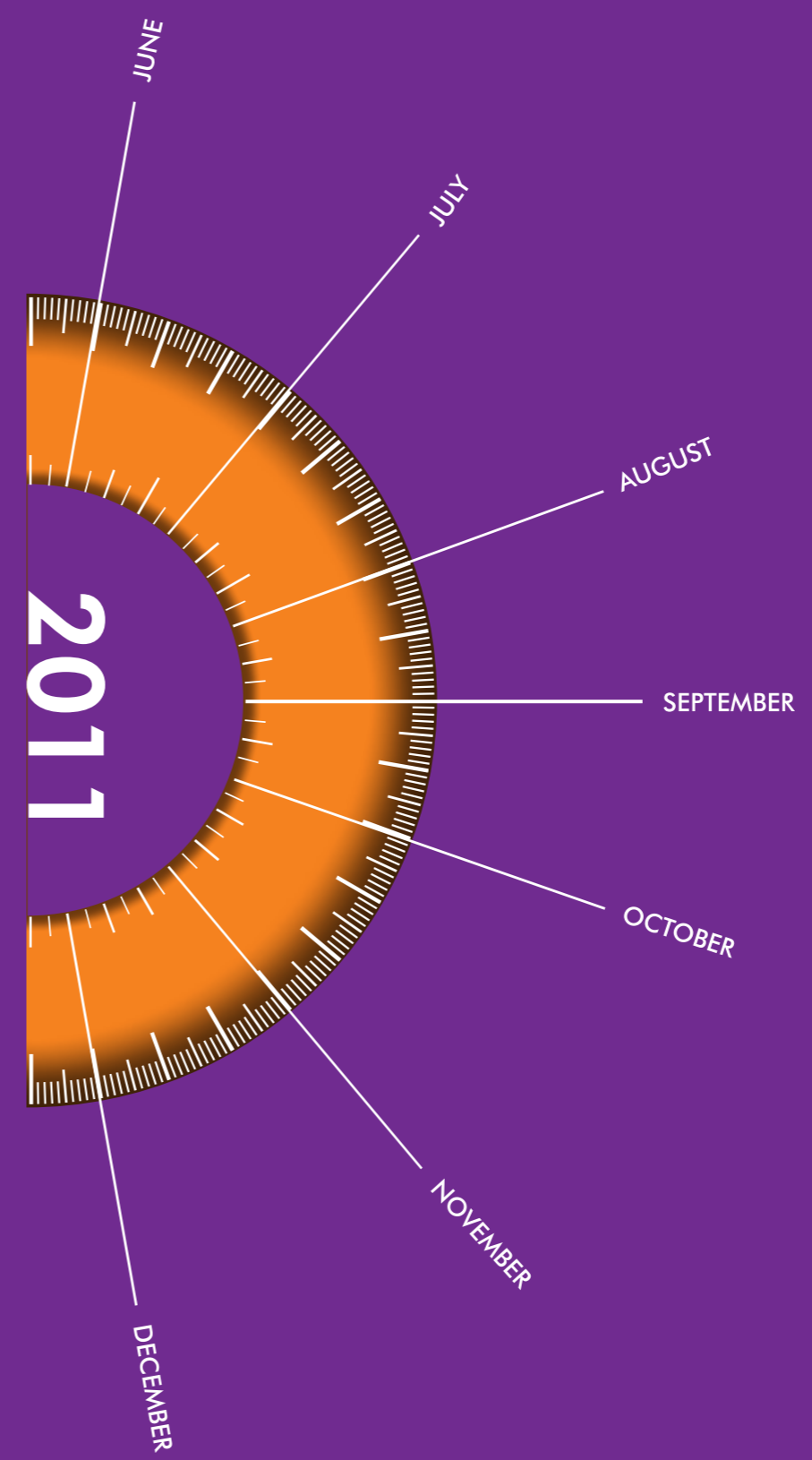


ANNUAL REPORT AND ACCOUNTS



Starcomms Plc
Corporate Head Office:
52 Adetokunbo Ademola Street, Victoria Island, Lagos, Nigeria.
Tel: +234 1 804 1234 Fax: +234 1 811 0301
Head Office: 1261c Bishop Kale Close, Victoria Island, Lagos, Nigeria.
www.starcomms.com

Starcomms Plc
..hear for you.

2011

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

IN THIS YEAR'S REPORT

Notice of Annual General Meeting	iv
MD/CEO's Report	ix
Board of Directors	xv
Directors, Officers and Professional Advisers	01
Directors' Report	02
Statement of Directors' Responsibilities	08
Audit and Risk Committee's Report	09
Tendering and Procurement Committee's Report	10
Nomination and Corporate Governance Committee's Report	11
Remuneration Committee's Report	12
Market Announcement Committee's Report	13
Independent Auditor's Report	14
Statement of Accounting Policies	15
Profit and Loss Account	21
Balance Sheet	22
Statement of Cash Flows	23
Notes to the Financial Statements	24
Value Added Statement	45
Five-Year Financial Summary	46
Products and services offering	49
Annexure	59
Proxy Form	66

Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting (the "Meeting") of the Company will be held at the Lagos/Kogi/Osun Halls of the Transcorp Hilton Hotel, Abuja on Friday, December 28th, 2012, at 10:00am to transact the following Businesses:

ORDINARY BUSINESS

1. To receive the financial statements for the year ended December 31st 2011 together with the Directors and Auditors report thereon
2. To elect / re-elect Directors
3. To approve the remuneration of Directors
4. To authorize the Directors to fix the remuneration of the Auditors
5. To elect members of the Audit Committee

SPECIAL BUSINESS

To consider and if thought fit pass the following subjoined resolutions as a Special Resolution of the Company:

1. That the Investment Agreement dated November 8th, 2012 laid before the Meeting, for the investment by Capcom Limited ("Capcom") of the aggregate consideration valued at US\$210,000,000 (Two Hundred and Ten Million United States Dollars) in the Company be and is hereby approved.
2. That further to the acceptance by the Company of the investment consideration to be provided by Capcom, including a cash sum of US\$85,000,000 (Eighty Five Million United States Dollars) and other assets to be contributed by Capcom to Starcomms, the subscription for ordinary shares by Capcom Limited of 662,550,000 (Six Hundred and Sixty-two Million, Five Hundred and Fifty Thousand) ordinary shares of N0.50 each of the authorized share capital of the Company, (the 'Subscription Shares') at a share price of N50.00 be and is hereby approved.
3. That the Directors of the Company, subject to the approval of the Securities & Exchange Commission ("SEC") be and are hereby authorized to issue and allot to Capcom via a private placement, the Subscription Shares at a share price of N50.00 per ordinary share.
4. That the Directors be and are hereby authorized to enter into a Conditional Subscription Agreement with Capcom for the issuance and allotment of the Subscription Shares, as well as the issuance of conditional share subscription rights in respect of additional shares of 69,669,634 (Sixty Nine Million, Six Hundred and Sixty Nine Thousand, Six Hundred and Thirty Four) additional ordinary shares of N0.50 each in the authorized share capital of the Company for the following pre-determined cash amounts at various times over the next three years:
 - a. If issued in the first 18 months at a price of N50.00 per share
 - b. If issued in the subsequent 18 months, at a price being the traded average of the market

price of the shares of the Company during the preceding 30 days period prior to the issue subject to a minimum price of N50.00 .

5. That the Directors of the Company be and are hereby authorized to take all further actions as are necessary for the issue and allotment of the Subscription Shares and the conditional share subscription rights to Capcom, including but not limited to procuring all regulatory approvals for effecting the private placement and undertaking all statutory filings as required; provided that the authority granted to the Directors herein shall expire no later than 3 (three) years post commencement date of the Conditional Subscription Agreement.

6. That conditional upon the subscription by Capcom of the Subscription Shares, each of the proposed amendments to the Articles of Association of the Company, set out in the annexure to this Notice be and are hereby approved.

7. That upon completion of the private placement of the Subscription Shares to Capcom, the Directors of the Company be and are hereby authorized to undertake a rights issue of up to 69,669,634 (Sixty Nine Million, Six Hundred and Sixty Nine Thousand, Six Hundred and Thirty Four) ordinary shares of N0.50 each to existing shareholders of the Company at a price of N50.00 per share and to take all actions required to complete and give effect to the rights issue to existing shareholders including but not limited to procuring all regulatory approvals required for this purpose.

NOTES

Voting on the special business at the Meeting shall be by **poll**. Shareholders entitled to attend and vote at the meeting may vote in person or they may appoint another person to attend and vote in their stead. A proxy need not be a member of the Company.

PROXY

A form of proxy is being sent to each Shareholder. In case of joint Shareholders, any one joint Shareholder may tender a vote, whether in person or by proxy, but if more than one such joint Shareholder shall tender a vote, the vote of the person named first in the register of members of the Company shall be accepted to the exclusion of the other joint Shareholder.

It is requested that the executed proxy form be lodged at the office of the Registrars or Company Secretary as shown in the proxy form not later than 24 hours before the time appointed for the Meeting and to ensure that the proxy form is dated, signed and stamped by the commissioner for stamp duties. The member (Shareholder) or his / her duly appointed proxy must detach and produce the admission card to obtain entrance to the Meeting.

Please note that the lodging of a proxy form does not prevent you from attending the Meeting and voting in person should you so wish. However, in such instances, your proxy will not be entitled to attend or vote.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the contents of the register of members of the Company as at August 20, 2012. Changes to, or entries in, the register of members of the Company after that date shall be disregarded for the purposes of the Meeting.

NOMINATION OF MEMBERS OF AUDIT COMMITTEE

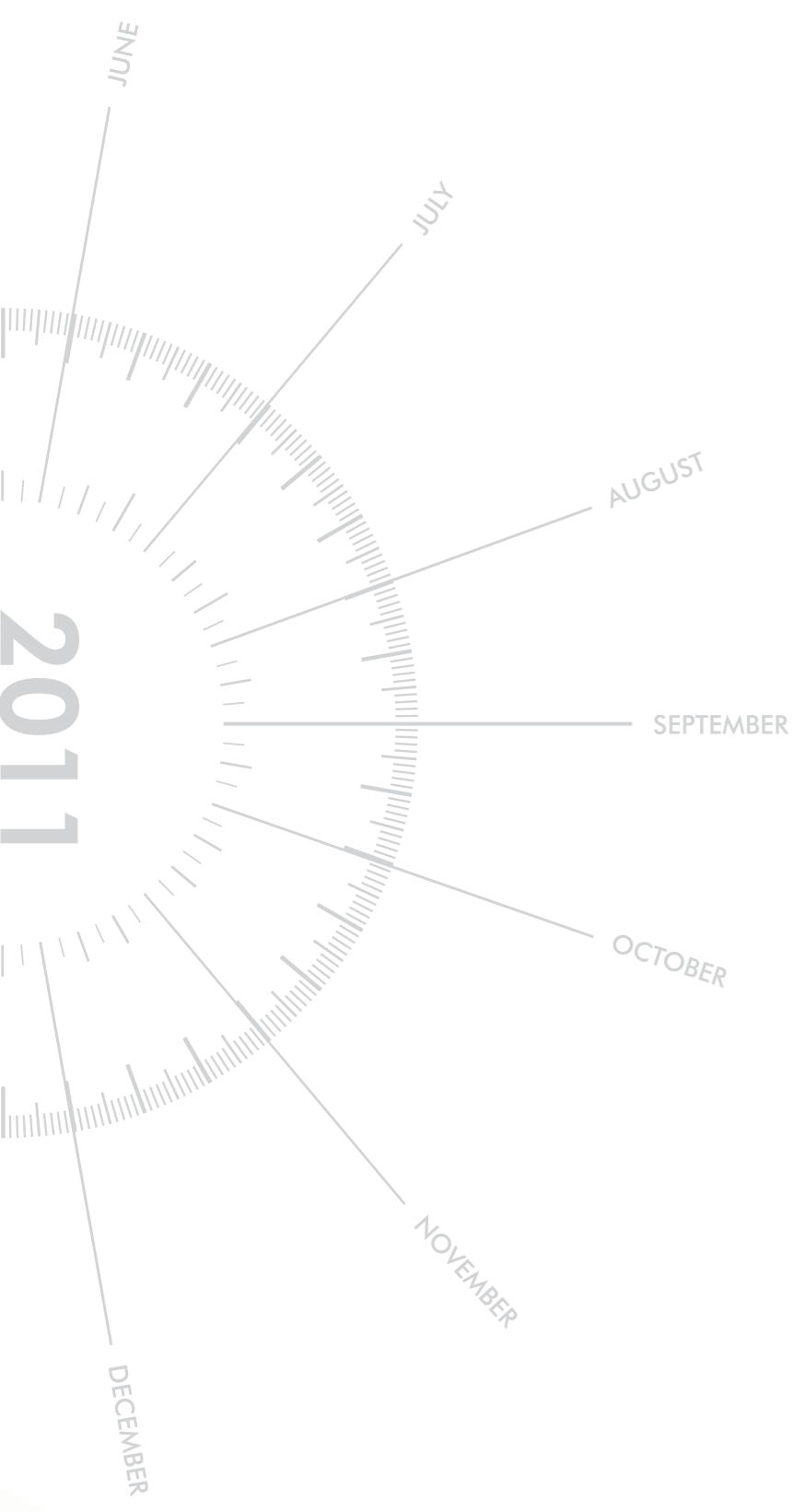
Any member may nominate another member for appointment into the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

