150,318	621,959	84,140	139,477	4,757,055

## 21 Inventories – Group and Company

	2015 Shs'000	2014 Shs'000
Network spare parts	1,065,857	1,722,904
Transfer to property, plant and equipment	(890,763)	-
Less: Provision for impairment losses	(175,094)	(832,141)
	-	890,763
Handsets and accessories	808,072	1,902,532
Scratch cards	78,114	68,730
Starter packs	121,856	234,531
Stationery and other stocks	3,261	6,116
Less: Provision for impairment / obsolesce losses	(11,488)	(146,705)
	999,815	2,065,204
Inventory work in progress	7,258,786	-
	8,258,601	2,955,967

The cost of inventories recognised as an expense and included in the direct costs amounted to Shs 10,262 million (2014: Shs 8,579 million).

Inventory work in progress represents cost incurred on the ongoing construction of a secure communication network for the national police service. The total construction cost is estimated to be Shs 14,905 million.

## 22 Prepaid operating lease rentals – Group and Company

Prepaid operating lease rentals relate to payments made in advance for the rental of sites on which the Company's equipment is located. The analysis of prepaid operating lease rentals is as follows:

	2015 Shs'000	2014 Shs'000
At start of year	301,082	259,401
Additions	902,604	676,279
Amortisation charge for the year	(760,122)	(634,598)
At end of year	443,564	301,082
Current portion reflected in prepayments	(442,562)	(299,555)
Non-current portion	1,002	1,527



## 23 Trade and other receivables

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Current:				
Trade receivables	4,726,111	3,668,991	4,523,099	3,541,902
Less: Provision for impairment losses	(985,030)	(632,968)	(985,030)	(633,328)
	3,741,081	3,036,023	3,538,069	2,908,574
Receivable from related parties (Note 27 (viii))	1,798,49	1,548,078	2,006,2080	1,769,241
Less: Provision for impairment losses	(33,268)	(15,375)	(33,268)	(15,375)
	1,765,228	1,532,703	1,972,940	1,753,866
Prepayments	2,562,660	1,819,456	2,542,789	1,788,059
Acquired in a business combination	41,685	-	41,685	-
Other receivables	2,204,145	1,785,058	2,006,413	1,671,570
Less: Provision for impairment losses	(13,156)	(426,623)	-	(412,760)
	2,190,989	1,358,435	2,006,413	1,258,810
	10,301,643	7,746,617	10,101,896	7,709,309

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
At start of year	1,074,966	1,686,207	1,061,463	1,672,704
Provisions made in the year:				
– trade and other receivables	318,442	317,515	318,442	317,515
– related parties	17,893	5,378	17,893	5,378
Release prior year provisions	(83,508)	(180,151)	(83,508)	(180,151)
Receivables written off during the year as uncollectible	(296,339)	(753,983)	(295,992)	(753,983)
	1,031,454	1,074,966	1,018,298	1,061,463

The carrying amounts of the above receivables approximate their fair values.

## 24 Cash and cash equivalents

Cash and cash equivalents comprise the following for the purpose of the statement of cash flows:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Cash at bank and in hand	12,030,309	9,701,197	11,996,400	9,667,318
Short term bank deposits	2,000,000	7,917,687	2,000,000	7,917,688
	14,030,309	17,618,884	13,996,400	17,585,006

## 25 Trade and other payables

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Trade payables	5,168,700	4,402,955	4,977,891	4,135,697
Amounts due to related companies (Note 27(ix))	1,296,946	1,243,068	1,468,092	1,343,854
Accrued liabilities				
- Network infrastructure	15,111,622	5,664,994	15,110,677	5,662,170
- Customer loyalty credits	2,995,093	3,496,324	2,995,093	3,496,324
- Deferred revenue	2,398,208	2,282,136	2,398,208	2,282,136
- Inventory	821,918	1,003,934	821,918	1,003,934
- Other expenses	8,622,868	7,758,176	8,416,127	7,619,344
Other payables	5,008,544	3,621,473	4,953,061	3,702,285
Current portion	41,423,899	29,473,060	41,141,067	29,245,744

All customer loyalty credits (Bonga Points) which form a separate component of the sales transaction are reported as deferred revenue and forms part of accrued liabilities.

The accrued liability relating to customer loyalty credits of Shs 2,995 million (2014: Shs 3,496 million) is expected to be recognised into revenue as customers redeem their points.

Deferred revenue Shs 2,398 million (2014: Shs 2,282 million) relates mainly to unused airtime which will be recognised as revenue upon customer usage and un-earned fibre revenue recognised over the lease period.

The carrying amounts of the current trade payables and accrued expenses approximate to their fair values.

## 26 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	Group	
	2015 Shs'000	2014 Shs'000
Profit before income tax	46,149,545	34,984,430
Adjustments for:		
Interest income (Note 8)	(1,292,085)	(1,140,069)
Interest expense (Note 8)	1,073,091	1,494,836
Transfer of inventory to property, plant and equipment (Note 17)	(890,763)	-
Depreciation on property, plant and equipment (Note 17)	21,850,707	21,281,441
Impairment charge on property, plant and equipment Note 17)	2,849,518	4,083,905
Amortisation of intangible assets (Note 18)	555,421	695,589
Share of loss / (profit) from associate (Note 19 (b))	4,041	(15,309)
Amortisation of IRUs (Note 20)	327,032	267,995
Movement in non-current prepaid operating lease rentals (Note 22)	525	700
Profit on sale of property, plant and equipment	(83,549)	(44,491)
Changes in working capital		
- receivables and prepayments	(2,555,026)	(378,191)
- inventories	(5,302,634)	(721,673)
- payables and accrued expenses	11,950,839	1,647,738
Cash generated from operations	74,636,662	62,913,283

## 27 Related party transactions

Vodafone Kenya Limited incorporated in Kenya, whose ultimate parent is Vodafone Group Plc, incorporated in the United Kingdom, is the largest single shareholder of the Company. There are other companies in the Vodafone Group that are related to the Company through common shareholdings or common directorships

The following arrangements exist and form the basis of various transactions within the Group.