Dated this 29th day of November 2012

By Order of the Board



**Inco Services Limited
Company Secretaries**



MD/CEO'S REPORT



Chief Executive Officer's Report



2011 Review

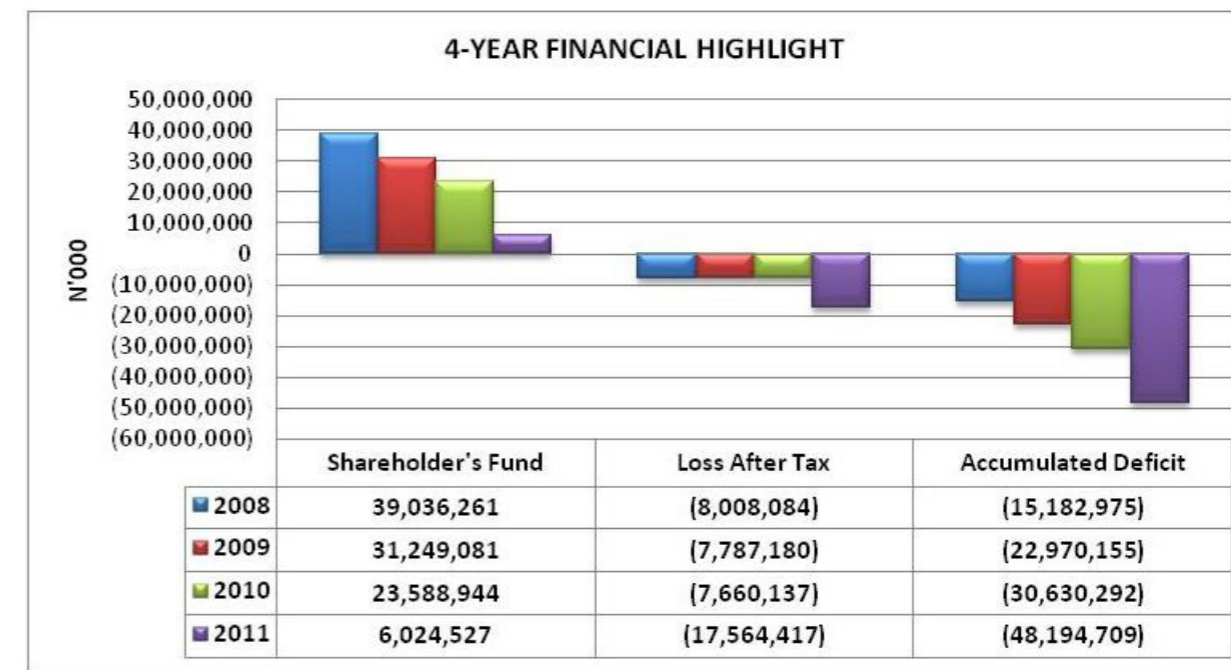
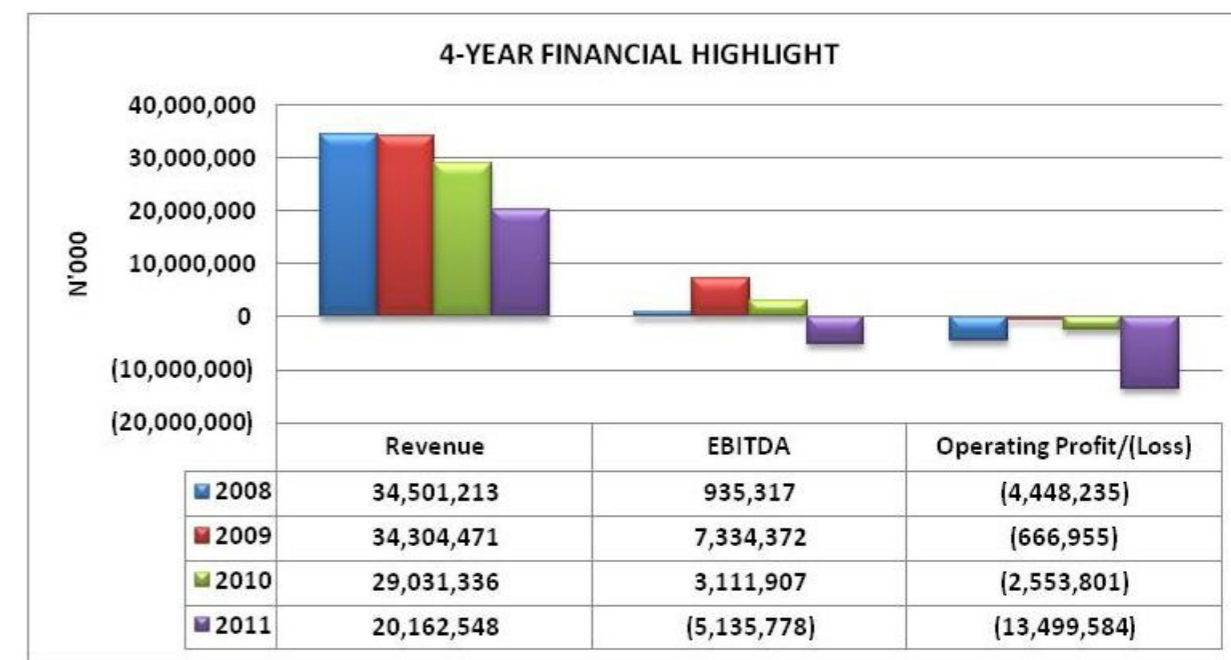
The CDMA segment of the telecom industry in Nigeria continued its negative trend with reducing voice revenues and limited opportunities to grow data revenues due to spectrum congestion.

Aging Telecom infrastructure, unsustainable tariff plans forced onto Starcomms due to stiff competition and the inclusion of free value added items across all product lines are the main factors which have led to margins being eroded, particularly the voice business.

All of the above have led to severe pressure on cash flow, an inability to fund most of our planned projects and significant constraints in keeping existing revenue generating platforms at the desired maintenance levels. The level of employed Assets far outstripped revenues being generated, necessitating impairment provisions by year end 2011.

The company has legally defaulted on a number of its financial obligations to both vendors and major lenders in the last twelve months. The company only continues to trade due to an informal interest and repayment break agreed with all major creditors.

FOUR YEAR FINANCIAL HIGHLIGHT



2011 PERFORMANCE REVIEW

The company experienced a 45% decline in voice revenue (2011: N9 billion; 2010:16.3 billion) due to high downtime experienced on the network across the country. The downtime is primarily related to the inability by Starcomms to meet certain payments to infrastructure providers. The resultant effect is a 20% decline in Average Revenue per User (ARPU) closing at N512 compared to N639 in 2010.

The data segment of the business remains strong accounting for 37% of total revenue despite a 5% decrease in previous year's revenue (2011: N7.375 billion; 2010:N7.768 billion). Average Revenue per User (ARPU) yielded by data subscribers dipped by 8% closing at N4,337.

The Active voice subscribers were 988,055 as at December 2011 (2010: 1,455,108) and 133,317 data subscribers against 140,574 in 2010.

The company closed with a negative EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of N(5.136) billion as against positive EBITDA of N3.112 billion in 2010. EBITDA was arrived at after accounting for N3.660 billion impairment loss on fixed assets and N697 million provision for bad and doubtful debt. Loss for the period was N(17.564) billion as against N(7.660) billion in 2010.

The company's liabilities to various banks both local and foreign was N15.779 billion as at year end (2010: 22.783 billion). All facilities are secured by debenture over present and future fixed and floating assets of the company. Liability to other creditors incurred in the normal course of business was N13.229 at year end (2010: N11,472 billion).

Starcomms closed with a shareholders' fund of N6.024 billion versus N23.589 billion in 2010.

INFRASTRUCTURAL OUTSOURCING

A substantial number of our towers had been sold during 2010 with the strategic intent of repositioning the company for better competition, reduced overhead costs and enhanced customer experience on our network.

Unfortunately, the outsourcing did not have the desired effect as the agreed service delivery levels have not been achieved during this critical period for a number of different reasons. These include, amongst others, lack of working capital on the part of the vendor which was further worsened by our failure in fulfilling our rental obligations in full when due. The company had to bear additional cashflow pressure as it was forced to intervene in order to ensure that key towers remained online so that customers experienced the least network disruption as possible.

THE FUTURE

It is very clear that the company cannot sustain the cumulative losses experienced in the past four years. In addition to operating losses, Starcomms also has significant outstanding debt obligations which are very unlikely to be able to be addressed considering the expected decline in revenue and cash flow going forward if the company stays in its current form.

The future and the going concern status of the company is at significant risk unless a major cash injection is made into the business.

The planned capital injection by CAPCOM being pursued by management and the Board of the company remains the only viable option for survival. Otherwise it is expected that the company will have to declare insolvency and undertake a voluntary liquidation.

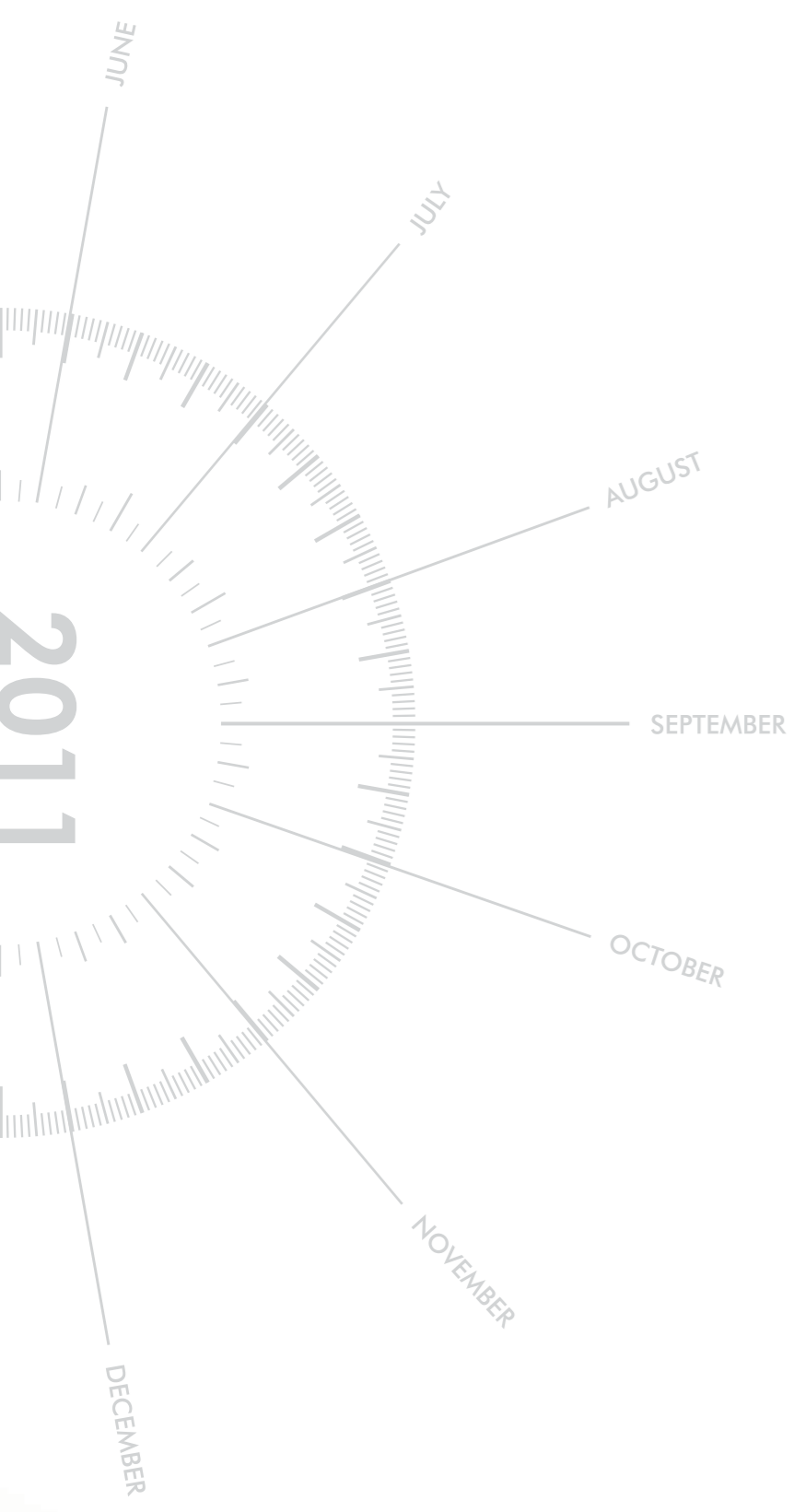
CONCLUSION

We thank all our stakeholders, particularly subscribers and creditors for their patronage, patience and support at this critical period for Starcomms.

We hope that shareholders will support the negotiated CAPCOM investment proposal to give the company, its customers and staff a brighter future. We strongly believe that the significant cash injection coupled with the contribution of additional CDMA spectrum can position Starcomms for future growth benefitting all stakeholders.

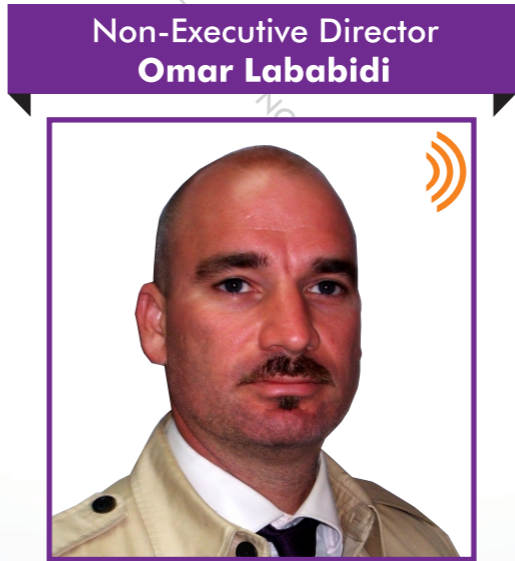
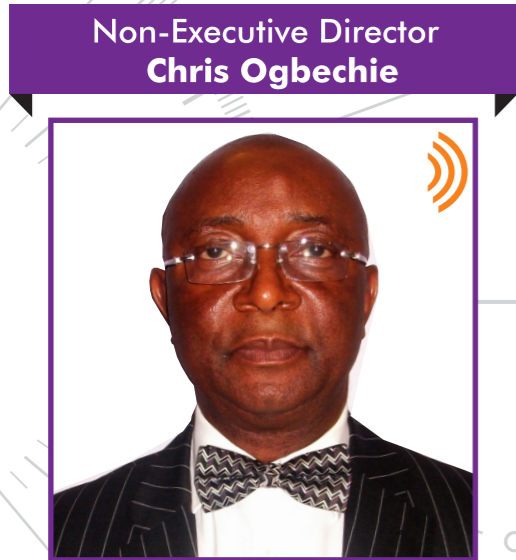


Olusola Oladokun
Interim CEO



THE BOARD OF DIRECTORS





**Appointed 31 August, 2012*



**Resigned 31 August, 2012*

2011

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

**FINANCIAL
REPORT**



Directors, Officers and Professional Advisers



Corporate Head Office: 52 Adetokunbo Ademola Street
Victoria Island
Lagos

Board of Directors:

Chief Maan Lababidi (American)	-	Chairman
Logan Pather (South African)	-	Managing Director/Chief Executive Officer
(Appointed 14/06/2011)		
Maher Qubain (American)	-	Managing Director/Chief Executive Officer
(Resigned 14/06/2011)		
Omar Lababidi (American)		
Paul Edwards (British)		
Alh. Tajudeen Dantata		
Dr. Chris Ogbechie	-	Appointed 14/06/2011
Olawale Edun	-	Resigned 14/06/2011
Prof Enrique Arzac (American)	-	Resigned 14/06/2011

Company Secretary: Inco Services Limited
1 Oyediran Street
Off Bode Thomas
P.O. Box 2631
Surulere
Lagos

Registration No: RC: 276160

Independent Auditors: KPMG Professional Services
22A Gerrard Road
Ikoyi
Lagos

Registrars: First Registrars Limited
2 Abebe Village Road
Iganmu
Lagos

Solicitors: G. Elias & Co.
NCR Building (6th Floor)
6 Broad Street
Lagos

Aluko & Oyebode
1 Murtala Muhammed Drive
Ikoyi
Lagos

Directors' Report



For the year ended 31 December 2011

1. Financial Statements

The directors present their annual report on the affairs of Starcomms Plc ("the Company"), together with the financial statements and independent auditor's report for the year ended 31 December 2011.

2. Legal Form, Principal Activities and Brief History of the Company

Starcomms Plc, a public Company currently quoted on the Nigerian Stock Exchange, was incorporated on 19 July 1995 as a limited liability company under the name Starcomms Limited. The Company was issued a licence by the Nigerian Communications Commission on 1 May 1997 to undertake the business of operating a fixed wireless exchange network and other related services in Lagos State. The Company commenced commercial operations in Lagos late in 1999 using the Code Divisional Multiple Access (CDMA) communications technology. On 1 August 2006, the Company obtained a Unified Access Service Licence to operate mobile, fixed wireless, fixed wire line, long distance and international gateway telecommunication services in all states of the Federation including the Federal Capital Territory, Abuja.

The Company's issued ordinary shares were listed on the floor of the Nigerian Stock Exchange by way of introduction on 14 July 2008 and are being traded publicly on the floor of the Exchange.

The Company's business activities also include the provision of Data (Broadband internet) and other value added services. The Company had network operations covering 22 States, 33 cities and 176 towns of the Federal Republic of Nigeria as of 31 December 2011.

3. Operating Results

The following is a summary of the Company's operating results:-

	2011 Number '000	2010 Number '000
Active voice subscribers at close ¹	962	1,726
Active data subscribers at close ²	133	140

1. Active voice subscribers are subscribers who had made or received calls within the last 90 days before the end of the financial year.

2. Active data subscribers are subscribers who could access data as at the end of the financial year.

	2011 N'000	2010 N'000
Revenue	20,162,548	29,031,336
(Loss)/Earnings before Interest, Exchange Loss Taxation, Depreciation & Amortisation (LBIETDA)	(5,135,778)	3,111,907
Exceptional item	-	3,936,254
Interest expense and exchange loss	(2,131,427)	(2,889,964)
Depreciation and amortisation	(8,363,806)	(9,601,962)
Operating loss	(13,499,584)	(2,553,801)
Loss after taxation	(17,564,417)	(7,660,137)

4. Directors and their Interests

The directors who served during the year and their interest in the shares of the Company as at 31 December 2011 were as follows:-

	Number of ordinary shares of 50k each	Representing/Position
Chief Maan Lababidi (American)* Logan Pather (South African) (Appointed 14/06/2011)	172 Nil	SNCH***/Chairman Managing Director/Chief Executive Officer
Maher Qubain – American (Resigned 14/06/2011)	7,269,584	Managing Director/Chief Executive Officer
Dr. Chris Ogbechie (Appointed 14/06/2011)	Nil	Non-executive
Olawale A Edun (Resigned 14/06/2011)	3,846,153	Non-executive
Omar Lababidi (American)	Nil	SNCH***
Paul Edwards (British)	Nil	SNCH***
Alh. Tajudeen Dantata**	461,538	Non-executive
Prof Enrique Arzac (Resigned 14/06/2011)	Nil	Non-executive

Except as disclosed in Note 23, none of the directors has notified the Company of any declarable interests in contracts with the Company.

* Chief Maan Lababidi has indirect shares in the Company through SNCH
** Alh. Tajudeen Dantata has indirect shares in the Company through Dantata Investments
*** S.N. Communications Holdings (SNCH) Limited.

5. Analysis of Shareholders

The analysis of distribution of shares of the Company as at 31 December 2011 was as follows:

Shareholding between	No of Shareholders	% of Shareholders	No of Shares	% of Shares
200,000,001 - 3,000,000,000	3	0.03	2,569,585,729	37.36
100,000,001 - 200,000,000	4	0.04	496,078,224	7.21
50,000,001 - 100,000,000	8	0.07	616,699,957	8.97
1,000,001 - 50,000,000	510	4.69	2,619,479,248	38.08
100,001 - 1,000,000	1,178	10.84	415,303,818	6.04
50,001 - 100,000	870	8.01	71,497,549	1.04
10,001 - 50,000	2,520	23.19	65,335,365	0.95
1 - 10,000	5,773	53.13	24,498,027	0.35
	<u>10,866</u>	<u>100</u>	<u>6,878,478,097</u>	<u>100</u>

S.N.Communications Holdings (SNCH) Limited held 2,026,537,925 ordinary shares representing 29.46% of the issued and paid-up share capital of the Company as at 31 December 2011. No other shareholder of the Company held 10% or more of the issued share capital of the Company as at 31 December 2011.

6. Records of Directors' Attendance

Further to the provisions of Section 258(2) of the Companies and Allied Matters Act of Nigeria, the Record of Directors' Attendance at Board Meetings during the year under review is available at the Annual General Meeting for inspection. Further, and in line with Corporate Governance principles, details of attendance of current directors at the Board Meetings are set out below:

Directors	Number of Meetings Held*	Number of Meetings Attended
Chief Maan Lababidi	5	5
Logan Pather	2	2
Maher Qubain	3	3
Prof Enrique Arzac	3	3
Omar Lababidi	5	5
Olawale Edun	3	1
Paul Edwards	5	5
Alh. Tajudeen Dantata	5	4
Dr Chris Ogbechie	2	2

* During the time the Director was a member of the Board of Directors.

7. Corporate Governance

The Company ensures compliance with the provisions of the Code of Best Practice on Corporate Governance in Nigeria issued by the Securities and Exchange Commission and the Corporate Affairs Commission. This is reflected in all aspects of Governance in the Company including the composition and practices of the Board of Directors, the establishment of relevant Board Committees and the maintenance of key registers and policies that are in place to ensure due process, transparency and accountability in all activities of the Board of Directors, its members and the Company in general.

The following Board Committees continued to operate during the year:

- (i) Audit and Risk Committee
- (ii) Tendering and Procurement Committee
- (iii) Nomination and Corporate Governance Committee
- (iv) Remuneration Committee
- (v) Market Announcement Committee

All the Committees were duly established and each have their Charter, which prescribes the objectives of the Committees and regulate activities of its members. The Company has also adopted several Governance regulations including Insider Trading Policy, Related Party Policy, Board of Directors Code of Ethics and the Company Code of Ethics, amongst others.

The Board of Directors of the Company ensures strict adherence to the provisions of the Companies and Allied Matters Act of Nigeria and the Articles of Association of the Company in its dealings and proceedings.

8. Fixed Assets

Information relating to changes in fixed assets is disclosed in Note 8 to the financial statements.

9. Charitable Donations

The Company did not make any donations during the year (2010: N2.95 million). In compliance with Section 38(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review.

10. Major Dealers

The Company's products are distributed through various dealers that are spread across the whole country. The list of dealers is shown as an appendix to the annual report.

11. Suppliers

The Company procures its network and other equipment on a commercial basis from overseas and other local suppliers.

12. Acquisition of Own Shares

The Company did not purchase any of its own shares during the year.

13. Employment and Employees

(a) Employment of Physically Challenged Persons

It is the policy of the Company that there is no discrimination when considering applications for employment including those from physically challenged persons. Applications for employment by physically challenged persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of any member of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of physically challenged persons should as far as possible, be identical with those of other employees. As at 31 December 2011, the Company had no physically challenged persons in its employment (31 December 2010: Nil).

(b) Health, Safety and Welfare at Work

The Company places a high premium on the health, safety and welfare of its employees in their place of work. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees.

(c) Employees' Involvement and Training

The Company is committed to keeping employees informed, as much as possible, about the Company's performance and progress and seeks their views, whenever practicable, on matters which particularly affect them as employees. The Company regularly organises on-the-job training for its staff using in-house training facilities complimented, when and where necessary, with other external facilities, training, seminars and workshops.

14. Effectiveness of Internal Control System

The Board is responsible for maintaining an effective system of internal control to safeguard shareholders' investment and the assets of the Company. The system of internal control is to provide reasonable assurance that the financial statements are free from material misstatement, prevent and detect fraud and other irregularities.

There is an effective internal control function within the Company which gives reasonable assurance that the financial statements are free from any material misstatement or loss. The responsibilities include oversight functions over internal audit and control risk assessment and compliance, continuity and contingency planning, and formalisation and improvement of the Company's business processes.

15. Independent Auditors

Messrs. KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria.

BY ORDER OF THE BOARD



Inco Services Limited
(Company Secretary)
1 Oyediran Street
Off Bode Thomas
P.O. Box 2631
Surulere, Lagos
Nigeria.

12 April, 2012

Statement of Directors' Responsibilities



For the year ended 31 December 2011

The directors accept responsibility for the preparation of the annual financial statements set out on pages 15 to 46 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Company has continued to incur losses over the past four (4) years mainly resulting from the continued decline in the Company's active subscribers and revenue. The Company made a loss of N17.6 billion (2010: N7.7 billion) for the year ended 31 December 2011, and as at that date the Company's current liabilities exceeded its current assets by N27.7 billion (2010: N17.6 billion). Without the injection of new capital, there exists a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, realise its assets and discharge its liabilities in the normal course of business. Accordingly, the directors have taken necessary actions as set forth in Note 24 to these financial statements to facilitate the introduction of fresh capital into the Company.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that based on the actions taken by the directors as explained above, sufficient funds will be available to finance future operations of the Company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Chief Maan Lababidi

12 April, 2012



Logan Pather

12 April, 2012

Audit and Risk Committee's Report



In compliance with section 359 (6) of the Companies and Allied Matters Act of Nigeria, we have:

- i) Reviewed and ascertained that the accounting and reporting policies adopted by the Company are in accordance with applicable legal requirements and agreed ethical practices.
- ii) Reviewed the scope and planning of audit requirements and found them satisfactory.
- iii) Appraised the financial statements for the year ended 31 December 2011 and are satisfied with the explanations provided.
- iv) Reviewed the Company's systems of accounting and internal control and found them effective.
- v) Reviewed the external auditor's management report for the year ended 31 December 2011 and are satisfied that management is taking appropriate steps to address issues and comments noted in the report.

Dr. Umar Faruk
Chairman Audit and Risk Committee
12 April, 2012

Members of the Audit and Risk Committee comprised of:

1. Dr. Umar Faruk (Shareholders' Representative)
2. Mrs. Eniola Fadayomi (Shareholders' Representative)
3. Mr. Kayode Pitan (Shareholders' Representative)
4. Mr. Paul Edwards (Directors' Representative)
5. Dr. Chris Ogbechie (Directors' Representative)
6. Mr Olawale A Edun (Directors' Representative)
(Resigned 14/06/2011)

Tendering and Procurement Committee's Report



In accordance with the provisions of Article 12 (8) of the Articles of Association of the Company and under the power granted to it under Article 4 of the Starcomms Plc Tendering and Procurement Charter, we:

- i) Reviewed the Company's tendering and procurement policies and practices and ensured that the operating policies and procedures relating to tendering and procurement conform with "best practice".
- ii) Ensured that all tenders subject to the limit of authority of the Board of Directors of the Company are conducted in a fair and ethical manner and that no conflict of interest exists with any Director or executive connected to the tendering and procurement process of the Company.
- iii) Reviewed the tendering and procurement process of the Company and ensured that all companies that tendered for the Company's business were subject to the limits of authority of the Board of Directors of the Company and had the financial and operating capability to deliver under the terms of the tender or contract.
- iv) Reviewed periodically the limits of authority which govern financial limits under which Management can commit the Company without further approval of (a) the Chairman (b) the Committee, and (c) the Board and ensured that this limit of authority reflects best practice and effective supervision of the tendering and procurement processes of the Company through its management.
- v) Effectively liaised with the internal audit unit of the Company and ensured that there was no incidence of wrong-doing or violation in any tender or procurement activity of the Company.

We confirm the full cooperation of the management of the Company in the course of performance of our duties.

Mr. Paul Edwards
Chairman Tendering and Procurement Committee

12 April, 2012

Members of the Board Tendering and Procurement Committee are:

1. Mr. Paul Edwards
2. Dr. Chris Ogbechie
3. Mr. Omar Lababidi

Nomination and Corporate Governance Committee's Report



In accordance with the provisions of Article 12 (7) of the Articles of Association of the Company and in accordance with the Duties and Responsibilities prescribed for it under Article 4 of the Starcomms Plc Nomination and Corporate Governance Committee Charter, the Committee:

- i) Monitored the composition, size and functions of the Board of Directors and ensured the independence of the Board, compliance with the Articles of Association of the Company, appropriateness of Board Committee membership for each Director, including upon a change in a Director's employment or other relevant circumstances and ensured consistently, compliance with appropriate skills and characteristics required of Directors under the relevant regulatory provisions, statutes and rules, as well as any additional qualifications appropriate for any one or more Directors.
- ii) Recommended to the Board the annual assignment of Directors to the Company's five standing committees: (i) Audit and Risk Committee; (ii) Tendering and Procurement Committee; (iii) Remuneration Committee; (iv) Nomination and Corporate Governance Committee and (v) Market Announcement Committee and established and monitored procedures and processes through which the evaluation of the board's performance is facilitated.
- iii) Developed and recommended to the Board a set of corporate governance principles for the Company in line with the Code of Best Practice on Corporate Governance in Nigeria and monitored compliance with such principles whilst ensuring best practice. We also recommended updates to governance structures, policies and principles from time to time for approval by the Board.


Mr. Paul Edwards

Chairman Nomination and Corporate Governance Committee

12 April, 2012

Members of the Board Nomination and Corporate Governance Committee are:

1. Mr. Paul Edwards
2. Omar Lababidi
3. Alh. Tajudeen Dantata

Remuneration Committee's Report



In accordance with the provisions of Article 12 (7) of the Articles of Association of the Company and in accordance with the Duties and Responsibilities prescribed for it under Article 4 of the Starcomms Plc Remuneration Committee Charter, the Committee:

- i) Reviewed and approved performance goals and objectives relevant to the compensation of the CEO and other executive officers of the Company, evaluated their performance in light of those goals and objectives, and set their compensation, including incentive-based compensation, based on such evaluation.
- ii) Reviewed and proffered recommendations to the Board with respect to incentive-based compensation plans.
- iii) Reviewed and made recommendations to the Board regarding compensation-related matters outside the ordinary course, including but not limited to employment contracts, change-in-control provisions and severance arrangements.
- iv) Provided assistance to management in developing compensation and benefit schemes and appropriately recommended to the Board the design of compensation policies and plans for the Company.


Mr. Paul Edwards

Chairman Remuneration Committee

12 April, 2012

Members of the Board Remuneration Committee are:

1. Mr. Paul Edwards
2. Alh. Tajudeen Dantata
3. Prof. Enrique Arzac
(Resigned 14/06/2011)

Market Announcement Committee's Report



In compliance with the provisions of Article 12 (7) of the Articles of Association of the Company and in accordance with the Duties and Responsibilities prescribed for it under Article 4 of the Starcomms Plc Market Announcement Committee Charter, the Committee:

- i) Drafted, obtained approval of the Board and maintained procedures, systems and controls for the identification, treatment and disclosure of inside information and ensured compliance with other disclosure obligations falling on the Company under rules and regulations for the operation of the Nigerian capital market and the conduct of operators as issued by the Nigerian Stock Exchange (NSE) and the Securities and Exchange Commission (SEC).
- ii) Established, monitored and evaluated the effectiveness of the Disclosure Procedures and other procedures that are designed by the Company and ensured that information required by the Company to be disclosed to the SEC, including the Company's Annual Report and each of the Quarterly Reports (collectively, the "Periodic Reports"), and other information, including voluntary disclosures, that the Company makes, is recorded, processed, summarized and reported accurately and on a timely basis.
- iii) Reviewed extensively, the process for preparing the final drafts of the Company's (i) Periodic Reports, current reports, proxy statements, information statements, registration statements and any other information filed with the SEC, (ii) press releases containing financial information, earnings guidance, information about material acquisitions or dispositions or other information material to the Company's security holders, (iii) correspondence broadly disseminated to shareholders and all presentations to analysts and the investment community, and (iv) presentations to rating agencies and lenders (collectively, the "Disclosure Statements"), and reviewed disclosure policies for the Company's corporate/investor relations website.
- iv) Provided guidance to senior management with respect to handling informal contacts by and communications with shareholders, analysts and the investment community, rating agencies, lenders and other third parties.



Mr. Paul Edwards

Chairman Board Market Announcement Committee

12 April, 2012

Members of the Board Market Announcement Committee are:

1. Mr. Paul Edwards
2. Dr. Chris Ogbechie
3. Mr. Omar Lababidi



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Independent auditor's report



To the Members of Starcomms Plc

Report on the Financial Statements

We have audited the accompanying financial statements of **Starcomms Plc** ("the Company"), which comprise the balance sheet as at 31 December 2011, the profit and loss account, statement of cash flows and value added statement for the year then ended, the statement of accounting policies, notes to the financial statements and the five year financial summary, as set out on pages 15 to 46.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by the directors, as 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 audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of **Starcomms Plc** as at 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

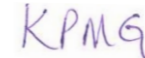
Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 24 to the financial statements which indicates that the Company incurred a net loss of N17.6 billion for the year ended 31 December 2011 and as of that date, the Company's total current liabilities exceeded its total current assets by N27.7 billion. These conditions, along with other matters as set forth in Note 24 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The note also indicates why in these circumstances the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Report on Other Legal and Regulatory Requirements

Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's balance sheet and profit and loss account are in agreement with the books of account.