- The Company has roaming agreements with Vodafone affiliated companies in many countries around the world including the UK.
- The Company operates the M-PESA business on a licence basis. M-PESA is an innovative mobile payment solution that enables users to complete money transfer transactions pay for goods and services by use of mobile phone for which the Company earns a commission which is based on the amounts transacted. The Company also uses the M-PESA platform to sell airtime to M-PESA account holders as well as run the M-Shwari and KCB M-PESA product as detailed out in note 2(e).

The Vodafone Sales and Services Limited (VSSL), which owns the M-PESA solution, has entered into a Managed Services Agreement with the Company under which VSSL agrees to provide the M-PESA solution to the Company against which a licence fee is due quarterly.



## 27 Related party transactions (continued)

The licence fee is based on either the higher of the number of active subscribers multiplied by a service fee rate which is graduated depending on the number of subscribers (the service fee rate reduces with increase in number of active subscribers) or 10% of M-PESA revenues and is capped at 25% of the revenue for that quarter with a floor of 10% of revenue per quarter. The fee is payable quarterly.

M-PESA Holding Company Limited acts as the trustee for M-PESA customers and holds all funds from the M-PESA business in trust to ensure that those funds are safeguarded at all times.

- (c) The Company has signed an agreement with Vodafone Sales and Services Limited, a company incorporated in England. The agreement is effective from 1 April 2011 to 31 March 2014, renewable every year. Under the agreement, Safaricom Limited will have access to Vodafone's global price book and supply chain resources for purposes of procurement, terminals management, Vodafone technical expertise, best practice systems and processes, Vodafone knowledge bank, benchmarking reports, Vodafone Global Enterprise customers to increase revenues, Vodafone business assurance and the business and consumer products and marketing support.

The participation fee is fixed at an annual amount equal to six million Euros (EUR 6,000,000).

- (d) The Company has employees who are seconded from Vodafone Group Services Limited (VGSL), UK. The payroll cost for the secondees is managed by VGSL UK and recharged to the Group for payment on a monthly basis.

The following relationships exist within the Group:

Related parties	Held by	Percentage of interest held as at 31 March	
		2015	2014
Ultimate holding parent			
Vodafone Group Plc			
Domestic holding company			
Vodafone Kenya Limited	Vodafone Group Plc	40%	40%
Subsidiaries			
One Communications Limited	Safaricom Limited	100%	100%
Instaconnect Limited	Safaricom Limited	100%	100%
Packet Stream Data Networks Limited	Safaricom Limited	100%	100%
Safaricom Money Transfer Services Limited	Safaricom Limited	100%	-
East Africa Tower Company Limited	Safaricom Limited	100%	-
IGO Wireless Limited	Safaricom Limited	100%	100%
Flexible Bandwidth Services Limited	One Communications Limited	100%	100%
Comtec Training and Management Services Limited	One Communications Limited	100%	100%
Comtec Integration Systems Limited	One Communications Limited	100%	100%
Associate			
The East African Marines Systems Limited (TEAMS)	Safaricom Limited	32.5%	32.5%

**27 Related party transactions (continued)**

The following transactions were carried out with related parties:

**(i) Sale of goods and services**

	Group	
	2015	2014
	Shs'000	Shs'000
Vodafone (UK) Limited	53,338	78,478
Vodacom Tanzania Limited	118,248	155,984
Other Vodafone affiliates	63,895	90,262
M-PESA Holding Company Limited	32,625,688	26,493,408
	32,861,169	26,818,132

**(ii) Purchase of goods and services**

	Group	
	2015	2014
	Shs'000	Shs'000
Vodafone Sales and Services Limited	4,620,199	4,194,671
Vodafone Group Services Limited	584,223	463,096
Vodafone (UK) Limited	27,109	42,004
Other Vodafone affiliates	46,507	98,223
Vodacom Tanzania Limited	414,783	368,008
	5,692,821	5,166,002

**(iii) Directors' remuneration**

	Group	
	2015	2014
	Shs'000	Shs'000
Fees for services as director	16,585	14,125
Other emoluments	267,683	211,799
Total remuneration of directors of the Company	284,268	225,924

**(iv) Key management compensation**

	Group	
	2015	2014
	Shs'000	Shs'000
Salaries and other short-term employment benefits	709,769	542,227
Employee Performance Share Award Plan	63,563	50,097
Pension contribution	12,608	12,392
Termination benefits	-	13,377
	785,940	618,093

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity.

## 27 Related party transactions (continued)

### (v) Loans from shareholders

There are no loans from shareholders outstanding at 31 March 2015 and 31 March 2014

### (vi) Loans to Directors of the Company

There are no loans to Directors of the Company at 31 March 2015 and 31 March 2014.

### (vii) Donations to Safaricom Foundation

Donations made during the year amounted to Shs 335 million (2014: Shs 302 million).