12 April, 2012
Lagos, Nigeria



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Victor U. Onyenkpa

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Ayo L. Salami
Joseph O. Tejbe
Oladimeji I. Salaudeen
Oluwatoyin A. Gbagi

Adekunle A. Elebebe
Ajibola O. Olomola
Chibuzor N. Anyanachi
Kabir O. Okunola
Olumide O. Olayinka
Tayo I. Ogungbenro

Statement of Accounting Policies



A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding years, except as disclosed in note j(ii), is set out below:

a. Basis of accounting

The financial statements are prepared under the historical cost convention including the use of the going concern assumption.

b. Fixed assets

Fixed assets, including improvements that extend useful lives of fixed assets, are stated at cost less accumulated depreciation and where applicable, accumulated impairment losses. Repair and maintenance costs are expensed as incurred. Costs directly attributable to bringing an asset to the location and condition necessary for its intended use are included in the cost of fixed assets.

The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring sites on which they are located.

Costs relating to fixed assets under construction or in the process of installation are disclosed as capital work-in-progress.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When significant components of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

c. Depreciation

Depreciation is calculated to write-off the cost less the residual value, on a straight-line basis, of each asset over the expected useful lives. The annual depreciation rates are as follows:

Leasehold land	-	Over the lease period
Site works and Buildings	-	5%
Optic dark fibre	-	6 ^{2/3} %
Tower and antennae	-	10%
Telecom machinery and equipment	-	12 ^{1/2} %
Furniture and equipment	-	15%
Motor vehicles	-	33 ^{1/3} %
Network systems	-	33 ^{1/3} %
Computer equipment	-	33 ^{1/3} %
Generators	-	33 ^{1/3} %
Leasehold improvement	-	20% or period of lease, whichever is lower

Capital work in progress is not depreciated. The attributable cost of capital work-in-progress is transferred to the relevant fixed asset category immediately the asset is ready for use and depreciated accordingly. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Gains or losses on disposal of fixed assets are included in the profit and loss account.

d. Revenue

Revenue represents the value of consideration received or receivable for telecommunications products and services in the normal course of business and is recognised net of value added tax, discounts and rebates. Revenue is recognised when it is probable that the future economic benefits associated with the transaction will flow to the Company, the significant risks and rewards have been transferred to the buyer and the amount can be measured reliably.

Revenue comprises outgoing airtime and associated revenues, interconnect and roaming revenues, handsets, internet hardwares and accessories sales and data service revenues.

Prepaid airtime and data services revenue are recognised based on usage while post paid revenue are recognised based on amounts invoiced to the post paid subscriber for airtime used. Free airtime is included in gross revenue and is applied as a set off in arriving at net revenue.

Interconnect/roaming revenue is the amount of consideration received or receivable by the Company from another telecommunication operator for terminating or transmitting calls on/through the Company's network. It is calculated at a regulated/agreed rate of the gross call charges and invoiced to the other telecommunication operator.

Handsets, internet hardwares and accessories revenue is recognised on delivery to the customer.

Deferred revenue is income received in advance for which the related services have not been rendered. Such revenue is usually deferred until the related service has been rendered. Deferred revenue is transferred to revenue on usage of airtime or delivery of service. Unused airtime included in deferred revenue has no expiry date. All airtime revenue is recognised at the applicable tariffs.

e. Debtors

Debtors are stated net of allowance for bad and doubtful debt. An allowance is established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The allowance is recognised in the profit and loss account.

f. Stocks

Stocks, which include mobile and fixed wireless telephones, accessories, internet hardwares and airtime recharge cards, are stated at the lower of cost and net realisable value. The value of airtime recharge cards disclosed as stock relates to the cost of the recharge cards and not the value of airtime. Cost is determined on a first-in-first-out basis and includes expenditure incurred in acquiring stocks and bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all incidental costs to be incurred in selling and distribution. Where appropriate, an allowance is made for slow moving, obsolete and defective stock.

g. Taxation

Taxation is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax and deferred income tax.

Current income tax is the expected amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA) using the statutory tax rate at the balance sheet date. Education tax is assessed at 2% of assessable profits.

h. Deferred taxation

Deferred taxation, which arises from differences in the timing of recognition of items, in the financial statements and by the tax authorities, is calculated using the liability method. Deferred tax is provided on all timing differences at the rates of tax likely to be in force at the time of reversal. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is charged to the profit and loss account except to the extent that it relates to a transaction that is recognised directly in equity.

i. Foreign currencies

Transactions in foreign currencies are translated to Naira at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted to Naira at the rates of exchange ruling at the balance sheet date.

Exchange gains or losses arising from changes in exchange rates on monetary assets and liabilities, subsequent to the dates of transactions, are included as an exchange gain or loss in the profit and loss account.

j. Intangible asset

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost and comprise:

(i) Licence fees

Acquired telecommunication licences have a definite useful life and are recorded at cost less accumulated amortisation. Licences are amortised on a straight line basis over their estimated useful lives from the date of issuance of the licence. Additional Numbering plan acquired are capitalised as part of the licence and amortised over the unexpired tenor of the licence.

(ii) Software

Software that is acquired or developed internally for a tangible asset is recognised as an intangible asset separate from the tangible asset and are shown at cost less accumulated amortisation and accumulated impairment losses. The software is amortised on a straight line basis over its estimated finite useful life. The estimated useful life of software is 3 years.

Subsequent expenditure on software with finite useful life is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

k. Indefeasible Rights of Use ("IRU")

IRU's correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. Agreements for the purchase of IRU's are recognised when all of the following conditions are met:

- a) The Company's right of use is exclusive and irrevocable;
- b) The asset component is specific and separable (such that the Company's exclusivity is guaranteed and the seller has no right to substitute other assets);
- c) The term of contract is for a major part of the asset's useful life;
- d) The attributable cost or carrying value can be measured reliably; and
- e) No significant risks are retained by the seller.

Such IRU's are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract.

Where all of the conditions above are not met, then the transaction is classified as a service agreement and the purchase consideration is charged to the profit and loss account on a straight line basis over the period of the agreement.

l. Impairment

The carrying values of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the

assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

Impairment losses are recognised in the profit and loss account except where they relate to previously revalued assets, in which case, they are recognised directly against any revaluation surplus to the extent that an amount is included in the revaluation reserve account for the related assets, with any remaining loss recognised in the profit and loss account.

m. Pension scheme

In line with the provisions of the Pension Reform Act 2004, the Company instituted a defined Contribution Pension Scheme for all its employees. The Company and its employees each contribute 7.5% of the employees' annual insurable earnings (basic salary, housing and transport allowance) to the scheme. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to the profit and loss account.

n. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, cash balances with banks, bank overdrafts, investments in money market instruments as well as deposits held in debt service accrual accounts, all of which are available to the Company for use either generally or operated under specific restrictions.

o. Leases

i. Finance leases

Finance leases are capitalised as fixed assets at their fair value at the inception of the lease less the present value of any un-guaranteed or partially guaranteed residual value that would accrue to the Company at the end of the lease term. Where it is not possible to determine the fair value, finance leases are capitalised at the present value of minimum lease payments at the inception of the lease and a corresponding finance lease liability is raised. Such assets are depreciated in accordance with the relevant accounting policy on fixed assets. Lease payments are allocated between finance lease costs and a capital reduction of the finance lease liability. Finance lease costs are allocated to the profit and loss account over the term of the lease using the effective interest rate method so as to produce a constant periodic rate of return on the remaining balance of the liability for each period.

ii. Operating leases

Lease rental expenses are charged to the profit and loss account on a systematic basis in line with the time pattern of the benefit derived by the Company. When an operating lease is terminated before the lease term has expired; any payment to the lessor that is required by way of penalty is recognised as an expense in the period in which termination takes place.

p. Provisions

A provision is recognised when, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic resources will be required to settle the obligation.

q. Assets retirement obligations

Asset dismantling and site restoration costs are based on an annual assessment of the present value of the assets retirement obligations. Upon initial recognition, the associated asset retirement costs are capitalised as part of the carrying amount of the fixed asset and a corresponding asset retirement and restoration liability is recognised. The asset is depreciated in line with the depreciation policy of the relevant asset. Subsequent changes in the value of the liability arising from changes in discount rates are recognised in the profit and loss account as interest expense.

r. Subscriber acquisition costs

Subscriber acquisition costs are expensed when incurred.

s. Interest expense

Interest expense comprises interest on borrowings, unwinding of the discount on provisions and the effect of changes in discount rates on fixed assets retirement obligations. Interest expense is recognised in the profit and loss account as incurred.

t. Interest income

Interest income comprise interest on funds invested and is recognised in the profit and loss account on an accrual basis. Interest income is also recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

u. Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is required to be presented in respect of the Company's business and geographical segments, where applicable.

The Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Profit and Loss Account

For the year ended 31 December 2011



	Notes	2011 N'000	2010 N'000
REVENUE	1	20,162,548	29,031,336
Direct costs	2	(6,813,179)	(10,760,460)
GROSS PROFIT		13,349,369	18,270,876
Operating expenses		(26,848,953)	(24,760,931)
Exceptional item		-	3,936,254
OPERATING LOSS	3	(13,499,584)	(2,553,801)
Interest income		15,310	284,247
Interest expense and exchange loss	4	(2,131,427)	(2,889,964)
LOSS BEFORE TAXATION	5	(15,615,701)	(5,159,518)
Taxation	6(a)	(1,948,716)	(2,500,619)
LOSS AFTER TAXATION		(17,564,417)	(7,660,137)
APPROPRIATION:			
Transferred to accumulated deficit	20	(17,564,417)	(7,660,137)
Basic loss per share	7	(255k)	(111k)

The accounting policies on pages 15 to 20 and notes on pages 24 to 44 form an integral part of these financial statements.


Balance Sheet

As at 31 December 2011



	Notes	2011 N'000	2010 N'000
NON CURRENT ASSETS			
Fixed assets	8	32,304,219	43,396,962
Intangible assets	9	493,290	651,050
Deferred tax asset	10	-	1,948,716
Long term prepayments	11	1,251,778	1,581,068
TOTAL NON CURRENT ASSETS		34,049,287	47,577,796
CURRENT ASSETS			
Stocks	12	378,569	1,133,568
Debtors and prepayments	13	1,478,221	4,082,479
Cash and bank balances	14	925,263	7,938,897
TOTAL CURRENT ASSETS		2,782,053	13,154,944
CURRENT LIABILITIES			
Bank overdrafts	15	(733,769)	(1,517,149)
Bank loans	16(a)	(15,778,685)	(16,922,140)
Creditors and accruals	17	(13,229,327)	(11,472,357)
Taxation	6(b)	(716,686)	(886,147)
TOTAL CURRENT LIABILITIES		(30,458,467)	(30,797,793)
NET CURRENT LIABILITIES		(27,676,414)	(17,642,849)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,372,873	29,934,947
NON CURRENT LIABILITIES	18	(348,346)	(6,346,003)
NET ASSETS		6,024,527	23,588,944
CAPITAL AND RESERVES:			
Share capital	19	3,439,239	3,439,239
Share premium		50,779,997	50,779,997
Accumulated deficit	20	(48,194,709)	(30,630,292)
SHARE HOLDERS' FUNDS		6,024,527	23,588,944

Signed on behalf of the Board of Directors by:

----- Chief Maan Lababidi (Chairman)

----- Logan Pather (Chief Executive Officer)

Approved by the Board of Directors on 12 April, 2012

The accounting policies on pages 15 to 20 and notes on pages 24 to 44 form an integral part of these financial statements.

Statement of Cash Flows



For the year ended 31 December 2011

	Notes	2011 N'000	2010 N'000
Cash flows from operating activities:			
Operating (loss)/profit before working capital changes	21	(1,243,227)	3,021,514
Working capital changes	22	4,698,505	4,582,494
Tax paid	6(b)	(169,461)	(46,825)
Value added tax (VAT) paid		(565,474)	(654,264)
Gratuity paid	18(b)	(7,900)	(21,396)
Net cash provided by operating activities		2,712,443	6,881,523
Cash flows from investing activities:			
Purchase of fixed assets	8	(245,904)	(5,925,397)
Purchase of intangible assets		(17,005)	-
Interest received		15,310	284,247
Proceeds on disposal of fixed assets		72,127	11,491,769
Net cash (used in)/provided by investing activities		(175,472)	5,850,619
Cash flows from financing activities:			
Bank loans obtained	16(b)	832,950	2,126,734
Bank loans repaid	16(b)	(8,785,076)	(12,642,391)
Finance lease repaid	18(a)	(111,708)	(40,768)
Interest paid	4	(703,391)	(2,599,563)
Net cash used in financing activities		(8,767,225)	(13,155,988)
Net decrease in cash and cash equivalents		(6,230,254)	(423,846)
Cash and cash equivalents, beginning of year		6,421,748	6,845,594
Cash and cash equivalents, end of year		191,494	6,421,748
Cash and cash equivalents are analysed into:			
Cash and bank balances		925,263	7,938,897
Bank overdrafts	15	(733,769)	(1,517,149)
Cash and cash equivalents, end of year		191,494	6,421,748

The accounting policies on pages 15 to 20 and notes on pages 24 to 44 form an integral part of these financial statements.

Notes to the Financial Statements



For the year ended 31 December 2011

1. Revenue

(a) Analysis of revenue by category:

	2011 N'000	2010 N'000
Net call revenue (Note (b))	9,004,877	16,392,257
Interconnect revenue (Note (c))	2,077,088	2,860,202
Internet hardware	642,642	853,527
Handsets and accessories	1,062,732	1,157,192
Data revenue (internet services)	7,375,209	7,768,158
	20,162,548	29,031,336

(b) Net call revenue is analysed as follows:

	2011 N'000	2010 N'000
Gross call revenue	9,949,408	17,817,644
Less:		
Airtime subsidy	(72,031)	(442,090)
Free airtime to dealers/subscribers (Note 17(b))	(872,500)	(983,297)
Net call revenue	9,004,877	16,392,257

(c) Interconnect revenue and costs:

Movement of interconnect revenue and costs showing receivables and payables are analysed below:

	Interconnect receivables		Interconnect payables	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000
Balance, beginning of year	432,684	489,010	(838,714)	(950,354)
Revenue/(cost)	2,077,088	2,860,202	(3,217,520)	(5,245,873)
(Receipts)/payments	(2,296,512)	(2,916,528)	3,189,657	5,357,513
Balance, end of year	213,260	432,684	(866,577)	(838,714)

2. Direct costs

Direct costs comprise:

	2011 N'000	2010 N'000
Interconnect costs (Note 1 (c))	3,217,520	5,245,873
Internet hardware	629,667	828,423
Handsets and accessories	1,331,943	1,855,875
NCC annual levy	386,317	581,677
Dealer commission on handsets and internet hardware	83,094	306,895
Data transmission	865,568	1,399,759
Other direct costs	299,070	541,958
	<u>6,813,179</u>	<u>10,760,460</u>

3. Operating loss

	2011 N'000	2010 N'000
Gross profit	13,349,369	18,270,876
Operating expenses (excluding depreciation & amortisation)	(18,485,147)	(15,158,969)
(Loss)/Earnings Before Interest, Exchange Loss, Taxation, Depreciation & Amortisation	(5,135,778)	3,111,907
Exceptional item	-	3,936,254
Depreciation	(8,189,041)	(9,496,954)
Amortisation	(174,765)	(105,008)
	<u>(13,499,584)</u>	<u>(2,553,801)</u>

4. Interest expense and exchange loss

	2011 N'000	2010 N'000
Interest on bank loans and overdrafts	1,328,665	2,595,563
Interest on finance leases	51,247	73,546
Interest expense*	1,379,912	2,669,109
Exchange loss, net	751,515	220,855
	<u>2,131,427</u>	<u>2,889,964</u>

*Included in interest expense is an amount of N676.5 million which is yet to be paid for as at year end (Note 17(c)).

5. Loss before taxation

(a) Loss before tax is stated after charging/(crediting):

	Notes	2011 N'000	2010 N'000
Staff costs	5(b)	1,655,594	2,319,710
Directors' remuneration	5(c)	56,211	69,693
Loss/(gain) on disposal of fixed assets		201,112	(3,947,384)
Depreciation	8(a)	8,189,041	9,496,954
Amortisation	9(a)	174,765	105,008
Interest income		(15,310)	(284,247)
Interest expense	4	1,379,912	2,669,109
Auditor's remuneration		31,500	31,500
Exchange loss, net	4	751,515	220,855
Allowance for doubtful debts		696,765	262,741
Impairment loss	8(c)	3,495,021	-
		<u>1,655,594</u>	<u>2,319,710</u>

(b) **Staff costs**

i. Staff costs during the year amounted to:

	2011 N'000	2010 N'000
Salaries, wages and allowances	1,592,231	2,247,862
Pension contribution	63,363	71,848
	<u>1,655,594</u>	<u>2,319,710</u>

ii. Employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension costs and certain benefits) in the following ranges:

₦	₦	Number 2011	Number 2010
0	- 500,000	7	7
500,001	- 1,000,000	177	233
1,000,001	- 1,500,000	244	278
1,500,001	- 2,000,000	70	87
2,000,001	- 2,500,000	36	42
2,500,001	- 3,000,000	33	35
3,000,001	- 3,500,000	15	16
3,500,001	- 4,000,000	11	11
4,000,001	- 4,500,000	9	10
4,500,001	- 5,000,000	3	2
5,500,001	- 6,000,000	-	1
6,000,001	- 6,500,000	3	6
6,500,001	- 7,000,000	4	3
7,000,001	- 7,500,000	1	4
7,500,001	- 8,000,000	-	2
8,000,001	- 8,500,000	-	2
8,500,001	- 9,000,000	-	2
9,000,001	- 9,500,000	2	5
9,500,001	- 10,000,000	-	2
10,000,001	- 10,500,000	2	1
11,000,001	- 11,500,000	-	1
11,500,001	- 12,000,000	1	-
12,500,001	- 13,000,000	1	2
13,500,001	- 14,000,000	-	2
14,000,001	- 14,500,000	1	1
15,500,001	- 16,000,000	-	3
18,000,001	- 18,500,000	-	1
20,000,001	- 21,000,000	-	3
21,000,001	- 21,500,000	1	1
23,000,001	- 23,500,000	-	1
24,500,001	- and above	1	1
		<u>622</u>	<u>765</u>

iii. The number of full-time persons employed as at 31 December was as follows:

	2011 Number	2010 Number
Corporate Affairs	3	6
Engineering/Operations Group	115	140
Sales and Marketing	229	245
Customer Care	134	193
Information Technology	24	28
Human Resources and Administration	19	24
Finance	54	82
Customer Operations/Store	44	47
	<u>622</u>	<u>765</u>

(c) Directors' remuneration

Directors' remuneration (excluding certain benefits) paid during the year is analysed as follows:

	2011 N'000	2010 N'000
Fees:		
- chairman (non-executive)	-	-
- other non-executive directors	17,359	22,929
	<u>17,359</u>	<u>22,929</u>
Remuneration as executive director	38,852	46,764
	<u>56,211</u>	<u>69,693</u>

The remuneration of the highest paid director was N38.9 million (2010: N46.8 million).

Other directors (excluding the chairman and the highest paid director) received emoluments, excluding pension contributions and certain benefits within the following ranges:

	2011 Number	2010 Number
Nil	1	1
₦100,000 - ₦2,000,000	4	-
₦3,000,001 - ₦3,500,000	-	3
₦13,000,001 - ₦13,500,000	1	1

6. Taxation

(a) The tax charge shown in the profit and loss account has been arrived at as follows:

	2011 N'000	2010 N'000
Income tax	-	647,401
Education tax	-	14,616
	-	662,017
Deferred tax asset impairment (Note 10)	1,948,716	1,838,602
	<u>1,948,716</u>	<u>2,500,619</u>

(b) The movement on the taxation account during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	886,147	270,955
Current year charge (Note (a))	-	662,017
Payments during the year	(169,461)	(46,825)
Balance, end of year	<u>716,686</u>	<u>886,147</u>

7. Basic loss per share

Basic loss per share is based on loss for the year of N17.56 billion (2010: N7.66 billion) and on 6,878,478,097 (2010: 6,878,478,097) ordinary shares being the number of ordinary shares in issue during the year.

8. Fixed assets

(a) The movement on these accounts during the year was as follows:

Cost	Leasehold Land, Site works & Buildings N'000	Optic Dark Fibre N'000	Tower & Antennae N'000	Telecom Machinery & Equipment N'000	Furniture & Equipment N'000	Computer Equipment & Network Systems N'000	Motor Vehicles N'000	Generators N'000	Leasehold Improvement N'000	Capital work in Progress N'000	Total N'000
Beginning of year (Note b)	3,235,712	602,875	5,758,955	49,561,161	700,267	2,744,010	605,480	1,604,300	594,103	4,057,634	69,464,497
Additions	725	-	27,668	22,478	6,745	107,002	-	68,176	6,789	624,975	864,558
Transfers	21,040	-	408,429	3,875,867	6,756	300,330	-	35,395	-	(4,647,817)	-
Disposals	-	-	(56,298)	(96,475)	(123,573)	(67,300)	(285,154)	(575,417)	-	-	(1,204,217)
Impairment	(1,810,144)	-	(1,286,278)	(2,041,289)	-	-	-	-	-	-	(5,137,711)
End of year	<u>1,447,333</u>	<u>602,875</u>	<u>4,852,476</u>	<u>51,321,742</u>	<u>590,195</u>	<u>3,084,042</u>	<u>320,326</u>	<u>1,132,454</u>	<u>600,892</u>	<u>34,792</u>	<u>63,987,127</u>
Accumulated Depreciation											
Beginning of year (Note b)	394,178	40,192	2,145,105	19,616,583	173,338	1,964,324	543,138	820,522	370,155	-	26,067,535
Charge for the year	141,012	40,192	590,393	6,098,155	44,775	732,101	29,424	407,180	105,809	-	8,189,041
Disposals	-	-	(11,082)	(96,099)	(65,995)	(16,010)	(271,702)	(470,090)	-	-	(930,978)
Impairment	(307,495)	-	(455,485)	(879,710)	-	-	-	-	-	-	(1,642,690)
End of year	<u>227,695</u>	<u>80,384</u>	<u>2,268,931</u>	<u>24,738,929</u>	<u>152,118</u>	<u>2,680,415</u>	<u>300,860</u>	<u>757,612</u>	<u>475,964</u>	<u>-</u>	<u>31,682,908</u>
Net Book Value:											
End of year	<u>1,219,638</u>	<u>522,491</u>	<u>2,583,545</u>	<u>26,582,813</u>	<u>438,077</u>	<u>403,627</u>	<u>19,466</u>	<u>374,842</u>	<u>124,928</u>	<u>34,792</u>	<u>32,304,219</u>
Beginning of year (Note b)	2,841,534	562,683	3,613,850	29,944,578	526,929	779,686	62,342	783,778	223,948	4,057,634	43,396,962

- (b) This is the first set of financial statements after the implementation of the Statement of Accounting Standards number 31 on intangible assets, which was released by the Nigerian Accounting Standards Board and became effective for annual periods beginning on or after 1 January 2011. The implementation of the accounting policy resulted to a reclassification of computer software from fixed assets (see Note 9). The impact of this is shown below:

	2011 N'000
Cost:	
Opening balance as previously stated	70,055,318
Reclassification to intangible assets	(590,821)
Balance as re-stated (Note a)	69,464,497
Accumulated depreciation:	
Balance as previously stated	26,579,199
Reclassification to intangible assets	(511,664)
Balance as re-stated (Note a)	26,067,535
Net Book Value:	
Balance as previously stated	43,476,119
Balance as re-stated (Note a)	43,396,962

- © Included in fixed assets are optic dark fibre cables which was purchased under finance lease arrangements (Note 18(a)).
- (d) The Company carried out an impairment assessment of its fixed assets as at year end. Fixed assets with net book values of N3.5 billion were impaired during the year.
- (e) Capital Commitments
The Company had authorised and contracted capital commitments amounting to N0.18 billion as at 31 December 2011 (2010: N2.9 billion).
- (f) Included in fixed assets are assets amounting to N618 million (2010: N603 million) that have not been paid for and are included in creditors and accruals.

9. Intangible assets

- (a) The movement on these accounts was as follows:

	Unified Access Service Licence N'000	IT Software N'000	Total N'000
Cost			
Beginning of year/ Transfer from fixed assets	994,557	590,821	1,585,378
Additions	-	17,005	17,005
End of year	994,557	607,826	1,602,383
Accumulated amortisation			
Beginning of year/ Transfer from fixed assets	422,664	511,664	934,328
Charge for the year	105,008	69,757	174,765
End of year	527,672	581,421	1,109,093
Net Book Value			
End of year	466,885	26,405	493,290
Beginning of year	571,893	79,157	651,050

- (b) Unified Access Service Licence referred to above represents a 10 year renewable licence issued to the Company by the Nigerian Communications Commissions, which is valid until August 2016.
- (c) On 1 January 2011, the Company changed its accounting policy with respect to the recognition, presentation and measurement of intangible assets. The carrying amount of its software cost previously classified as fixed assets, which do not form part of a related hardware, was reclassified to Intangible assets. This is an adoption of the new accounting standard - Statement of Accounting Standards 31: On Intangible Assets, which became operative for financial statements covering periods beginning on or after 1 January 2011.

10. Deferred tax asset

The Company had unutilised capital allowances and tax losses of N75.4 billion and N2.6 billion respectively at year end (2010: N64.5 billion and Nil), which are available for set off against future taxable profits. The Company has impaired the previously recognised deferred tax asset balance based on the current uncertainty relating to the availability of future taxable profits in the short to medium term.

The movement on the deferred tax account during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	1,948,716	3,787,318
Deferred tax asset impairment (Note 6(a))	(1,948,716)	(1,838,602)
	-	1,948,716

11. Long term prepayments

Long term prepayments are analysed as follows:

	2011 N'000	2010 N'000
Building and offices	289,310	753,709
Network sites	462,193	454,755
Indefeasible right of use	950,730	1,118,880
	1,702,233	2,327,344
Less short term portion (Note 13)	(450,455)	(746,276)
	1,251,778	1,581,068

12. Stocks

	2011 N'000	2010 N'000
Handsets and accessories	330,501	771,215
Internet hardware	11,724	255,255
Air time recharge cards	36,344	107,098
	378,569	1,133,568

13. Debtors and prepayments

	2011 N'000	2010 N'000
Dealers and subscribers	781,705	1,748,917
Interconnect receivables (Note 1(c))	213,260	432,684
Advance payments to suppliers	30,815	773,852
Sundry debtors	1,986	380,750
Prepayments – Short term portion (Note 11)	450,455	746,276
	1,478,221	4,082,479

14. Cash and bank balances

Included in cash and cash equivalents is an amount of N68.2 million (2010: N10.7 million) held in debt service accrual accounts, which are operated under specific restrictions.

15. Bank overdrafts

Bank overdrafts represent short-term facilities granted to the Company by three (3) of its bankers to finance its working capital requirements. Total amount drawn at year end on bank overdrafts amounted to N733.8 million (2010: N1.5 billion) at market related interest rates. The bank overdrafts have tenors of 365 days and are secured by a negative pledge on the Company's assets.

16. Bank loans

Bank loans comprise of various loans obtained by the Company from different lenders, both local and international to fund its operations.

These loans are as detailed below:

Lenders	Facility Amount/Tenor/Rate	Outstanding Balance	
		2011 N'000	2010 N'000
Guaranty Trust Bank Plc	N850 million facility with a tenor of 5 years and priced at 16% per annum. The loan has been fully repaid as at year end.	-	89,126
Fidelity Bank Plc	US\$60 million facility with a tenor of 2 years from 1 July 2011 and priced at 15% per annum.	2,327,250	4,654,500
First City Monument Bank Plc	US\$15.8 million facility with a tenor of 5 years and priced at 3 month LIBOR plus 850 basis points with a floor of 11% per annum. The loan has been fully repaid as at year end.	-	346,086
Zenith Bank Plc	US\$25 million facility with a tenor of 5 years from February 2007 and priced at 10% per annum.	273,306	780,393
Zenith Bank Plc/HSBC	US\$22.95 million facility with a tenor of 5 years from December 2007 and priced at 3 month LIBOR plus 235 basis points per annum	135,108	1,233,203
Zenith Bank Plc III/China Exim	US\$23 million facility with a tenor of 6 years and priced at commercial interest reference rate(CIRR) plus 175 basis points per annum. The loan has been fully repaid as at year end.	-	247,825
First Bank of Nigeria Plc Loan Term I	N346 million facility with a tenor of 3 months from December 2011 and priced at 15% per annum.	346,202	-
First Bank of Nigeria Plc Loan Term II	N486 million facility with a tenor of 3 months from December 2011 and priced at 15% per annum.	486,748	-
First Bank of Nigeria Plc/Zurich	US\$22.9 million facility with a tenor of 3 years from December 2008 and priced at 3 month LIBOR plus 320 basis points per annum	1,031,575	2,121,934
First Bank of Nigeria Plc/ICBC	US\$32.4 million facility with a tenor of 5 years from 20 December 2009 and priced at 3 month LIBOR plus 185 basis points per annum	2,258,568	4,299,545
Huawei Technologies Company Limited	US\$75.8 million facility with a tenor of 3 years from December 2008 and priced at 3 month LIBOR plus 300 basis points per annum.	8,919,928	9,010,266
		15,778,685	22,782,878

All the above facilities are secured by debentures over the present and future fixed and floating assets of the Company including its head office building to be shared pari passu by all lenders on the basis of their relative exposure.

	2011 N'000	2010 N'000
(a) The bank loans above comprise:		
Amounts falling due within one year	15,778,685	16,922,140
Amounts falling due after one year	-	5,860,738
	<u>15,778,685</u>	<u>22,782,878</u>
(b) The movement in bank loans during the year was as follows:		
	2011 N'000	2010 N'000
Balance, beginning of year	22,782,878	33,156,943
Bank loans obtained during the year	832,950	2,126,734
Payments made during the year	(8,785,076)	(12,642,391)
Exchange loss on loans	947,933	141,592
Balance, end of year	<u>15,778,685</u>	<u>22,782,878</u>

(c) **Breach of loan covenants**

During the year, the Company defaulted on the principal and interest obligations due to two (2) of its lenders. In accordance with the terms of the loan agreements, the balances outstanding become repayable on demand if the Company defaults in the repayment of the principal and interest obligations on the due date.

In addition, on 1 July 2011 the Company restructured an existing facility with one of its lenders with a carrying amount of N2.33 billion as at 31 December 2011. In accordance with the terms of the restructured agreement, the loan is repayable in tranches over the next 48 months. However, the loan contains a debt covenant stating that at the end of the year the Company's net debt cannot exceed 8 times the Company's Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA).

The Company did not meet the above minimum threshold indicated in the loan agreement in 2011. The loan covenant further stipulates that in the event of any default in any of the financial covenants the principal and interest obligations become repayable on demand.

The above loans have been classified as current liabilities in these financial statements as they are now repayable on demand.