### (viii) Outstanding receivable balances arising from sale of goods/services

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Vodafone (UK) Limited	3,791	49,309	3,791	49,309
Vodafone Group Enterprises	30,536	76,843	30,536	76,843
M-PESA Holding Company Limited	1,727,288	1,379,749	1,727,288	1,379,749
Other Vodafone affiliates	32,017	28,811	32,017	28,811
Vodacom Tanzania	4,864	13,366	4,864	13,366
One Communications Limited	-	-	120,664	134,115
Packet Stream Data Networks Limited	-	-	76,642	76,642
IGO Wireless Limited	-	-	10,406	10,406
	1,798,496	1,548,078	2,006,208	1,769,241
Non-current:				
Loan to One Communications Limited	-	-	633,408	707,906
	1,798,496	1,548,078	2,639,616	2,477,147

### (ix) Outstanding payable balances arising from purchases of goods/services

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Vodafone Sales and Services Limited	1,226,854	1,027,138	1,226,854	1,027,138
Vodafone Group Services Limited	56,333	104,353	56,333	104,353
Vodafone (UK) Limited	-	3,420	-	3,420
Other Vodafone affiliates	7,378	43,527	7,378	43,527
Vodacom Tanzania	6,381	64,630	6,381	64,630
One Communications Limited	-	-	168,674	98,314
IGO Wireless Limited	-	-	2,472	2,472
	1,296,946	1,243,068	1,468,092	1,343,854

The receivables arise mainly from trading, are unsecured and bear no interest. A provision of Shs 33.2 million (2014: Shs 15.4 million) (Note 23) is held against receivables from related parties. The payables to related parties arise mainly from purchase transactions. The payables bear no interest. Settlement of obligations between related parties is done in cash.



**27 Related party transactions (continued)****(x) Loan to related party**

Non-current:	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Loan to related party	-	-	633,408	707,906

The loan to related party is a loan made by the Company to its subsidiary company, One Communication Limited at an interest rate based on 91 days treasury bill rate plus 100 basis points. The repayment date is based on future profit expected from One Communications Limited but has no fixed repayment terms. During the year, Shs 74.5 million (2014: Shs 142.1 million) was repaid. The fair value of the loan approximates its carrying amount.

**28 Contingent liabilities**

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

At 31 March 2015, a guarantee of Shs 25,000,000 (2014: Shs 20,000,000) had been given to Barclays Bank of Kenya against credit cards for the use of senior staff during travel and a guarantee of Shs 381,375,171 (2014: Shs 67,853,424) to various suppliers for goods and services regularly provided to the Company.

The Company has outstanding matters with the Kenya Revenue Authority (KRA).

The Directors have assessed the status of the contingent liabilities and as a result do not anticipate any material liabilities that may have an impact on these financial statements.

**29 Commitments****Capital commitments**

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Property, plant and equipment	11,019,446	6,799,338	11,019,446	6,799,338

**Operating lease commitments**

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Not later than 1 year	1,023,680	890,325	1,023,680	890,325
Between 1 year and 5 years	2,803,301	3,192,480	2,803,301	3,192,480
Later than 5 years	2,030,991	1,717,608	2,030,991	1,717,608
	5,857,972	5,800,413	5,857,972	5,800,413

## 29 Commitments (continued)

### Operating lease commitments (continued)

Operating lease commitments relate to contracted leases for facilities and site rentals at the statement of financial position date. The lease terms are between 6 years and 20 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

## 30 Business combination

On 22 December 2014 Safaricom Limited completed its part of the transaction of acquisition of assets related to Essar Telecom Kenya Limited (ETKL) business in exchange for a total cash consideration of Shs 7,539 million. The acquired business consists of ETKL Wireless network spectrum, passive network equipment, computer equipment, office fixtures and fittings and a 100% owned subsidiary, East Africa Tower Company Limited (EATCL). This was executed through three different agreements; direct asset transfer agreement, share purchase agreement and hive down agreement.

The acquisition is expected to bring synergy for Safaricom Limited and improve the quality of service offered to customers.

Safaricom Limited is currently going through the final stages of working capital adjustment settlement with respect to the acquisition. This is, however, not expected to have a material impact on the transaction. The fair value (same as the gross contractual amount) of other receivables was Shs 189.6 million. The entire amount is recoverable.

Acquisition-related costs of Shs 19.2 million have been charged to other expenses in the Statement of comprehensive income for the year ended 31 March 2015.

The amount of gain on asset purchase arising on acquisition was Shs 107.7 million after netting off Shs 442.0 million decommissioning costs. This was as a result of the fair value of the assets exceeding the consideration paid. The table below summarises the fair value of assets acquired:

Asset	Fair Value Shs '000
Licences (spectrum) (Note 18)	6,797,629
Network equipment (Note 17)	1,033,200
Computer equipment (Note 17)	13,623
Office equipment (Note 17)	2,695
Furniture & fittings (Note 17)	458
Leasehold improvements (Note 17)	3,514
Investment in EATCL (Note 19)	91,450
<b>Total</b>	<b>8,088,751</b>

As at 31 March 2015, the consolidated statement of comprehensive income includes revenue contributed by the ETKL assets but due to the nature of Safaricom business, revenues generated from individual assets cannot be economically identified.