17. **Creditors and accruals**

	2011 N'000	2010 N'000
Trade creditors	5,961,094	2,623,644
Interconnect payable (Note 1(c))	866,577	838,714
Deferred revenue (Note (a))	949,040	2,049,363
Pension payable (Note (d))	14,310	74,678
Due to related parties (Note 23)	16,946	71,751
Other creditors and accruals (Note ((c))	5,227,416	5,600,027
Finance lease creditors (Note 18(a))	180,675	214,180
Gratuity obligation (Note 18(b))	13,269	-
	<u>13,229,327</u>	<u>11,472,357</u>

(a) Deferred revenue represents payments received from subscribers in advance of services to be rendered, and is analysed as follows:

	2011 N'000	2010 N'000
Deferred revenue inclusive of free airtime	949,040	2,068,588
Unutilised free airtime at year end (Note (b))	-	(19,225)
Deferred revenue net of free airtime	<u>949,040</u>	<u>2,049,363</u>

(b) The movement on unutilised free airtime is analysed as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	19,225	31,917
Free airtime given during the year	853,275	970,605
Free airtime utilised (Note 1(b))	(872,500)	(983,297)
Unutilised free airtime, end of year	<u>-</u>	<u>19,225</u>

(c) Included in other creditors and accruals is an amount of N676 million (2010: N295 million) representing accrued interest on loans.

(d) The movement on pension payable is analysed as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	74,678	56,967
Contributions during the year	126,087	130,292
Payments/write back made during the year	(186,455)	(112,581)
Balance, beginning of year	<u>14,310</u>	<u>74,678</u>

18. Non current liabilities

	2011 N'000	2010 N'000
Finance lease obligations (Note (a))	201,450	310,879
Gratuity obligation (Note (b))	93,652	114,821
Provision for asset retirement and restoration costs (Note (c))	53,244	59,565
Bank loans	-	5,860,738
	348,346	6,346,003

(a) In the prior year, the Company entered into a finance lease agreement with 21st Century Technologies Limited in respect of the purchase of dark optic fibre cables, the annual lease payments are described below:

Tenor	2010	2011	2012	2013	2014
Annual lease rental (N'000)	200,000	170,000	144,500	122,825	104,401

The lease has a tenor of five (5) years and the interest rate implicit in the lease agreement is 15% per annum. The unexpired lease period as at 31 December 2011 is three (3) years. The lease is secured by legal ownership of the leased asset. The lease agreement stipulates that the Company may exercise the option to purchase the leased asset after the lease period for a residual fee.

The outstanding lease obligation at the year end was as follows:

	2011 N'000	2010 N'000
Amount falling due within one year (Note 17)	180,675	214,180
Amount falling due after one year	201,450	310,879
	382,125	525,059

The movement in finance lease obligation was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	525,059	57,952
Additional finance lease obtained during the year	-	602,875
Payments made during the year*	(142,934)	(135,768)
	382,125	525,059

* Included in payments made during the year is an amount of N31.2 million (2010: N95 million) due from the lessor, 21st Century Technologies Limited to the Company for which a right of set-off was agreed by both parties.

(b) Gratuity obligation

The movement on gratuity obligation account during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	114,821	136,217
Payments made during the year	(7,900)	(21,396)
	106,921	114,821

In previous years, the Company terminated its unfunded defined benefit gratuity scheme. The obligation due to qualifying employees as at year end will be paid when the employees exit the Company, with no interest accruing on the unpaid amount.

The gratuity obligation at the year end is analysed as follows:

	2011 N'000	2010 N'000
Amount falling due within one year (Note 17)	13,269	-
Amount falling due after one year	93,652	114,821
	106,921	114,821

(c) Provision for asset retirement and restoration costs

Asset retirement obligations are based on the directors' best estimate (which is based on annual probability analysis) of the cost of decommissioning and dismantling a site at the time of installation.

The principal assumptions used are as follows:

Discount rate	15%	15%
Average probability	5%	5%

The movement on this account was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	59,565	59,565
Provision no longer required	(6,321)	-
	53,244	59,565

19. Share capital

Share capital is analysed as follows:

	2011 N'000	2010 N'000
Authorised		
8,000,000,000 ordinary shares of 50k each	4,000,000	4,000,000
Issued and fully paid		
6,878,478,097 (2010: 6,878,478,097) ordinary shares of 50k each.	3,439,239	3,439,239

20. Accumulated deficit

The movement on this account during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	(30,630,292)	(22,970,155)
Transfer from profit and loss account	(17,564,417)	(7,660,137)
Balance, end of year	(48,194,709)	(30,630,292)

21. Operating (loss)/profit before working capital changes

	2011 N'000	2010 N'000
Loss after taxation	(17,564,417)	(7,660,137)
Add back:		
Interest expense	1,379,912	2,669,109
Exchange loss, net	751,515	220,855
Less:		
Interest income	(15,310)	(284,247)
Taxation	1,948,716	2,500,619
Operating loss	(13,499,584)	(2,553,801)
Adjustment for non-cash items:		
- Amortisation of intangible assets	174,765	105,008
- Depreciation	8,189,041	9,496,954
- Unrealised exchange loss/(gain)	196,418	(79,263)
- Loss/(gain) on disposal of fixed assets	201,112	(3,947,384)
- Impairment loss	3,495,021	-
Operating (loss)/profit before working capital changes	(1,243,227)	3,021,514

22. Working capital changes

	2011 N'000	2010 N'000
Decrease/ (increase) in long term prepayments	329,290	(174,284)
Decrease in stocks	754,999	1,401,720
Decrease in debtors and prepayments	2,573,032	167,090
Increase in creditors and accruals*	1,041,184	3,187,968
Working capital changes	4,698,505	4,582,494

*Value Added Tax (VAT) paid of N565.5 million (2010: N654.2 million) shown separately in the statements of cash flows has been adjusted for in deriving the movement in creditors and accruals.

23. Transactions with related companies

The Company entered into the following transactions with the following related parties during the year:

Name of Related Party	Nature of Relationship and services provided	Transaction value for the year N'000	Balance payable	
			2011 N'000	2010 N'000
Capitol Security Services Limited	Security services and drivers to the Company. The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this company.	34,977	-	12,639
Allison Insurance Brokers Limited	Insurance brokerage to the Company. The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this company.	11,544	304	-
Allison Shipping and Forwarding Agents Limited	Clearing and forwarding services agents to the Company. The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this company.	53,743	4,204	-
Nigeria Commercial Factory Limited (Formerly Crown Flour Mills)	Property rental services to the Company (warehousing facilities). The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this company.	74,064	200	24,180
Pisces Power & Service Ltd (SDMO)	Provides generator supply and maintenance services. The company is owned by Chief Maan Lababidi.	67,693	12,238	34,932
Due to related parties (Note 17)			16,946	71,751

24. Going concern

The Company made a loss of N17.6 billion (2010: N7.7 billion) for the year ended 31 December 2011, and as at that date the Company's current liabilities exceeded its current assets by N27.7 billion (2010: N17.6 billion).

The Company has continued to incur losses over the past four (4) years. As a result of these continuous losses incurred by the Company, the shareholders fund has reduced significantly from N23.6 billion as at 31 December 2010 to N6 billion as at 31 December 2011.

The Company's active voice subscribers dropped from 1.7 million as at 31 December 2010 to 0.9 million as at 31 December 2011. The churn experienced in the number of active subscribers contributed to the decline in revenue in current year and the Company's inability to generate sufficient cash from its operations to settle its obligations. This has resulted in:

- (i) Default in settling its loan and interest obligations with three (3) of its lenders, which resulted in the loans becoming repayable on demand and classified as current liabilities in these financial statements (Note 16(c)).
- (ii) Non compliance with its payment terms to suppliers and other service providers.

Accordingly, there is an urgent need to recapitalise the Company.

To facilitate the introduction of fresh capital into the Company, the directors approved a proposal and a term-sheet presented by an investor for equity investment in the Company in form of both cash and certain CDMA assets. In furtherance of the above and to create a manageable capital structure, the Company will undergo a share capital reconstruction whereby the Company's share capital will be reduced pro-rata to create sufficient head room for the investor. The Company is currently in the process of obtaining the necessary approvals for the above scheme of arrangement from its shareholders and regulators.

In addition, the directors have commenced negotiations with all its lenders on the restructuring of the amount outstanding for a period of five years effective from 1 April 2012 and ending 31 March 2017. It is proposed that the restructured facilities will have a two year principal moratorium with no immediate change to the existing interest rates. The negotiations have reached an advanced stage and the directors are confident that it will be successful.

Without the injection of new capital and successful debt restructuring negotiations, there exists a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the actions being taken by the directors as explained above, will be successful, sufficient funds will be available to finance future operations of the Company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

25. Contingent liabilities

- (a) The Company is a defendant in various law-suits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation at year end amounted to N7.9 billion (2010: N272.7 million). Included in this amount is a claim of N6.2 billion involving a case in which the Company is a co-defendant with two (2) other corporate organisations. In the opinion of the directors and based on independent legal advice, the Company's liability is not likely to be significant, thus no provision has been made in these financial statements
- (b) The Company is disputing a potential tax liability of N173 million that the Lagos State Government has raised in respect of under remittances of employee related taxes. The directors are of the opinion that no material loss will arise from this dispute.

26. Segment reporting

The Company carries out its operations entirely in Nigeria which is considered one geographical segment. As at 31 December 2011, the Company's operations comprised two business segments namely Voice and Data. The segments are made up of the following:

Segment	Description
Voice	This includes all revenues, cost of services and operating expenses directly attributable to providing voice calling services to subscribers. Included in this segment are calls, texts, interconnection and value added services both on a pre-paid and post-paid payment basis.
Data	This includes all revenues, cost of services and operating expenses directly attributable to providing data/internet access services to subscribers. Included in this segment are flat rates as well as usage-based data access services.

Information regarding each reportable business segment is shown below:

	2011 N'000	2010 N'000
Revenue		
Voice	12,144,697	20,409,651
Data	8,017,851	8,621,685
Total per profit and loss account (Note 1(a))	20,162,548	29,031,336
Depreciation		
Voice	-	-
Data	-	-
Unallocated	8,189,041	9,496,954
Total per profit and loss account (Note 8(a))	8,189,041	9,496,954

	2011 N'000	2010 N'000
Amortisation		
Voice	-	-
Data	-	-
Unallocated	174,765	105,008
Total per profit and loss account (Note 9)	174,765	105,008
Interest expense		
Voice	-	-
Data	-	-
Unallocated	1,379,912	2,669,109
Total per profit and loss account (Note 4)	1,379,912	2,669,109
	2011 N'000	2010 N'000
Loss before taxation		
Voice	-	-
Data	-	-
Unallocated	(15,615,701)	(5,159,518)
Total per profit and loss account	(15,615,701)	(5,159,518)

The Company's tangible and intangible assets cannot directly be assigned to the business segments as their use between the segments is significantly integrated and interdependent. These assets and the corresponding liabilities, have therefore not been allocated to any of the business segments.

27. Subscriber Base

(a) Active voice subscribers are subscribers who had made or received calls within the last 90 days before the end of the financial year. Voice subscribers who had not made or received calls within 90 days are designated as inactive and are deemed to have churned off the network.

The movement in active voice subscribers during the year was as follows:

	2011 Number'000	2010 Number'000
Net active voice subscribers, beginning of year	1,726	2,509
New voice subscribers during the year	325	582
Voice subscribers churned during the year	(1,089)	(1,365)
Active voice subscribers, end of year	962	1,726

(b) Active data subscribers are subscribers who could access data at the end of the financial year. Data subscribers who do not have the validity to browse at the end of the financial year are designated as inactive and are deemed to have churned off the network.

The movement in active data subscribers during the year was as follows:

	2011 Number'000	2010 Number'000
Net active data subscribers, beginning of year	140	120
New data subscribers during the year	99	137
Data subscribers churned during the year	(106)	(117)
Active data subscribers, end of year	133	140

28. Comparative Financial Statements

Certain prior year balances have been reclassified to conform with the current year's presentation format.

29. Subsequent Events

On 14 March 2012, the Nigerian Communications Commission granted an approval-in-principle to the planned changes in the shareholding of the Company. Except for the above, there were no other significant post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31 December 2011 that have not been adequately provided for or disclosed in these financial statements.

Value Added Statement

For the year ended 31 December 2011



	2011	%	2010	%
Revenue	20,162,548		29,031,336	
Bought-in-materials and services				
- Local	(22,432,637)		(17,199,422)	
- Imported	(1,961,610)		(2,684,898)	
	(4,231,699)		9,147,016	
Interest income	15,310		284,247	
	(4,216,389)	100	9,431,263	100
Distribution of Value (eroded)/added				
To Government as:				
Taxes	1,948,716	(46)	2,500,619	26
To Employees:				
Salaries, wages and fringe benefits	1,655,594	(39)	2,319,710	25
To Providers of Finance:				
Interest to lenders	1,379,912	(33)	2,669,109	28
Retained in the business				
To maintain and replace fixed assets (depreciation)	8,189,041	(194)	9,496,954	101
To replace licences (amortisation)	174,765	(4)	105,008	1
To deplete reserves	(17,564,417)	416	(7,660,137)	(81)
	(4,216,389)	100	9,431,263	100

Five Year Financial Summary

For the year ended 31 December 2011



	2011	2010	2009	2008	2007
	₹'000	₹'000	₹'000	₹'000	₹'000
Profit and Loss Account					
Revenue	20,162,548	29,031,336	34,304,471	34,501,213	19,135,582
Operating (loss)/profit	(13,499,584)	(2,553,801)	(666,955)	(4,448,235)	137,425
(Loss)/profit before taxation	(15,615,701)	(5,159,518)	(7,681,151)	(8,415,038)	451,813
(Loss)/profit after taxation	(17,564,417)	(7,660,137)	(7,787,180)	(8,008,084)	1,016,067
Funds Employed					
Share capital	3,439,239	3,439,239	3,439,239	3,439,239	1,846,859
Share premium	50,779,997	50,779,997	50,779,997	50,779,997	12,639,054
Accumulated deficit	(48,194,709)	(30,630,292)	(22,970,155)	(15,182,975)	(7,174,891)
Shareholders' Funds	6,024,527	23,588,944	31,249,081	39,036,261	7,311,022
Assets Employed					
Fixed assets	32,304,219	43,476,119	53,989,186	49,541,184	24,906,382
Intangible assets	493,290	571,893	676,901	781,909	517,875
Deferred tax assets	-	1,948,716	3,787,318	3,787,318	3,292,176
Long term prepayments	1,251,778	1,581,068	1,406,784	1,234,134	973,821
Net current (liabilities)/assets	(27,676,414)	(17,642,849)	(7,006,852)	3,689,921	(8,942,712)
Non current liabilities	(348,346)	(6,346,003)	(21,604,256)	(19,998,205)	(13,436,520)
Net Assets	6,024,527	23,588,944	31,249,081	39,036,261	7,311,022
Basic (loss)/earnings per share	(₹ 2.55)	(₹ 1.11)	(₹ 1.13)	(₹ 1.44)	₹ 1.03
Adjusted earnings per share	-	-	-	-	₹ 0.15

2011

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

PRODUCTS AND
SERVICES



Products and services offering



Starcomms develops and provides products, solutions and professional services to a diverse base of clientele, consisting of both individuals and corporates. The Company's core business offerings include:

- Data – Mobile and Fixed broadband and internet services.
- Voice – Mobile and fixed services (Prepaid and Postpaid services).
- Value Added Services – Talk Now Pay Later; Voice SMS; Funbox; Africhat; Afritalk, Starcomms social network (Twitter and Facebook).

Product Categories

Data

- IZAP EVDO Broadband Service
- 1X Internet services
- IZAP Plus (EVDO RevB)

Voice

- Roaming Tariff Plans (mobile)
- Talkie Tariff plans (Fixed)
- Telecenter (Telemax)
- Corporate Plans
- Awuff
- Awuff PLUS

IZAP Plus (EVDO Rev B)

Izap Plus is Starcomms EVDO Rev B; a evolutionary step on the CDMA2000 roadmap, providing improved support for multimedia content and substantially improved packet data.

More Starcomms customers can enjoy a juicy speed boost as we have upgraded more areas to Rev B. An initial 53 have been expanded to 103 sites. However these areas are still in Lagos for now. Plans are in place for a nationwide expansion.

VOICE - Mobile & Fixed

Voice - Mobile

Starcomms mobile service connects you to a truly mobile experience. You can move seamlessly from one Starcomms coverage city to another.

Starcomms offers you a wide range of voice solutions including:



- Mobile Voice Services
- Fixed Voice Services
- Call Management Services
- Business Solutions

Starcomms Voice Plans



TARIFFS INCLUSIVE OF 5% VAT

Plan	Off Net	On Net	Daily Access
1 Awuff	30/sec	15k/Sec	Nil
2 RoamEASY PSB	62k/sec	15k/Sec	Nil
3 RoamEasy_PMB	N32/Min	N9/Min	Nil
4 Roam_SMART_PSB	55k/Sec	15k/Sec	N25/Day
5 VPN	N15/Min	N9/Min	Nil
6 UnifiedTeleMAX	26k/Sec	25k/Sec	N20/Day
7 TalkEasy_PSB	52k/Sec	15k/Sec	Nil
8 TalkEasy_PMB	N29/Min	N9/Min	Nil
9 TalkBiz PSB	40k/Sec	15k/Sec	N18/Day
10 TalkSmart PSB	50k/Sec	15k/Sec	N10/Day
11 Post paid	23.75k/Sec	19k/Sec	Nil
12 SMS Local	N10	N5	Nil
13 SMS International	N15		Nil

Data Services

Your business never has to be on hold, it can go with you everywhere, connect in your car, at work, on the field, at the beach, anywhere within Starcomms 3G EVDO mobile broadband coverage area for EVDO Services and all Starcomms coverage areas for One X services and be secure with in built data protection provided by superior CDMA technology.

Plug and Play – simply slot your PCMCIA or Express card into the PCMCIA or Express card slot on your Laptop or Your data USB device into a USB slot on a laptop or desktop and you are ready to use;

- Starcomms IZAP Broadband Service
- Starcomms One X Internet Service

IZAP mobile broadband service

Starcomms IZAP Broadband Service is powered by 3G EVDO technology. IZAP Provides super fast access to web savvy internet users. With average download speeds of 300 – 600kbps and up to 2.4mbps at peak.

Enjoy access to internet, intranet and E-mails. Download massive work files, movies, music collections and email attachments

IZAP mobile broadband access devices
Izap @ Starcomms (Epivalley 8089 USB modem)



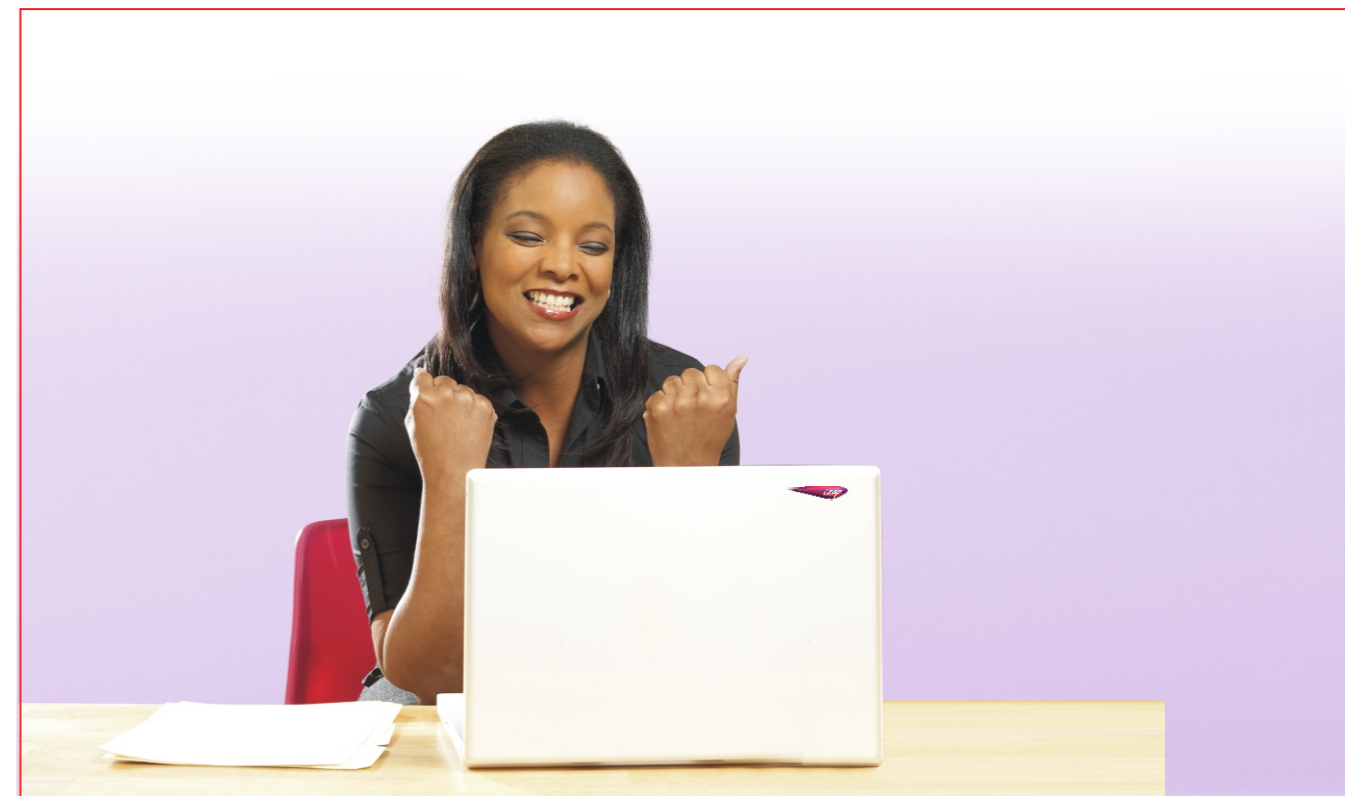
Starcomms One X is a wireless CDMA high speed internet service, that allows you to browse the internet, anytime, anywhere within the Starcomms coverage area. Absolute connectivity on the move.

One X Access Devices



Starcomms Data Subscription Plans

1x, iZap, & iZap plus



RENEWAL PLAN	CODE	SMS NO.	PRICE	VALIDITY
GREEN SURF ALWAYS	141	37938	10,000	30 DAYS
GREEN SURF BIZ RENEWAL	144	37938	7,000	30 DAYS
GREEN SURF NIGHT RENEWAL	145	37938	5,000	30 DAYS
GREEN 7-11 RENEWAL	146	37938	6,000	30 DAYS
GREEN 50HRS RENEWAL	147	37938	2,500	14 DAYS
GREEN MIDNIGHT RENEWAL (12MID-3AM)	148	37938	1,500	30 DAYS
GREEN MIDNIGHT RENEWAL (3AM-6AM)	149	37938	1,500	30 DAYS
GREEN 100HRS RENEWAL	142	37938	5,000	30 DAYS
GREEN 250 RENEWAL	143	37938	10,000	90 DAYS
GREEN WEEKEND PLAN (9PM FRI - 6AM MON)	153	37938	4,499	30 DAYS

PURPLE SURF ALWAYS RENEWAL	241	37938	15,950	30 DAYS
PURPLE 100HRS RENEWL	242	37938	6,500	30 DAYS
PURPLE 250HRS RENEWAL	243	37938	15,000	90 DAYS
PURPLE SURF NIGHT RENEWAL	244	37938	5,000	30 DAYS
PURPLE SURF BIZ RENEWAL	245	37938	7,000	30 DAYS
PURPLE 7-11 EVDO RENEWAL	246	37938	6,000	30 DAYS
PURPLE 2GB RENEWAL - (4500)	247	37938	4,500	30 DAYS
PURPLE 1GB RENEWAL - (3500)	248	37938	3,500	30 DAYS
PURPLE 50HRS RENEWAL	249	37938	3,500	14 DAYS
PURPLE MIDNIGHT RENEWAL (12 MID - 3AM)	251	37938	1,500	30 DAYS
PURPLE MIDNIGHT RENEWAL (3AM - 6AM)	252	37938	1,500	30 DAYS
PURPLE WEEKEND PLAN (9PM FRI - 6AM MON)	253	37938	4,499	30 DAYS
NEW REV B RENEWAL OFFER 6GB	303	37936	9,999	30 DAYS
NEW REV B RENEWAL OFFER 10GB	302	37936	14,999	30 DAYS
NEW REV B RENEWAL OFFER 15GB	301	37936	20,999	30 DAYS

To check your internet balance /validity, from a Starcomms phone text your internet number ONLY to 37937 and from ANY other network text your internet number ONLY to 07028037937.

For Data SMS recharge please text *plan code*data device number*1234# to 37938 from a Starcomms phone. Remove the prefix "0" for 1X internet device.



Range of Available Handsets



Voice and Data & Voice only Phones



Value Added Services



We offer fantastic Value Added Services like Jobs on Phone, AfriTalk, AfriChat, Listen to Bible, Listen to Quran, WAP, StarTrack, TalkNow PayLater, Say-It-With-A-Song.

Jobs on Phone

"Jobs on phone" is the best way to finish your search for best job matching your profile. It is the first of its kind of service which helps customers in getting their desired Job through mobile phone. It is a personalized Voice based job portal, available proactively anytime anywhere only on any Starcomms phone.

How does it work?

1. **Service Registration:** The subscriber will dial (*32640) the service; create a profile of the person calling. The voice profile will include but not limited to the age, sex, location, qualifications, experience etc.
2. **Profile match to Job On Phone database:** When there exist vacancies, the subscriber is notified via SMS of the openings. He is expected to dial into the service, listen to the openings and if interested in the service, will respond to the advert, and where by the profile will be sent to the recruiter.
3. **The recruiter/consultant will listen to the voice profiles and if interested will proceed further to invite such people for test or interview as the case may be.** The recruiter/consultant can directly call the candidate with a click of a button.

Service Cost

The cost of the service is N10/min. This is applicable for both Job seekers and recruiters.

TalkNow PayLater

Talk Now Pay Later is an emergency credit or electronic credit solution that allows customers to access instant airtime on credit, which can be paid back when next a top up is done. It is designed to aid customer deal with the issues associated with recharge card purchase especially when there is need for emergency calls, and access to recharge cards is difficult or impossible.

Simply dial *411# and receive airtime worth N80. On next recharge, N100 is deducted from the your account as N20 is the cost of the service

**TalkNow
PayLater**



AfriTalk

AfriTalk is a non-intrusive and enhanced voice chat service through which you can chat and make lots of friends across Nigeria. Chat safely as your mobile number will never be revealed to other members.

How to use the Service: Dial *3333 and follow voice prompt to create your profile in your own voice and get the identity number which would be the number to reach by anyone after the invitation has been accepted by both Starcomms AfriTalk service subscribers.

Service Cost

Service cost Call charges for calling on Voice chat short code *3333 is N8/min

Starcomms AfriChat

Starcomms AfriChat is a simple and fast application that enables synchronous, text-based interpersonal communication across mobile users. It enables mobile users to interact and harness an engaging chat experience offered via SMS. The service reveals an engaging chat experience on mobile. It allows subscribers to have real time two-way chat with any registered user, including MSN, Yahoo or ICQ! Messenger contacts anytime, anywhere, over any phone using SMS. Its features include create profile, people search, buddy listing and instant messaging options. One can chat with multiple chat friends at the same time.

Service Cost

All SMS sent to the short code 30805 is charged N3/SMS.

Listen to the Holy Bible

The Starcomms listen-to-the-Bible service enables subscribers to utilize the time spent in traffic, at the bus-stops or while commuting on a long trip wisely listening to the Bible or even for their nightly Bible study. It is a great asset for students having ample time for Bible study, who can now study the Bible while in recess time in school.

How to use the Service:

To use the service, Starcomms subscribers dial a short code *777; listen to the voice prompt and select any particular verse of the Bible at a fixed cost of N25 per call.

Listen to the Holy Quran

Starcomms subscribers can now listen to inspirational and uplifting Surahs of their choice from the Holy Quran on their Starcomms phones. This service is designed to update and

Starcomms
AfriChat





increase the knowledge of Muslim subscribers in the tenets of Islam as well as allow them access to the Holy Quran anytime & anywhere.

Daily recitation of the Holy Quran is a very important component of the Islamic faith and thus this service is very amenable to Muslim subscribers as they are able to access it easily and on the move.

How to use the Service:

To use the service, Starcomms subscribers dial a short code *786 on their phones, select any particular Surah of the Holy Quran and continue to listen at a fixed cost of N25 per call.

WAP

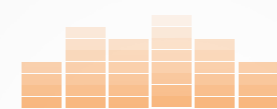
Starcomms WAP service offers a whole range of value added data applications like Ringtone, Java Games, Wallpapers, event-based wallpapers and animations, True tones, MP3 tones, animations to Starcomms subscribers through their WAP and data enabled handsets. Access is through the Wap browser on the handset which directs the user to a default WAP Starcomms homepage - this page carries the link to the value added data applications.

Downloads: This allows a Starcomms user to download contents like ringtones wallpapers etc onto their handset; the user can also surf other WAP sites like Yahoo, Rediff, Facebook etc. The price ranges from N50 - N150 depending on the content.

StarTrack

This uses the mobile network to find positions of Starcomms phone users. It allows you know the whereabouts of your loved ones, friends, staff etc all times using your Starcomms phone. When you request the location of a consenting person, an SMS will be sent to you describing the recent location, including time and date. The accuracy of the location details depends on the area they are in at the particular moment.

To register send REG your name to 33391; do not forget to leave a space between REG and YourName! Once you have completed the registration process and added your family, friends or colleagues, making a location search is easy: Send an SMS with the words: FINDE<NAME><NUMBER> TO 33392.



Starcomms
Music Station



increase the knowledge of Muslim subscribers in the tenets of Islam as well as allow them access to the Holy Quran anytime & anywhere.

Daily recitation of the Holy Quran is a very important component of the Islamic faith and thus this service is very amenable to Muslim subscribers as they are able to access it easily and on the move.

How to use the Service:

To use the service, Starcomms subscribers dial a short code *786 on their phones, select any particular Surah of the Holy Quran and continue to listen at a fixed cost of N25 per call.

Say-It-With-A-Song

Starcomms WAP service offers a whole range of value added data applications like Ringtone, Java Games, Wallpapers, event-based wallpapers and animations, True tones, MP3 tones, animations to Starcomms subscribers through their WAP and data enabled handsets. Access is through the Wap browser on the handset which directs the user to a default WAP Starcomms homepage - this page carries the link to the value added data applications.

Downloads: This allows a Starcomms user to download contents like ringtones wallpapers etc onto their handset; the user can also surf other WAP sites like Yahoo, Rediff, Facebook etc. The price ranges from N50 - N150 depending on the content.

StarTunz

This uses the mobile network to find positions of Starcomms phone users. It allows you know the whereabouts of your loved ones, friends, staff etc all times using your Starcomms phone. When you request the location of a consenting person, an SMS will be sent to you describing the recent location, including time and date. The accuracy of the location details depends on the area they are in at the particular moment.

To register send REG your name to 33391; do not forget to leave a space between REG and YourName! Once you have completed the registration process and added your family, friends or colleagues, making a location search is easy: Send an SMS with the words: FINDE<NAME><NUMBER> TO 33392.