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# SHAREHOLDING INFORMATION

## Principal shareholders

The 10 largest shareholdings in the Company (ordinary shares only) and the respective number of shares held as at 31 March 2015 are as follows:

	<b>Name of shareholder</b>	<b>Number of shares</b>
1	VODAFONE KENYA LIMITED	16,000,000,000
2	CABINET SECRETARY TO THE TREASURY	14,022,572,580
3	STANDARD CHARTERED NOMINEES A/C KE002112	428,426,200
4	STANDARD CHARTERED NOMINEES NON-RESIDENT AC 9069	281,403,969
5	STANDARD CHARTERED NOMINEES NON-RESIDENT AC 9835	255,387,460
6	STANDARD CHARTERED NOMINEES NON RESIDENT A/C 9318	210,199,740
7	STANDARD CHARTERED NOMINEES NON RESIDENT A/C KE205311	194,585,700
8	STANDARD CHARTERED NOMINEES A/C KE11916	187,600,961
9	STANDARD CHARTERED NOMINEES NON-RESIDENT A/C KE10085	182,542,500
10	STANDARD CHARTERED NOMINEES NON-RESIDENT A/C 9853	120,805,419
11	OTHERS	8,181,903,471
	<b>Total</b>	<b>40,065,428,000</b>

## Distribution of shareholders

	<b>Number of shareholders</b>	<b>Number of shares</b>	<b>% Share- holding</b>
1 to 1000	397,215	240,505,106	0.60%
1001– 10,000	200,039	577,195,340	1.44%
10,001 – 100,000	23,954	599,442,629	1.50%
100,001 – 1,000,000	2,066	551,771,670	1.38%
1,000,001 – 10,000,000	428	1,440,655,863	3.60%
10,000,001 – 100,000,000	161	4,439,317,605	11.08%
100,000,001 – 1,000,000,000	11	2,193,967,207	5.48%
1,000,000,001 – 100,000,000,000	2	30,022,572,580	74.92%
<b>Total</b>	<b>623,876</b>	<b>40,065,428,000</b>	<b>100.00%</b>









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ADDITIONAL  
INFORMATION

# NOTICE OF THE ANNUAL GENERAL MEETING


## SAFARICOM LIMITED

### TO ALL SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of Safaricom Limited for the year 2015 will be held in the Indoor Arena, Safaricom Kasarani Stadium, Thika Road, Nairobi on Thursday, 3 September 2015 at 11.00 am to conduct the following business:

1. To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2015 together with the Chairman's, Directors' and Auditors' reports thereon.
2. To approve a first and final dividend of Kshs 0.64 per share for the Financial Year ended 31 March 2015 as recommended by the Directors. The dividend will be payable on or before 2 December 2015 to the Shareholders on the Register of Members as at the close of business on 3 September 2015.
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 Messrs 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 the Auditors' remuneration for the ensuing financial year.
5. Any other business of which due notice has been given.

BY ORDER OF THE BOARD



**ENID MURIUKI (MRS)**

**SECRETARY**

Date: 31 July 2015



# NOTICE OF THE ANNUAL GENERAL MEETING (continued)

## NOTES

- (i) A member entitled to attend and vote at this meeting is entitled to appoint a proxy 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](http://www.safaricom.co.ke)) or at Safaricom House, Waiyaki Way, Westlands, Nairobi, or from any of the Safaricom Shops countrywide.
- (ii) In the case of a member being a corporate, the proxy form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
- (iii) All proxy forms should be sent by post to Image Registrars, PO Box 9287, 00100 Nairobi. Alternatively, duly signed proxy forms can be scanned and emailed to [info@image.co.ke](mailto:info@image.co.ke) in PDF format. Proxy forms must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.
- (iv) In accordance with Article 145 of the Company's 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](http://www.safaricom.co.ke)) or from the Registered Office of the Company i.e. Safaricom House, Waiyaki Way, Westlands, Nairobi. An abridged version of the Financial Statements for year ended 31 March 2015 has been published with this notice.
- (v) Registration of members and proxies attending the Annual General Meeting will commence at 7.00 am on 3 September 2015. Production of a National Identity Card, a passport, a current Central Depository Statement of Account for shares held in the Company or other acceptable means of identification will be required.
- (vi) The preferred method of paying dividends which are below Kshs 70,000 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment should contact Image Registrars on:  
Tel: +254 20 2230330 / +254 20 2212065 / +254 20 2246449  
Mobile: +254 724 699 667 / +254 735 565 666 / +254 770 052 116  
Email: [info@image.co.ke](mailto:info@image.co.ke)  
Or contact Safaricom Limited's Investor Relations Team on: Tel: +254 427 4233 / 3725 / 4746  
Mobile: +254 722 004 233 / 3725 / 4746  
Email: [investorrelations@safaricom.co.ke](mailto:investorrelations@safaricom.co.ke)
- (vii) Transport will be provided to Shareholders on the day of the meeting from the Kenyatta International Convention Centre (KICC) parking bay to the Safaricom Kasarani Stadium from 7.00 am to 10.00 am and back to KICC parking bay after the close of the meeting.

# DIRECTORS AND SENIOR LEADERSHIP TEAM

## BOARD OF DIRECTORS

### Mr. Nicholas Nganga

#### Chairman & Non-Executive Director

Mr. Nganga (76) joined the Board of Safaricom Ltd on 6 May, 2004 and was elected Chairman on 16 January, 2007. He holds a BA Degree from Makerere University and served as Permanent Secretary in the Ministries of Finance, Foreign Affairs and Health.

Mr. Nganga has been involved extensively in the tea industry and was Chairman of the Tea Board of Kenya. He is the former Chairman of the National Bank of Kenya.

Currently, he is the Chairman of G4S Security, Car & General Kenya and a member of the Board of Kakuzi Limited.

### Mr. Robert Collymore

#### Executive Director and CEO

Bob Collymore (57) has been the CEO of Safaricom Limited since 1 November 2010. Prior to joining Safaricom, Bob was the Chief Officer for Corporate Affairs in Vodacom Group responsible for the Group's Corporate Communication, Ethics and Compliance, Legal, External Relationships and Corporate Social Responsibility.

He also held the position of Vodafone's Governance Director for Africa and was responsible for developing and driving Vodafone's strategy for its investments in Africa. This position saw him represent Vodafone as a key direct foreign investor in a number of African countries. Bob has more than 30 years of commercial experience working in senior executive roles in the telecommunications sector.

He also sits on the Board of Acumen, Vision 2030 Board, is a trustee in the National Road Safety Trust and Chairman of the TEAMS Board. Bob was recently re-appointed as a Board Member of the United Nations Global Compact.

### Mr. Michael Joseph

#### Non-Executive Director

Michael Joseph (69) joined the Board on 8 September 2008. Michael is employed by Vodafone Group Services Limited as the Director of Mobile Money. He is also Vodafone's Strategic Advisor and sits in the board of Vodacom Group South Africa, Vodacom Tanzania, Vodacom Mozambique, Vodacom DRC and Safaricom Limited in Kenya.

Michael was the CEO of Safaricom Limited from July 2000 when the Company was re-launched as a joint venture between Vodafone UK and Telkom Kenya. He retired in November 2010. During his tenure, he steered the Company from a subscriber base of less than 20,000 to over 17 million subscribers. This phenomenal growth straddling nearly a decade was motored by the launch of many innovative products and services such as M-PESA. Today, Safaricom is one of the leading companies in East Africa and one of the most profitable in the region.

He has extensive international experience in Company start-ups, the implementation and operation of large wireless and wire-line networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, the USA, Australia and the Middle East.

Mr. Joseph, a U.S. citizen, has a BSc (cum laude) in Electrical Engineering from the University of Cape Town and is a member of the I.E.E.E. and I.E.E. (U.K.). He also has an Honorary Doctorate Degree (Doctor of Letters) from Africa Nazarene University, bestowed to him in recognition of his contribution to the growth of Safaricom from very humble beginnings to become one of the most innovative, influential and profitable companies in the East African region.

## Esther Koimett

### Non-Executive Director and Alternate to Henry Rotich

Esther Koimett (58) joined the Board of Safaricom on 24 May 2005. She previously served on the Board between 11 April, 2001 and 5 September, 2002. She holds Bachelor of Commerce and MBA degrees from the University of Nairobi and is currently the Investment Secretary at the Treasury. Esther has also served as Permanent Secretary in the Ministry of Tourism and Information and Managing Director, Kenya Post Office Savings Bank.

## Nancy Wambaire Macharia

### Non-Executive Director

Ms Nancy Wambaire Macharia (49) joined the Board of Safaricom on 16th, January 2007. She is a member of the Board Audit Committee. Ms. Macharia joined JKUAT in 2004 as a lecturer and was appointed Deputy Director, the School of Computing and Information Technology between 2005 and 2013. She is a recognised research consultant and educator in Design and Implementation of Interactive Computer Systems, Information Systems Security, Innovation and Technology Transfer for Business Development, and Usability Engineering. Most of her research activities centre on Social, Mobile and Emerging Media and aligning IT and Business strategy.

Nancy is a member of the Computer Society of Kenya, Public Relations Society of Kenya, Faraja Society and the Kenya Institute of Directors. Nancy holds a Master's Degree in Computer Based Information Systems from Sunderland University (UK) with her research area being User Centred Design for Multi-user Database. Nancy also has a Post Graduate Diploma in Project Management from Catholic University of Eastern Africa and her research was titled: The Influence of Women Participation in the Success or Failure of IT projects.

Nancy is completing her PhD in Social and Mobile Media Risk Management Strategies.

## Ms Susan Mudhune,

### Non-Executive Director

Susan Mudhune (65) holds a BA degree with Education Option and MBA from the University of Nairobi. She is a Fellow of Institute of Bankers and Kenya Institute of Management. Susan is a Director at Eveready East Africa, Pan Africa Insurance Holding and Centre for Corporate Governance. She is a trustee at the Management University of Africa and Kenya Girl Guide Association.

## John Otty

### Non-Executive Director

John (50) is the Vodafone Regional Finance Director for Africa, Middle East and Asia Pacific. He joined Vodafone in December 1992 and has held a number of senior executive

positions in Vodafone including that of Group Technology, Financial Director, interim CFO of Vodafone India and Vodafone PLC Group Internal Audit Director. He was appointed to the Safaricom Limited Board in August 2013.

## Henry Rotich

### Non-Executive Director

Mr. Henry K. Rotich (45) is the Cabinet Secretary of the National Treasury in Kenya. Prior to this appointment, Mr Rotich was the Head of Macroeconomics at the Treasury, Ministry of Finance since March 2006. In this position, he was involved in formulation of macroeconomic policies that ensured an affordable and sustainable path of public spending aimed at achieving the Government's development priorities. He was also involved in preparation of key budget documents, including the Budget Statements, as well as providing strategic coordination of structural reforms in the area of fiscal and financial sector.

Prior to joining the Ministry of Finance, Mr. Rotich worked at the Research Department of the Central Bank of Kenya since 1994. Between 2001- 2004, he was attached to the International Monetary Fund (IMF) local office in Nairobi to work as an economist.

Mr. Rotich was also a director on several Boards of State Corporations, including: Insurance Regulatory Board; Industrial Development Bank; Communications Authority of Kenya; and Kenya Bureau of Statistics.

Mr. Rotich holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University.

He also holds Master's Degree in Economics and Bachelor's Degree in Economics (First Class Honours), both from the University of Nairobi.

## Gianluca Ventura

### Non-Executive Director

Gianluca Ventura (48) has held the role of Vodafone Group's Human Resources Director Africa, Middle East and Asia Pacific since October 2013.

Ventura held the roles of HR Director of Vodafone Southern Europe since 2012 and of HR and Organisation Director of Vodafone Italy since 2008. He joined Vodafone in 2003 as Head of HR Technology and became Director of the Vodafone Group's Technology Department in 2006, based in Newbury. Previously, he worked in L'Oreal, where he held the role of Italy HR Director.

Graduated in Bocconi University in Milan, Ventura has a CEMS Master's Degree from Esade in Barcelona.

He joined the Board of Safaricom in March 2015.



# DIRECTORS AND SENIOR LEADERSHIP TEAM

## Serpil Timuray

### Non-Executive Director

Serpil Timuray (45) was appointed Executive Committee Member of Vodafone Group and Regional CEO of Africa, Middle East, Asia, Pacific in January, 2014. Prior to this role, she was CEO of Vodafone Turkey since January 2009.

Serpil has since September 2012 served as a Non-Executive Board Member of Vodacom Group, a leading African telecoms group headquartered in South Africa. She was appointed to the boards of Vodafone India, Vodafone Hutchison Australia, Safaricom Kenya in November 2013 and Vodafone Qatar in June 2014. Serpil was appointed as an independent director to the Board of Danone in the AGM on 29 April, 2015. She also sits on the Board of Trustees at Koc University, Turkey.

Serpil joined Vodafone as Chief Executive of Vodafone Turkey in January 2009. She was previously General Manager of Danone Turkey from 2002-2008. She began her career in 1991 in marketing at Procter & Gamble where she was later appointed to the Executive Committee of Procter & Gamble Turkey.

Serpil was ranked 15th of the 'International Most Powerful Women' by Forbes in 2014, 79<sup>th</sup> among the 'World's 125 Women of Impact' by Newsweek in 2013 and selected as a 'Young Global Leader' by World Economic Forum in 2009. She was elected as 'The Professional of the Year' in Turkey for 2013, 2011 and 2010 by the Turkish Economist. She was also ranked 1st among 'The Most Powerful Woman CEO of Turkey' by the Turkish Economist magazine in 2014, 3rd among 'The 30 Most Powerful Businesswomen in Turkey' by the Capital magazine in 2014, and 6th among 'The Most Powerful Business Women of Turkey' in 2015.

Serpil is a Business Administration graduate from Bogazici University.

## John Tombleson

### Executive Director and Chief Finance Officer

John Tombleson (52) joined Safaricom as the Finance Director in November 2011 from Vodafone Qatar, where he held the roles of Acting Chief Executive Officer and Chief Financial Officer. He is an original member of the Qatar start-up team which was founded in 2008 and has built a population market share of 48% within two years.

John first joined Vodafone in New Zealand in 2003 and has since held senior financial roles in both mobile and fixed telecommunications operations. He was previously a Board member of Vodafone Qatar and Vodafone Fiji.

Prior to joining Vodafone, John was a management consultant with clients across a variety of industries. John has a Bachelor of Management Studies, with majors in marketing and accounting.

## Enid Muriuki

### Company Secretary

Enid Muriuki (40) is a Certified Public Secretary with over 15 years of industry and consulting experience in matters of corporate governance and statutory compliance. She is a holder of a Bachelor of Science Degree from Jomo Kenyatta University of Agriculture and Technology and a Diploma in Business Management from Kenya Institute of Management.

She is a Certified Public Secretary and a member of the Institute of Certified Public Secretaries of Kenya.

## SENIOR LEADERSHIP TEAM

### Robert Collymore

**Chief Executive Officer** *(See profile on page 138)*

### John Tombleson

**Chief Finance Officer** *(See profile on page 140)*

### Sylvia Mulinge

**Director, Consumer Business**

Sylvia is responsible for Consumer Business, which includes dealers, M-PESA agents management and retail sales in Safaricom's 43 shops spread across the country. She is also charged with consumer propositions and growing internet and data content.

She joined Safaricom 9½ years ago and previously worked as General Manager - Enterprise Business where she steered the unit to its current status as the preferred partner of choice for Kenyan businesses. Sylvia was also instrumental in expanding Safaricom's retail shop footprint and played a critical role in converting them into viable profit centres.

Previously she worked for over five years at Unilever both in Kenya and South Africa, gaining immense and diverse experience in customer development, innovation management, trade marketing, field sales as well as brand management.

As a member of the Safaricom Sustainability Team, she successfully led an initiative to embed sustainability in the organisation and is spearheading an ambitious plan to recruit additional members for the United Nations Global Compact office in Kenya. In addition, she is an active member of Make A Difference (MAD) and sits on the Board of The Partnership for Maternal Newborn & Child Health (PMNCH), a global health initiative hosted by the World Health Organisation in Geneva. Sylvia was named one of Kenya's Top 40 Women Under 40 in 2014 and is passionate about developing women leaders across the region. In this respect, she is Executive Sponsor of the Safaricom Women In Technology (WIT) initiative.

She holds a BA (Hons) of Science Degree from the University of Nairobi and is pursuing an Executive MBA through the University of Cape Town in South Africa.

### Roy Masamba

**Director, Resources**

Roy joined Safaricom in November 2012. He is a Human Resources executive with over 20 years international experience gained working in various countries in Europe, U.S.A., Africa & Middle East. Before joining Safaricom, Roy worked with Vodafone Group for three years, having joined them in December 2009. He was Regional HR executive for Central Europe, Africa, Middle East & Asia Pacific before taking up the role of Vice President, Human Resources for Verizon Vodafone Enterprise Services. These roles were based in London.

Additionally, Roy has headed the Human Resource function in other multi-national companies including Zain Group and British American Tobacco.

He started his career as an electrical engineer after graduating from University of Zimbabwe with a BSc (Hons) in Electrical Engineering. Thereafter, he moved into Operations Management and Human Resources.

Roy has an MBA in General Management from Cranfield School of Management (2005) in the United Kingdom.

### Nicholas Mulila

**Director, Risk Management**

Nicholas is responsible for Risk Management functions of the Company, including Enterprise Risk Management, Ethics and Compliance, Revenue Assurance, Security and Anti-Money Laundering.

He joined Safaricom in 2001 and rose through the ranks to become a member of Senior Leadership Team. He has held the positions of Senior Management Accountant and Principal Business Planning and Forecasting Accountant in the finance division, Head of Corporate Strategy and Planning, Head of Commercial Planning/Pricing Department, Executive Business Analyst and Programme Management Officer.

Prior to joining Safaricom, Mulila worked for General Motors (EA) and Eastern Produce (K) Ltd, where he held various positions in finance.

Mr. Mulila holds a Bachelor of Commerce Degree (Accounting Option) and a Master of Business Administration Degree in Strategy from the University of Nairobi. He is a Professional Accountant and Certified Secretary and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK). He is a member of ASIS (American Society for Industrial Security) International.

# DIRECTORS AND SENIOR LEADERSHIP TEAM

## Rita Okuthe

### Director, Enterprise Business Unit

Rita joined Safaricom in August 2009 as Head of Consumer Segments and later held the role of Director, Marketing until she was appointed the General Manager for Enterprise Business in March 2015.

Prior to joining Safaricom, she held several marketing roles, including Head of Marketing at MTN Uganda. She has several years work experience in advertising and brand management and has successfully managed brands at all stages; from infancy to maturity in both monopolistic and highly competitive environments.

In 2014, Rita was nominated as one of the 50 global CMOs to watch in the telecoms sector. She is one of just 12 women around the world who have received this accolade awarded by Global Telecoms Business magazine. The 50 were chosen as a result of their commitment to innovation in their fields and their ability to communicate the role of operators and vendors in the ever changing telecoms sector. She was recognised for her role in crafting specialised marketing campaigns that bring 'Transforming Lives' vision to life.

Rita has a Bachelor's Degree in Economics and a Masters of Science in Marketing.

## Joseph Ogutu

### Director, Strategy & Innovation

Joseph Ogutu joined Safaricom as Chief Corporate Affairs Officer in May 2005 from Telkom Kenya where he was the Principal Assistant to the Managing Director and Chief Strategy & Regulatory Officer. He then served as Chief Human Resource Officer from 2008 before taking on the role of Director, Resources Division in the March 2011 Company reorganisation.

In October 2012, Mr. Ogutu was appointed as the Director, Strategy & Innovation Division, where he works closely with the CEO in formulating strategic direction of the business, focusing on cementing Safaricom's position as an industry leader on driving products and services innovation.

He also serves as the Chairman of Safaricom Foundation and sits on the Board of TEAMS Limited.

Mr. Ogutu has had a dynamic career in the telecommunications industry, spanning more than 25 years, of which the last 12 have been at Executive Committee level. During this period, he was actively

involved in the reform of the sector including the drafting of the Postal and Telecommunication Policy Paper that led to the restructuring of the defunct Kenya Posts and Telecommunications Corporation and subsequent establishment of Communications Commission of Kenya (CCK), Telkom Kenya and Postal Corporation of Kenya. He has also been involved in the establishment of the institutional framework for the Eastern Africa Submarine Cable System (Eassy).

Mr. Ogutu is a graduate of Economics from the University of Nairobi.

## Denish Osodo

### Director, Internal Audit

Denish joined Safaricom in October 2013. He is responsible for providing Assurance over the Company's risk management, controls and governance processes.

He previously worked at PricewaterhouseCoopers (PwC) for several years, offering audit and business advisory services to companies in different industries during his stints in Kenya and United Kingdom offices. He left PwC as a Director in the Risk Assurance Services team focusing on the provision of Internal Audit and Business Controls Advisory Services to large businesses in the African continent.

Denish graduated with a Bachelor of Commerce from the University of Nairobi and is a practising member of the Institute of Certified Public Accountants of Kenya (ICPAK).

## Thibaud Rerolle

### Director, Technology

Thibaud joined Safaricom in January 2012. Previously he was the Chief Technology Officer at Orange Dominicana in the Dominican Republic.

He has a wealth of experience having worked in senior management positions in France Telecom Group for 17 years in roles that covered Networks, Management, International Assignments and Customer Services, spanning six countries in Europe and South America.

Thibaud has a Bachelor of Sciences Degree in Telecommunications Engineering with a specialisation in Networks from the prestigious Telecom ParisTech (ENST) and has also attended Prytanée National Militaire Preparatory School in France.

Thibaud is fluent in six languages.



## Betty Mwangi

### Director, Financial Services

Betty joined Safaricom in December 2007 as Head of New Products Division comprising M-PESA business and GSMA projects. She was promoted to Chief Officer New Products Division in October 2008 with the additional responsibility for Safaricom's Value Added Service.

She currently oversees the strategic growth, profitability and development of M-PESA, the globally acclaimed mobile money transfer service.

Ms. Mwangi has over 17 years experience in the telecommunications industry. Prior to joining Safaricom, she was Chief Marketing Officer at Afsat Communications Ltd. She also worked with GlaxoSmithKline for five years in various management positions and was responsible for the East African business and interoperability for Africa and Middle East.

In June 2010, she was featured by MCI (Mobile Communications International) as one of the top 10 most influential women in mobile globally and in August 2011 and 2013, she was recognised as one of the Top 20 most powerful African Women in ICT by the IT News Africa.

In December 2011, Ms. Mwangi was recognised for her contribution to Kenya's Information Communications Technology (ICT) sector by His Excellency, the then President of Kenya, Hon. Mwai Kibaki who awarded her the prestigious State Honours of the Moran of the Order of the Burning Spear (MBS).

She holds a B. Eng. (Hons) in Electrical and Electronic Engineering from the Victoria University of Manchester and also has an MBA from the University of Leicester - both in the UK. She is also a Chartered Marketer and a member of the Chartered Institute of Marketing (CIM).

## Stephen Chege

### Director, Corporate Affairs

With a deep background in Regulatory and Legal affairs, Stephen is responsible for the Corporate Affairs Division, which provides strategic support functions to Safaricom's operations. These functions include the Regulatory and Public Policy, Legal and Secretarial Services; Corporate Responsibility (incorporating the Safaricom and M-PESA Foundations as well as Sustainability Reporting); and the Corporate Communications functions.

Stephen has a wealth of telecommunications professional experience spanning over 14 years in various organisations, including Vodafone Group UK. He first joined Safaricom in 2006 as In-House Counsel, rising over the years to hold the position of Senior Manager, Public Policy & Market Regulation until 2011 when he was appointed Head of Regulatory and Public Policy. In April 2015, he became the Director, Corporate Affairs.

An advocate of the High Court of Kenya, Stephen holds a Masters in Law (LL.M) in International Trade and Investment Law from the University of Nairobi and a Bachelor of Laws Degree (LL.B) from the same university. He is a Certified Public Secretary and a Trustee of the Safaricom Foundation, where he nurtures his ambition to provide access to education for young, disadvantaged children. Stephen is currently a member of the Taskforce established under the Kenyan ICT Ministry to develop the Policy Framework and Critical Infrastructure Bill for the protection of critical ICT infrastructure.

## Jannet Atika

### Head, Customer Operations

Jannet is currently the Head of Customer Operations. She has over 21 years of experience working in the telecommunication sector in various fields such as Public Relations, Sales, Marketing and Customer Service.

She joined Safaricom in November 2000 as a Retail Shop Manager and has held various roles, including Care Centre Operations Manager, Senior Manager - Retail Rollout & Support and Head of Department - Retail Channels. Prior to joining Safaricom, Jannet was the Head of Sales, Marketing and Public Relations at Gilgil Telecommunication, then a subsidiary of Telkom Kenya.

Jannet has implemented various initiatives that have brought significant improvements in both retail and customer care operations.

She holds a Masters of Business Administration Degree in Strategy from the University of Nairobi and a Bachelor of Arts Degree in Economics and Sociology from Egerton University. Jannet is an alumna of Strathmore Business School (SBS) where she undertook a Program for Management Development (PMD) and an Advanced Management Development Program (AMP).

# CORPORATE INFORMATION

## REGISTERED OFFICE

Safaricom House  
Waiyaki Way, Westlands  
P.O. Box 66827, 00800 Nairobi  
Telephone: +254 20 427 4524/4260  
Website: [www.safaricom.co.ke](http://www.safaricom.co.ke)

## INVESTOR RELATIONS

Safaricom House  
Waiyaki Way, Westlands  
P.O. Box 66827, 00800 Nairobi  
Telephone: +254 20 427 4524/3725/4746  
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Website: [www.safaricom.co.ke](http://www.safaricom.co.ke)

## REGISTRARS

Image Registrars Limited  
5th Floor, Barclays Plaza  
Loita Street  
P.O. Box 9287, 00100 Nairobi  
Telephone: +254 20 2230330/2212065/2246449  
Email: [info@image.co.ke](mailto:info@image.co.ke)  
Website: [www.image.co.ke](http://www.image.co.ke)

## AUDITORS

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Fax: +254 (20) 285 5001  
Email: [PwC.kenya@ke.PwC.com](mailto:PwC.kenya@ke.PwC.com)

## COMPANY SECRETARY

Mrs Enid Muriuki  
Livingstone Associates, Deloitte Place  
Waiyaki Way, Westlands  
P.O. Box 43963, 00100 Nairobi  
Tel: +254 719 039 000 / +254 (20) 4230 000



# PROXY FORM

I/We \_\_\_\_\_

Of \_\_\_\_\_

Being a member of the above Company, hereby appoint:

Of \_\_\_\_\_

Failing whom, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 3 September 2015 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Signed \_\_\_\_\_

Signed \_\_\_\_\_

## NOTE:

1. A member entitled to attend and vote 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.
2. 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 office or attorney duly authorised in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting. 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.



## NOTES

[illegible]



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