Annexure



1. ARTICLES OF ASSOCIATION

1.1. Article 1 - Definitions and Interpretation

"**THAT** the following definitions in Article 1 which presently read:

"**Independent Director**" means members of the Board of Directors that are not:

- (i) Executive Directors, namely directors who are also employees of the Company;
- (ii) Directors (executive or otherwise), employees or officers of or consultants to SNCH or any member of the SNCH Group;
- (iii) Directors (executive or otherwise), employees or officers of or consultants to any other Controlling Shareholder or any member of such Controlling Shareholder's group;
- (iv) Directors (executive or otherwise), who will or have the right to own or call for any securities of and/or option in the SNCH Group; and
- (v) a Connected Person of a person referred to in (a), (b), (c) or (d) above.

"**Shareholding Percentage**" means, in relation to SNCH, the number of shares registered in SNCH's name in the Company's register of members, expressed as a percentage of the total number of issued shares of the Company.

"**SNCH**" means S.N. Communications Holdings Limited, a company incorporated in Mauritius with registered number 53179 with its business address at Les Cascades, Edith Cavell Street, Port Louis, Mauritius.

"**SNCH Group**" means SNCH and its Affiliates from time to time but excluding the company.

Be and are hereby deleted and replaced with the following definitions:

"**Independent Director**" means members of the Board of Directors that are not:

- (i) Executive Directors, namely directors who are also employees of the Company;
- (ii) Directors (executive or otherwise), employees or officers of or consultants to Capcom or any member of the Capcom Group;
- (iii) Directors (executive or otherwise), employees or officers of or consultants to any other Controlling Shareholder or any member of such Controlling Shareholder's group;
- (iv) Directors (executive or otherwise), who will or have the right to own or call for any

securities of and/or option in the CapcomGroup; and

- (v) a Connected Person of a person referred to in (a), (b), (c) or (d) above.

"**Capcom**" means Capcom Limited, a company incorporated in Mauritius with registered number 108264 having its registered office at Suite 501, St James Court, St Denis Street, Port Louis, Mauritius.

"**Capcom Group**" means means Capcom and its Affiliates from time to time but excluding the Company;

"**Shareholding Percentage**" means, in relation to Capcom, the number of shares registered in Capcom's name in the Company's register of members, expressed as a percentage of the total number of issued shares of the Company.

1.2. Article 10 – Directors

THAT Article 10 be and is hereby amended by deleting the word "SNCH" wherever it currently appears and replacing it with the word "Capcom" to read as follows:

"10.1 The number of directors shall not be less than two (2) and not more than nine (9).

10.2 For so long as Capcom holds the Shareholding Percentage set out in the following table, Capcom shall be entitled by giving notice in writing to the Board of Directors (a "**Notice of Nomination**"), to nominate for appointment to the Board of Directors the following number of persons as non-executive Directors:

Shareholding Percentage	Number of non-executive Directors
Twenty per cent. (20%) or more	Three (3)
Ten per cent (10%) or more up to (but excluding) twenty per cent (20%)	Two (2)
One (1) share or more up to (but excluding) ten per cent. (10%)	One (1)

10.3 Within ten (10) Business days after receiving a Notice of Nomination, the company shall procure that:

- (a) The persons listed in such Notice of Nomination are appointed as non-executive

Directors of the Board of Directors provided that such appointments are being made to fill casual vacancies on the Board of Directors.

(b) If there are no casual vacancies on the Board of Directors, a meeting of members shall be convened within twenty five (25) Business Days of receipt of such Notice of Nomination at which meeting a resolution to appoint the persons listed in such notice as non-executive Directors of the Board of Directors shall be put to the members.

- 10.4 Except as otherwise required by law, the Company shall procure that each Director appointed following receipt of Notice of Nomination shall (if that person remains a Director at the relevant time and is willing to stand for re-election) be recommended for re-election at each general meeting of the Company at which meeting such Director shall be required to retire and seek re-election, where Capcom gives notice that it wishes the person to be nominated for re-election.
- 10.5 Capcom may, from time to time give notice to the Board of Directors that it wishes a Director appointed following a nomination by it in accordance with Article 10.2 to be removed as a Director and within ten (10) Business Days after receipt of that notice, the Company will procure that the person is removed as a Director. Capcom shall indemnify the Company in full in respect of any claim made against the company by any Director arising from his or her removal in accordance with this Article 10.5.
- 10.6 If a Director is nominated by Capcom under Article 10.2 resigns, is not re-elected as a Director or is removed as a Director in accordance with Article 10.5 or otherwise, the Company shall procure that such other person nominated by Capcom shall be proposed for election as a Director in accordance with Article 10.3.
- 10.7 The Company shall appoint three (3) independent non-executive Directors and the CEO to the Board of Directors.
- 10.8 The Board of Directors shall have the power, at any time and from time to time, to appoint a person as an additional Director to fill a casual vacancy arising out of the death, resignation, retirement or removal of a Director, such appointment to be approved by the members at the Company's next annual general meeting. If such appointment is not so approved, the appointee shall forthwith cease to be a Director.
- 10.9 The Board of Directors may increase the number of Directors so long as the maximum number of Directors specified in Article 10.1 is not exceeded. The members shall have the power to determine in what rotation the Directors shall retire.
- 10.10 The members may, from time to time, by ordinary resolution direct such sums as may be thought fit to be paid as and by way remuneration to each Director. The Directors shall be entitled to repayment of all expenses reasonably incurred by them respectively in or about the performance of their duties as Directors.

10.11 It shall not be necessary for a Director to acquire or hold any qualification share, but a Director shall be entitled to receive notice of and to attend all general meetings."

1.3. Article 12 – Committees

THAT Articles 12.2, 12.5, 12.7, 12.8, 12.9, 12.11 and 12.12 be and are hereby amended by deleting the word "SNCH" wherever it currently appears and replacing it with the word "Capcom" such that Article 12 reads as follows:

- 12.1 There shall be five (5) standing committees of the company (the "**Standing Committees**") called the audit and risk committee (the "**Audit and Risk Committee**"), the remuneration committee (the "**Remuneration Committee**"), the tendering and procurement committee (the "**Tendering and Procurement Committee**"), the nomination and corporate governance committee (the "**Nomination and Corporate Governance Committee**") and the market announcements committee (the "**Market Announcements Committee**").
- 12.2 The Audit and Risk Committee shall comprise at least six (6) members:
- (a) Three (3) non-executive Directors appointed by the Board of Directors, two (2) of which shall be independent Directors and one (1) of which shall be a non-executive Director nominated by and appointed on behalf of Capcom for as long as the Shareholding Percentage is twenty per cent (20%) or more and all three (3) Directors shall retire from the Audit and Risk Committee annually; and
- (b) Three (3) shareholders of the company ("**Shareholder Representatives**") appointed by the shareholders of the Company who shall retire from the Audit and Risk Committee at the annual general meeting that follows the general meeting at which they were elected.
- 12.3 Subject to applicable Nigerian law, any shareholder may nominate a shareholder as a Shareholder Representative by giving notice in writing of such nomination to the secretary of the Company at least twenty one (21) days before the annual general meeting.
- 12.4 The shareholders of the Company shall, at each annual general meeting consider a resolution for the election of the persons nominated by the shareholders for the three (3) positions of Shareholder Representatives in accordance with applicable Nigerian law.
- 12.5 None of the three (3) Shareholder Representatives shall be an Affiliate of Capcom.
- 12.6 The chairman of the Audit and Risk Committee shall be an Independent Director who should be nominated by members of the Audit and Risk Committee.
- 12.7 The Remuneration Committee, the Nomination and Corporate Governance Committee

and the Market Announcements Committee shall each be comprised of three (3) Directors:

- (a) Two (2) of which shall be Independent Directors and one of these Independent Directors shall chair each such committee; and
- (b) One (1) of which shall be a Director nominated by, and appointed on behalf of the Capcom, for as long as the Shareholder Percentage is twenty per cent (20%) or more.

12.8 The Tendering and Procurement Committee shall be comprised of three (3) Directors:

- (a) One (1) of which shall be an Independent Director and two (2) of which shall be Directors nominated by and appointed on behalf of Capcom for as long as the Shareholding Percentage is thirty per cent (30%) or more and such committee shall be chaired by a Director nominated by and appointed on behalf of Capcom; or
- (b) Two (2) of which shall be Independent Directors and one (1) of which shall be a Director nominated by and appointed on behalf of Capcom for as long as the Shareholding Percentage is ten per cent (10%) or more and such committee shall be chaired by an Independent Director.

12.9 Within ten (10) Business Days after receiving notice from Capcom nominating a person for appointment as a Director under this Article, the Company shall procure that the person(s) nominated by Capcom is/are appointed to the Audit and Risk Committee, the Remuneration Committee, the Nomination and Corporate Governance Committee, the Market Announcements Committee or the Tendering and Procurement Committee, as the case may be.

12.10 The quorum for transacting business at any meeting of the Audit and Risk Committee shall be a majority of the members of the Audit and Risk Committee (present either in person or telephonically, except as otherwise required by law) of which one member of the Audit and Risk Committee shall be an Independent Director. If that quorum is not present within thirty (30) minutes from the time when such meeting should have begun or during such meeting there is no longer quorum, the meeting shall be adjourned for five (5) Business Days and at that adjourned meeting a majority of the members of the Audit and Risk Committee (or their alternates) shall be a quorum.

12.11 The quorum for transacting business at any meeting of the Remuneration Committee, the Nomination and Corporate Governance Committee or the Market Announcements Committee shall be at least two (2) Directors (present either in person or telephonically, except as otherwise required by law) of which one (1) Director shall be nominated by and appointed on behalf of Capcom for as long as the Shareholding Percentage is twenty per cent (20%) or more. If a quorum is not present within thirty (30) minutes from the time when such meeting should have begun or during the meeting there is no longer a quorum,

such meeting shall be adjourned for five (5) Business Days and at that adjourned meeting any two (2) Directors (or their alternates) shall be a quorum.

12.12 The quorum for transacting business at any meeting of the Tendering and Procurement Committee, shall be at least two (2) Directors (present either in person or telephonically, except as otherwise required by law) of which one (1) Director shall be nominated by and appointed on behalf of Capcom for as long as the Shareholding Percentage is ten per cent (10%) or more. If a quorum is not present within thirty (30) minutes from the time when such meeting should have begun or during the meeting there is no longer quorum, such meeting shall be adjourned for five (5) Business Days and at that adjourned meeting any two (2) Directors (or their alternates) shall be a quorum.

1.4. Article 16 – Proceeding of Directors

THAT Articles 16.3 and 16.5, be and are hereby amended by deleting the word "SNCH" wherever it currently appears and replacing it with the word "Capcom" such that Article 16 reads as follows:

16.1 Subject to the provisions if these Articles, the Directors may meet together for the dispatch of business, adjourn and otherwise regulate proceedings as they think fit. A meeting of the Directors and the venue shall be as determined by the Board of Directors from time to time and shall be convened and held at least once every quarter. All business arising at any meeting of the Directors shall be determined only by resolution passed by a majority of the Directors present at the meeting and entitled to vote.

16.2 At least five (5) clear days' written notice shall be given to each, Director of every meeting of the Directors. Such notice shall contain an agenda specifying in reasonable detail matters to be discussed at the relevant meeting of the Directors.

16.3 For so long as Capcom holds one (1) share or more in the Company the quorum for transacting business at any meeting of the Board of Directors (other than an adjourned meeting) shall be a majority of the number of Directors (present either in person or telephonically, except as otherwise required by law) of whom:

1. at least two (2) shall be those Directors nominated by, and appointed on behalf of, Capcom, for as long as the Shareholding Percentage is twenty per cent. (20%) or more; or
2. at least one (1) shall be a Director nominated by, and appointed on behalf of, Capcom, for as long as the Shareholding Percentage is ten (10%) per cent. or more.

16.4 If a quorum is not present within thirty (30) minutes from the time when the meeting should have begun or if during the meeting there is no longer a quorum, the meeting shall be adjourned for five (5) Business Days and at that adjourned meeting any two (2) Directors (or their alternates) present shall be a quorum.

- 16.5 If Capcom ceases to hold any shares in the Company, the quorum for transacting business at any meeting of the Board of Directors shall be a majority of the number of Directors.
- 16.6 No resolution of the Directors proposed at any meeting of the Board of Directors shall be effective unless it is voted in favour of by a majority of the Directors present at such meeting. The chairman of the Board of Directors, and in his absence, the deputy chairman, shall have the casting vote.
- 16.7 A resolution in writing signed by all the Directors entitled to notice of a meeting of the Board of Directors shall have the same effect and validity as a resolution of the Board of Directors duly convened and constituted.

BY ORDER OF THE BOARD



INCO SERVICES LIMITED
COMPANY SECRETARIES

LAGOS NIGERIA
28 December, 2012

Admission Card

ADMISSION CARD

14th ANNUAL GENERAL MEETING TO BE HELD AT LAGOS/KOGI/OSUN HALLS, TRANSCORP HILTON HOTEL, ABUJA AT 10:00 A.M. ON FRIDAY 28 DECEMBER, 2012.

NAME OF SHAREHOLDER:

NUMBER OF SHARES HELD:

Please admitto the 14th Annual General Meeting of Starcomms, Plc.

Signature of person attending:

- This admission card should be produced by the Shareholder or his proxy in order to obtain entrance to the Annual General Meeting
- You are requested to sign this card at the entrance in the presence of the Company Secretary or his Nominee on the day of the Annual General Meeting

Please be advised that to enable a Proxy gain entrance to the meeting, the Proxy Form is to be duly completed and delivered to the Company or the Registrar not later than 48 hours before the time fixed for the meeting.

COMPANY SECRETARY

Proxy Form

The 14th Annual General Meeting of Starcomms Plc, taking place at the Lagos/Kogi/Osun Halls, Transcorp Hilton Hotel, Abuja on the 28th day of December, 2012 at 10 a.m.

I/we,

Shareholder's Name:

.....

No of Shares:.....

Account Number.....

Being a Shareholder of Starcomms PLC (RC.276160) hereby appoint ofor failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on our behalf as specified in the boxes in relation to the resolutions to be submitted to Shareholders at the Annual General Meeting of the Company to be held on the 28th of December 2012 and at any adjournment thereof:

Dated this.....day of....2012

Signature (s) of Shareholder (s).....

Signature of Proxy
(companies must execute under Common Seal)

NOTES

1. A member (shareholder) who is unable to attend the meeting is allowed by Law to vote by proxy.
2. Provision has been made for the Chairman to act as your proxy to ensure that someone will be at the Meeting to act as your proxy, but you may insert in the blank space the name of any person, whether a member of the Company or not, who will attend the Meeting and vote on your behalf instead.
3. The completed, signed and stamped Proxy Form should be deposited at the Registered Office of the Company (Plot 1261c bishop Kale, Close, Victoria Island, Lagos) or at the office of the Registrars (First Registrars, Nigeria Limited, Plot 2, Abebe Village Road, Iganmu, Lagos) and must reach them not later than 48 hours before the time of voting.
4. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently N500.00) from the Stamp Duties Office, and not adhesive postage stamps.

Resolution	For	Against	Abstain
Ordinary Business			
1) "That the Report of the Directors and the Financial Statements for the financial year end December 2011 now submitted be and are hereby received and approved"			
2) "To elect/re-elect Directors:			
3) "That Chief Maan Lababidi be and is hereby re-elected as a Director"			
4) "That Alhaji Tajudeen Dantata be and is hereby re-elected as a Director"			
5) "That the appointment of Mr. Olusola Oladokun as a Director be and is hereby approved"			
6) "That the appointment of Mr. Odein Ajumogobia as a Director be and is hereby approved"			
7) "That the appointment of Mr. Mahendra Bakhda as a Director be and is hereby approved"			
8) "That the Director's remuneration for the year be and is hereby approved by the members"			
9) "To authorize the Directors to fix the remuneration of the Auditors"			
10) "To elect members of the Audit Committee"			
Special Business			
Resolutions nos. (1) to (7)			

Please indicate with an "x" in the appropriate box on how you wish your votes to be cast on the resolution set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion