

report & accounts



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of members of Starcomms Plc will be held at the Lagos/Kogi/Osun Halls of the Transcorp Hilton Hotel, Abuja on Tuesday, May 11, 2010 at 10:00 am to transact the following business:

ORDINARY BUSINESS

1. To receive the financial statements for the year ended December 31st, 2009 together with the Directors and Auditors report thereon.
2. To re-elect/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.

PROXIES

A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy in his/her stead. A proxy need not be a member of the Company. For the appointment to be valid, all instruments of proxy must be stamped by the Commissioner of Stamp Duties and deposited at the office of the Registrar, First Registrars Limited of Plot 2, Abebe Village Road Iganmu, Lagos, not less than 48 hours before the time fixed for the meeting. A blank proxy form is attached to the Annual Report.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Monday May 3, 2010 to Friday May 7, 2010 both days inclusive.

AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004, any member may nominate a shareholder as a member of the audit committee. Such nomination shall be in writing and reach the Company Secretary not less than 21 days before the Annual General Meeting.

Dated this 1st day of April, 2010
BY ORDER OF THE BOARD

INCO SERVICES LIMITED
(Company Secretaries)

Highlights of key Achievements in 2009

List of Highlights/Achievements per month for 2009		
S/N	Months	Description
1	Jan	<ul style="list-style-type: none"> Starcomms launched Nigeria's 1st multi-functional phone 'GENIE' with which one can talk, surf the internet through 3G EVDO, and listen to music with MP3 player and saves files up to 200MB Launched Huawei ETS 8521 cordless phones Introduced new number series - '0819'
2	Feb	<ul style="list-style-type: none"> Starcomms launched mid-end Nokia 6275 with (voice & Data) Launched Missed Call Notification (MCN), which helps you to keep track of calls when not in a service area or when phone is switched off; the first in the segment Introduced Call Waiting service - it alerts you of another in-coming call when on the line Launched Starcomms 'NEO' a new USB 1x data modem to revolutionize internet access
3	Mar	<ul style="list-style-type: none"> Launched free Bonus Airtime to all voice subscribers; a reward for loyal customers Starcomms launched & opened services in Ilorin
4	Apr	<ul style="list-style-type: none"> Rolled out its broadband 'izap' services to Ibadan & Calabar Launched 100% money back promo on Huawei C228s color phone Featured in UBA CAPITAL Round-Up by CNBC Starcomms MD/CEO on CNBC 'POWER LUNCH' Opened Starcomms shop in Uyo
5	May	<ul style="list-style-type: none"> Starcomms launched services in Awka, Nnewi, Umuahia & Sapele Starcomms service centre won award for customer service excellence from NCC Added one more shop / service center at Ikota, Lagos Starcomms introduced on-line checking of account balance on Data hourly package; this can be done from your phone and on-line from the comfort of your home
6	Jun	<ul style="list-style-type: none"> Launched services in Katsina Opened Shop / service center in Ogbomosho Starcomms launched the first direct access to CEO/MD: Blazes business trail Launched special Telecentre solar charger package for Telecentre operators in Lagos, Abuja & Kano
7	Jul	<ul style="list-style-type: none"> Starcomms won white hat award by Spamhaus for fighting spam mail Opened Starcomms shops in Oyo & Sapele. With these 2 - new shops the total tally went up to 39 shops (26 COCO and 13 Franchisee) Created a dedicated unit called 'Enterprise Business Solutions' to handle all enterprise solutions Enterprise Business Solutions allows Starcomms to introduce top of the range business services like: Pre-paid VPN; E1 voice service; Bulk SMS; Dedicated Internet Bandwidth; VPN Data (ATM, etc.)
8	Aug	<ul style="list-style-type: none"> Ramadan Dash campaign-N1 per minute Won The Most Outstanding CDMA award from the Institute of Direct Marketing Provided internet access to the Nigerian police force PR unit - CSR initiative

9	Sep	<ul style="list-style-type: none"> • Special new market launch promo tariff of N2 per minute • Won Web jurist award for the second best Web-site in the ICT category • Implemented systems integration automation to streamline Data and Financial activation software, to improve on TAT and Data renewal process which reduced traffic to shops and call centers
10	Oct	<ul style="list-style-type: none"> • Introduced special low tariff promo for N10/min to key international destinations • Launched for the first time in the segment Social Network Services: facebook and twitter, etc. • Starcomms launched the first Convenient Data Renewal Options, which allows data subscribers to renew their data subscription with ease and convenience on-line • Sponsored Columbia Business School for a forum in Lagos, another CSR initiative
11	Nov	<ul style="list-style-type: none"> • Starcomms won awards at the Nigeria Information Technology & Telecommunications (NITTA): <ul style="list-style-type: none"> ▪ Best CDMA operator of the year ▪ Best internet product of the year (i-zap) ▪ Best Telecoms CEO/MD of the year (Maher Qubain) • Sponsored Lagos State Amateur Boxing tournament - CSR initiative • Launched VAS Services such as listening to The Holy Books - Bible and Quran • Launched 'AfriTalk' the unique voice chat service • Won NUJ award for corporate excellence • Launched services in the town of Katsina
12	Dec	<ul style="list-style-type: none"> • Launched services in Enugu, Jos & Bauchi. With these towns Starcomms increased operational base to 22 states, 31 cities and 175 towns • Increased the number of towers (BTS) across regions by 50%----over 700 Towers • Achieved an active Data subscription base of over 119 thousand and a gross base of over 187 thousand; 50% growth over previous year • Sponsored Orphanage home Xmas party (Pacelli) in Lagos, another CSR initiative • Sponsored another Amateur Boxing tournament in Lagos state • Sponsored end-of-year party for British & American International schools, CSR initiative • Sponsored Lebanese end of year exhibition

Awards



West Africa Best CDMA 3G Mobile Telecomms of the year 2009
Nigerian Telecom Awards



Nigerian Telecom CEO of the year 2009
Nigeria Information Technology & Telecommunication Award



Internet Product of the year 2009 (iZAP)
Nigeria Information Technology and Telecomms Award



Corporate Social Responsibility
Nigerian Union of Journalists Communications Week - 2009



Best CDMA Operator of the year 2009
Beacon of ICT Awards by Nigeria Communications Week



Best Alternative Operator, West Africa - 2009
Africa Telecom People Award



Best IT product(iZAP) of the year 2009
Nigerian Telecom Awards

Starcomms awarded with Whitehat Network has a recognition of our efforts as a pro-active no-spam-tolerance Network, by spamhaus.

The background is a solid dark purple color. It features several overlapping, semi-transparent circles and curved lines in a lighter shade of purple, creating a layered, abstract effect. The text 'Financial Highlights' is centered in the middle-right portion of the page.

Financial Highlights

Financial Highlights



All reference comparatives are to Twelve Months Ended 2008

Directors, Officers and Professional Advisers

Corp. Head Office:	52 Adetokunbo Ademola Street Victoria Island, Lagos - Nigeria
Board of Directors:	Chief Maan Lababidi (American) - Chairman Maher Qubain (American) - Managing Director/Chief Executive Officer Paul Edwards (British) Omar Lababidi (American) Prof. Enrique Arzac (American) Prof. Partha Mohanram (American) - Resigned 30th June 2009 A. Olawale Edun Alhaji T. A. Dantata - Appointed 30th June 2009
Company Secretary:	Inco Services Limited 34 Bassie Ogamba Street Surulere, Lagos - Nigeria.
Auditors:	KPMG Professional Services 22A Gerrard Road, Ikoyi, Lagos - Nigeria.
Registrars:	First Registrars Limited 2 Abebe Village Road Iganmu, Lagos - Nigeria.
Solicitors:	City Partners 13 Sunbo Jibowu Street, South-West, Ikoyi Lagos-Nigeria
	G. Elias & Co. NCR Building (6th Floor) 6 Broad Street, Lagos
	Nasir Salau & Co 84 Lewis Street, Lagos Island, Lagos-Nigeria.
	Olaniwun Ajayi LP The Adunola 5 th 9 th Floor, Plot L2, Banana Island Lagos

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Chairman's Statement



2009 Chairman's Statement

Chief Maan Lababidi

Chairman

Distinguished Shareholders,

I am pleased to present to you the annual financial statements of Starcomms Plc ("Starcomms"), and report on the performance and achievements of your Company for the financial year ended December 31, 2009.

During 2009 Starcomms continued to transform its business in keeping with its vision of becoming a leading full service telecommunications network in Nigeria. Starcomms extended its network coverage to 22 states and 31 cities, and grew its active subscriber base by over 26%, to 2.6M. This has provided a strong platform to launch an increasingly sophisticated array of services aimed at maintaining higher Average Revenue Per User (ARPU) than our competitors.

Besides the difficult economic environment and the irrational business model deployed by some of our competitors, whereby they have been extensively subsidising pre-paid handsets, Starcomms grew its Earnings before Interest, Tax, Exchange Differences, Depreciation and Amortisation (EBIETDA) by 684% to N7.3Bn. It also improved operating cash flows to a positive N7.8Bn from negative N7.1Bn the previous year. Unfortunately, the devaluation of the Naira against the US Dollar resulted in an Unrealised Foreign Exchange Loss of N2.3Bn due to our predominantly dollar-based debt. During the year we took steps to convert US\$60 million of our US Dollar debt to Naira. This increased our interest charges while we received a lower interest rate on naira deposits. Net interest charges therefore increased by 533% over 2008 to N2.1Bn. Should the Naira exchange rate improve against the US Dollar, part of these unrealised foreign exchanges losses may be written back to our profit and loss account.

Before going into details about our financial and operational performance, I would like to review some of the key market factors under which we operated in 2009.

Starcomms grew its Earnings before Interest, Tax, Depreciation and Amortisation (EBIETDA) by 684% to N7.3Bn. It also improved operating cash flows to a positive N7.8Bn from negative N7.1Bn the previous year...

Chairman's Statement

The Nigerian Telecom market

The ongoing turmoil in the global economy continued to be felt across all industries and economies and Nigeria was not immune to this. The economic contraction put downward pressure on Minutes of use (MOUs) and ARPU, as consumers felt the impact of the downturn.

The global financial banking crisis reached Nigeria in the third quarter of 2009, impacting the availability of credit facilities, while the Central Bank of Nigeria intervened in the management of underperforming local banks. Thus, there was limited access to funding for most companies. Starcomms was, however, able to maintain access to credit facilities and was awarded \$93 million loan facility from Huawei for Equipment financing.

There is still considerable growth in the Nigerian telecoms market, and this is attracting investment from major international telecoms operators, such as Bharti Airtel. We believe that there is still scope for consolidation in the telecom sector and that the level of interest in mergers and acquisitions is now on the rise following the recent global recession.

The capital markets across the world declined drastically as did the Nigerian Stock Exchange. Starcomms, as the only listed telecom on the NSE, felt this impact. The All Shares Index (NSE-ALSI) declined about 34% to close at 20,827.

Total market capitalisation fell from N6,957 billion to N4,989 in 2009. It is clear that the investing public did not fully appreciate that telecom operators such as Starcomms have very high depreciation and interest charges while rapidly growing out their networks. This has impacts on the Net Profit line. In line with international trends, as the network matures the rate of network build-out slows and bottom line profitability is enhanced. The concept of a growth stock, whereby the company reinvests profits rather than pay out dividends is not fully understood in Nigeria.

Telecommunications Industry Developments

This is an exciting time to be in the African telecoms industry, especially in Nigeria as we have recently taken over market leadership from South Africa with over \$18 billion in telecom investments, according to the BMI Report.

Following earlier phenomenal growth in the voice sector during 2008 the Telecom industry in Nigeria is in the early stages of a further growth phase. Demand for data is now outstripping demand for voice worldwide and Starcomms is well positioned to capitalize on this trend, being the first Nigerian network to launch 3G services. The arrival of new undersea cable systems will see a dramatic reduction in the cost of international bandwidth. Nigeria, with its more than 75 million subscribers, accounts for about 18% of Africa's mobile subscriptions and therefore, remains Africa's largest market.

We believe that there is still scope for consolidation in the telecom sector and that the level of interest in mergers and acquisitions is now on the rise following the recent global recession...

Chairman's Statement

Regulatory Environment

The NCC is the body responsible for creating an enabling environment for competition among operators in the industry, as well as ensuring the provision of qualitative and efficient telecommunications services throughout the country. Its sphere of coverage includes Spectrum policies, award of licences, conduct tenders as well as legal and regulatory issues surrounding the telecommunications industry. The year witnessed announcement of plans for SIM Registration, Number Portability, Spectrum auctioning and Review of Interconnect Termination Rates. The latter was finalised during 2009 and has had a positive effect on bringing down the costs of telecommunications services.

As we approach the end of the tenure of Mr. Ernest Ndukwe as Chairman of the Nigerian Communications Commission (NCC), we want to take this opportunity to thank him for the leadership and guidance provided over the past ten years at the helm of the NCC. We have every confidence that the new leadership will continue the excellent work that has delivered a world class telecommunications sector in Nigeria.

Future Outlook

Starcomms, as a result of proactive initiatives from the Board and management over the past year, is in a good position to continue to grow earnings at the EBIETDA level. It has reduced its cost base, improved efficiencies, and improved cash flows. During 2010 we expect not only to cover a high percentage of our capital expenditure from internally generated funds, but also pay down a significant amount of debt. We are also investigating further ways to improve our capital efficiency.

Demand for data is now outstripping demand for voice worldwide and Starcomms is well positioned to capitalize on this trend, being the first Nigerian network to launch 3G services...

Starcomms is committed to world class governance standards and we are indeed fortunate to have an experienced and dynamic board and senior management team. I am confident that together we will continue to ensure that Starcomms remains one of the leading telecommunications providers in Nigeria by focusing on high quality services that meet the needs of our customers at an affordable price.

Corporate Governance

Starcomms is committed to strictly adhering to and even exceeding the Code of Best Practices on Corporate Governance in Nigeria as adopted by the SEC in October 2003. The Company has adopted a Code of Ethics which outlines guidance, on among other matters, compliance with law and regulations, conflicts of interest, environmental responsibility, political support, the Company's funds and property, the Company's records, privacy and confidentiality and employee relations. This Code of Conduct is actively endorsed by the Board.

Chairman's Statement

Board Practices

The Board meets quarterly and further on an ad-hoc basis as required from time to time. The Board has the duty to ensure that Starcomms has a strong and capable management team, that there is a clear and achievable strategic plan, that all aspects of risk are identified and mitigated, to determine and ensure implementation of the Company's values, to ensure that there are strong financial controls and systems in place, to implement and monitor compliance with effective policies and bring fair judgment to all matters material to the Company. The Board has complete access to the Company's senior management and independent auditors. The Secretary provides advice and guidance to the Directors and acts as a conduit in their dealings with the Board and adherence to the Board's policies.

Composition of the Board

The Board of Starcomms is composed of 7 members made up of 1 Executive Director and 6 non-Executive Directors. The Board members are professionals with vast experience and credible track records.

Chairman and Chief Executive Officer Positions

Responsibilities at the top of the Company are well defined and the Board is not dominated by one individual. The position of the Chairman is separate from the Chief Executive. The Chairman is not involved in the day-to-day operations of the company.

Audit and Risk Committee

The Audit and Risk Committee is comprised of an equal number of non-Shareholders of the executive Directors

and representatives of the Company comprising in total six

members. At least one member of the Committee qualifies as an "audit committee financial expert". The Committee **meets** at least four times annually **and oversees** or assists the Board in overseeing, among other matters:

- (i) the integrity of the Company's financial statements, including the Company's annual and quarterly financial statements and relevant reports rendered by the independent auditor;
- (ii) the appointment, compensation and retention of any independent auditor; including reviewing with the independent auditor any significant matters arising from any audit, report or communication relating to financial statements;

During 2010 we expect not only to cover a high percentage of our capital expenditure from internally generated funds, but also pay down a significant amount of debt...

Chairman's Statement

- (iii) the Company's disclosure and internal controls; including all related party transactions; and
- (iv) the performance of the Company's internal audit function and the independent auditors. The committee also assists the Board on legal compliance and risk management and to establish, review and periodically update the Codes of Ethics. In addition, the audit and risk committee will review with the independent auditor, the internal audit department and management, the extent to which changes or improvements in the financial or accounting practices have been implemented.

Remuneration Committee

The Remuneration Committee is appointed annually by the Board, on recommendation of the Company's Nomination and Corporate Governance Committee, and comprises three members, two of whom are independent. The Board designates one member as the committee chairperson, who is not the Chairman of the Board. The Committee meets at least twice each year to supervise and review of, among other matters, the compensation of executive officers, Directors and other employees and any stock option, stock incentive and stock compensation plans. In addition, the Committee assists Management in developing and, when appropriate, recommending to the Board the design of the Company's compensation policies and plans.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is appointed annually by the Board and is comprised of an independent chairman and at least two directors, one of whom will be independent. The Committee meets at least twice each year and supervises and reviews the affairs of the Company as they relate to the Board, committee composition and leadership, Board evaluations, stockholder communications and corporate governance matters. In undertaking this role, the committee monitors the composition, size and independence of the Company's Board and makes recommendations on the appropriate skills and additional qualifications required of the Directors based on the Company's need from time to time as well as candidates for nominations as directors. The Committee will also make recommendations to the Board regarding the annual assignment of Directors to Board committees. In addition, the Committee will make recommendations to the Board on, and ensure compliance with corporate governance principles. It will also establish and monitor procedures by which the Board will conduct evaluation of its performance and receipt of stockholders communication.

Tendering and Procurement Committee

The Tendering and Procurement Committee is appointed annually by the Board and is comprised of three Directors, two of whom are independent Directors. The Committee's remit is to formulate and review from time to time the Company's tendering and procurement policies and practices to ensure that the operating policies and procedures relating to tendering and procurement are recognised as "best practice", that all tenders 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.

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MD/ CEO's Report



Managing Director & Chief Executive Officer's Report

Maher Qubain

Managing Director & Chief Executive Officer

Highlights of the 2009 Financial Year:

- Active subscribers increased by 26% to 2.6 million
- Churn remained low at .03% of the subscriber base per month
- Data revenues increased to N6.4 billion from N5.7 billion 21% of service revenues
- Network expanded to 703 base stations in 31 cities across 22 states
- Earnings Before Interest, Tax, Exchange Differences, Depreciation and Amortisation ("EBIETDA") increased from N0.9 billion to N7.3 billion an increase of 684%
- EBIETDA margin increased to 21% of Revenues in 2009 from 2.7% in 2008
- Operating loss decrease to N0.6 billion from N4.4 billion in 2008

OVERVIEW

Despite the challenging operating environment that endured throughout 2009, coupled with irrational pricing competition from certain CDMA operators, Starcomms achieved strong subscriber, revenue and EBITDA growth.

What is evident from the results is that our growth strategy followed in 2008 is starting to bear fruit. We need to prepare ourselves for a different future as the world eventually emerges from the current economic crisis. To this regard, we

focused in 2009 on four primary Company initiatives that will shape the Starcomms of the 21st Century.

- **Focus on High Value Market Segments:** To balance growth and profitability
- **Network Expansion and Quality:** To create a competitive advantage and differentiate ourselves to protect our future
- **Customer Services:** To deepen our long lasting relationship with our Customers and create value for them
- **Operational Efficiencies and Innovations:** To maximize margins & enhance quality of earnings

These four major company-wide programs greatly helped the turnaround in 2009 and will allow us to come out better positioned for the next upturn economic cycle. As we always do in Starcomms, we aim to balance the need for delivering results today while continuing to strengthen the Company for tomorrow.

To this regard, we focused in 2009 on four primary Company initiatives that will shape the Starcomms of the 21st Century.

MD/CEO's Report

Starcomms Plc. is one of Nigeria's leading providers of communications services and the only "Triple-Play" provider of telecommunications products. Starcomms provides services, including mobile voice, fixed-wireless voice, broadband data, network access, International and long-distance voice services, and also operates one of the most advanced Next Generation NGN IP-Centric networks. The Company provides wireless voice and data products and services across 22 states, 31 cities and 175 towns in Nigeria using one of the most extensive and reliable wireless networks. Stressing diversity and commitment to the communities in which we operate, we have a highly diverse workforce of 827 employees.

Our 2009 results show that our focus on profitable growth is paying dividends, most notably in our improved EBIETDA and service revenue performance. Service revenue, which is overall revenues less handset and hardware revenues, were N30.3 billion in 2009. This represents an increase of 13% percent over 2008. This growth reflects our continued investment in the expanding wireless and broadband markets.

We gained additional subscribers and revenues with the launch of iZap, our high-speed network, which reached more than 200,000 subscribers' homes and offices by the end of 2009. Starcomms retained its leadership in providing fixed-wireless services to homes, SoHos and SMEs with over 67% market share.

We ended the year with over three million wireless subscribers including two and half million active subscribers, 120 thousand broadband customers, and over eight hundred thousand Fixed-wireless subscribers, and business sales to many major corporations in Nigeria ranging from VPN to ATM last mile services where we are market leaders. We launched several new innovative services, which helped improve revenues and margins.

Starcomms received several top awards for excellence in 2009 from local and international sources, as varied as Africa Telecom People Award for Best Alternative Operator; West Africa CDMA Operator of the Year Award and a special Corporate Social Responsibility Award.

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FINANCIAL OVERVIEW

- **Service Revenues:** Starcomms service revenues grew by 13% from N26.9 billion in 2008 to N30.3 billion in the financial year ending December 31, 2009. Broadband data grew by 13% to N6.43 billion and interconnect revenue grew by 23% to N3.8 billion
- **Operating Expenses:** Starcomms' focus on reducing operating costs paid dividends with operating expenses increasing by less than 1% over the previous year
- **EBIETDA Earnings:** EBIETDA for the year ended December 31, 2009 was N7.33 billion, an increase of 684% over 2008. EBIETDA margins improved from 2.7% to 21%
- **Subscribers:** We ended the year with over 2.6 million active voice subscribers, an increase of 26%
- **Churn:** churn remained very low compared to international standards at 0.03% per month.

STRATEGIC OVERVIEW

Our strategy is to focus on profitable growth and to fund as much of our capital expenditure as possible via internally generated cash. We believe we have now reached a critical mass of customers and we have built a world-class platform that allows us to render a range of innovative and quality services at cost-effective prices.

In 2009 our Board resolved not to engage in the irrational pricing competition that has characterized the CDMA

EBIETDA for the year ended December 31, 2009 was N7.33 billion, an increase of 684% over 2008. EBIETDA margins improved from 2.7% to 21%...

MD/ CEO's Report

market over the last year. In our opinion the practice of highly subsidizing pre-paid handsets is very dangerous and is not seen in many other markets worldwide. Even though Starcomms did not subsidize to the same level as competitors we still grew our subscriber base by 26% over the previous year while achieving sound EBITDA margins.

We are continuing to build a culture of excellence in customer service and innovation, which are all crucial in an increasingly competitive environment.

Starcomms' core strategies in 2009 were as follows:

- ◆ **Revenue Growth** Our emphasis continues to focus on revenue growth. We established a new structure in the commercial group to focus on higher growth segments such as wireless broadband connections, and other data services, as well as entering the enterprise segment of the market and banking data products (i.e. we control almost 80% of the ATM last mile connectivity). During 2009, we reported service revenue growth of 13% compared to 2008
- ◆ **Profitability Improvement** Our continued goal is to reduce operating losses and move the company into positive territory. In 2009, operating loss declined to N667 million compared to N4.49 billion in 2008, while net cash inflow from operating activities turned positive to an inflow of N7.80 billion from an outflow of N7.14 billion in 2008. Our capital spending continues to be directed toward growth markets, positioning the Company for sustainable, long-term profitability. During 2009, capital expenditures were N12.35 billion compared to N29.94 billion in 2008, an almost 60% reduction. We expect 2010 capital expenditures to be even lower than 2009 as we have significant unused capacity on our network
- ◆ **Operational Efficiency** We have made strong advances in 2009 in the areas of automation, talent management, productivity improvements and control of operational expenditures. The effect of these and other efforts, has led to noticeable improvements to the Company's cost structure thus, increasing EBITDA and EBITDA margins as well as improving gross profit and gross profit margins. Workforce levels in 2009 were marginally lower than those of 2008 due to the above initiatives

During 2009, capital expenditures were N12.35 billion compared to N29.94 billion in 2008, an almost 60% reduction. We expect 2010 capital expenditures to be even lower than 2009 as we have significant unused capacity on our network

Starcomms has always been driven by an entrepreneurial spirit and drives for innovation and efficiency. We always emphasize an atmosphere of creativity, challenge, passion and continuously reinventing ourselves to establish a strong brand and leadership in profitable segments. Through an independent brand survey conducted in Q4 2009, Starcomms rated as the 4th most recognized brand in the country and the first most recognized brand in the Broadband segment.

Management's Discussion and Analysis of Financial Performance and Results of Operations

In the following section, we review the performance of our two reportable segments. We exclude the effects of certain items that management does not consider in assessing segment performance, due primarily to their non-recurring and/or non-operational nature as discussed below and in the "Other Consolidated Results" and "Other Items" sections. We believe that this presentation will assist readers in better understanding our results of operations and trends from period to period.

MD/ CEO's Report

2009 Compared to 2008

Service revenues grew by 13%. This was the result of our strategic focus on data and higher ARPU customers and the management decision to significantly reduce handset subsidies at the lower end of the market and therefore handset sales fell by 64% from 2008. Excluding handset sales all other revenue streams increased by 16%.

Service revenues and margins increased with the continued growth from broadband and strategic enterprise services. During 2009, we added 25,000 new broadband connections, for a total of 120,000 data customers. Service revenues, which includes VPN, Telecenter voice, data revenues, and equipment and other revenue increased 13%. Equipment and other revenue increased principally as a result of increases in the number of existing customers upgrading their wireless devices and increased participation in the incremental broadband segment. Total data revenues increased to N6.43 billion, or 13% in 2009 compared to 2008. There were approximately 2.5 million total

voice customers as of December 31, 2009. Average total service revenue per customer (ARPU) decreased to around N170 in 2009 compared to 2008, primarily attributable to disruptive and predatory pricing by competitors and the lower consumer buying power caused by higher inflation, rising prices and banking reforms. Data ARPU decreased to N5,004 in 2009. Notwithstanding, the broadband, VPN and Telecenter ARPU growth helped arrest the decline of the blended ARPU coupled with stable Churn rate in 2009.

Service revenues grew by 13%. This was the result of our strategic focus on data and higher ARPU customers and the management decision to significantly reduce handset subsidies at the lower end of the market...

Cost of Services and Sales

Direct costs reduced by 30% in 2009 from 2008, while Gross Profit increased by 53%, primarily as a result of reduced level of subsidy and by the impact of OpEx efficiencies and controls. Operating expenses including depreciation and amortization increased by 16% due to geographic expansion and leasing of additional towers toward Q4 2009, whilst positive revenue contribution of those locations will be seen in 2010. Operating expenses excluding depreciation, amortization and leasing, remained in line with prior year.

The reduced wireless network costs resulted from better network management, contract re-negotiations, higher price discounts from suppliers, and lower infrastructure costs due to frame agreements with key vendors. Subscriber acquisition costs reduced and cost of wireless equipment sales decreased in 2009 compared to 2008, primarily as a result of a reduction in subsidies of entry level handsets, positive margin contribution from higher broadband terminal sales and better dealer incentive management process.

Selling, General and Administrative Expense

Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income, advertising and sales commission costs, customer billing, call center and information technology costs, professional service fees and rent for administrative space.

Depreciation and Amortization Expense

Depreciation and amortization increased to N8.0 billion in 2009, an increase of 49% over 2008. The increase was due to new capital expenditure for geographic expansion and full year charges in 2009 for network capacity that came on air in late 2008. The large depreciation values negatively impacts the bottom line and the focus in 2010 and beyond will be to identify means of reducing the levels. This will be achieved via aggressive sales campaigns to fill capacity in new cities, redeploying depreciated assets in other locations (i.e. fully depreciated base station equipment used to cover highways) and leasing and co-location of towers.

MD/ CEO's Report

Extraordinary Items

We continue to be exposed to foreign exchange losses on our dollar debt. We have hedged our exposure by converting \$60M of dollar denominated debt in 2009 into Naira. The higher Naira interest rates impacted on overall interest charges, however. Foreign exchange losses for 2009 increased by 36% to N4,951 million from N3,640 million in 2008. This includes unrealized losses on dollar denominated debt.

We saw an increase in Interest costs as a result in the conversion of a \$60 million facility to Naira denominated loan and the rising rates by banks on some debt facilities. We continue to enjoy good rates on the Dollar denominated loans, with favorable payment tenure. Our focus in 2010 will be to pay down debt from operational cash flow to reduce the impact of interest on the bottom line. This will also substantially improve our Net Debt/EBIETDA ratio.

What Lies Ahead?

Starcomms' strategy prior to 2008 was to focus on subscriber acquisition and expansion. We have now built a world class network covering 31 cities in 22 states and are beginning to achieve economies of scale. Our focus in the coming year is to balance growth with profitability to ensure shareholder value growth. This will be achieved via continued focus on profitable segments, reduction of debt and growing margins and EBIETDA.

Appreciation

As we complete our first year as a Publicly Listed Company, I would like to extend my gratitude to the Starcomms Board of Directors and the members of the various committees of the Board for their guidance and insights. I would also like to thank the executive team and the people of Starcomms for their dedication and the progress made in executing our successful

My thanks go to all our customers for their continued patronage. I also want to thank our regulator, the Nigerian Communications Commission, for their vision, forward-thinking and continued support.


strategy over the past year. My thanks go to all our customers for their continued patronage. I also want to thank our regulator, the Nigerian Communications Commission, for their vision, forward-thinking and continued support. In particular their decision in reducing the Interconnect Rates, that is, the rates operators charge to terminate calls on each others' networks will impact Starcomms profitability positively over the coming years.

Conclusion

Our vision is to be a world-class provider of telecommunications solutions in the fixed, wireless and broadband data segments.

We are building a future that promises opportunity, challenge and great rewards for the Starcomms Plc. team, our customers and shareholders, and other valued stakeholders.

Respectfully Yours,


M. A. Akin
Managing Director and Chief Executive Officer

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The Board of Directors

Board of Directors



Chief Maan Lababidi
Chairman

Chief Lababidi is the Chairman of the Board and founder of Starcomms Plc. Chief Lababidi also sits as the Executive Chairman of the Fou'ad Lababidi Foundation which oversees the administration of the Lababidi Islamic Academy, a post Primary educational institution. For his accomplishments and contributions to Nigeria, he has received several honors including the Baba Oja of Lagos (1984), the Baba Adini of Ijebu land (2001) and Federal Honors as an Officer of the Order of the Niger (OON 2002).

Chief Lababidi holds a Bachelors Degree (B. SCE) 1965 and Masters Degree (M.SCE) 1968 in Civil Engineering from the University of Texas USA where he graduated with Honors in both cases (chi Epsilon & Tau Beta Pi). He has established several businesses including Flour Mills, Luxury Hotels, Fisheries and Construction Companies.



Adebayo Olawale Edun
Non-Executive Director

Mr Adebayo Olawale Edun has over twenty-five years experience in Merchant Banking, Corporate finance, Economics and International Finance at both national and international levels. Mr. Edun is the Chairman of ChapelHillDenham Group, one of the nation's leading independent investment banking firms. Prior to establishing ChapelHillDenham Management limited in 1994, he was at Investment Banking & Trust Company Limited (now Stanbic IBTC Bank Plc, a company he co-founded on his return to Nigeria in 1989, after a three-year stint at the World Bank / IFC in Washington DC, and where he served as an Executive Director.

Mr. Edun also served as Finance Commissioner of Lagos State. He holds a Bachelor of Science Degree from Queen Mary College (University of London) and a Masters Degree in Economics from the University of Sussex. Mr. Edun serves on the board of a number of other organizations.



Paul Edwards
Non-Executive Vice Chairman

Paul Edwards is executive chairman of Chartwell Capital Group, a corporate advisory and investment house. He has had strong international experience, having worked in South Africa, Hong Kong, Malaysia and Singapore. During which time he has gained extensive experience in the IT, business information, television, telecommunications and media industries. Most digital technologies fall within his experience and he has been an early pioneer in digital convergence.

In 1999 Paul was appointed Group Chief Executive of the Johnnic Group in South Africa where he was responsible for transforming Johnnic from a passive investment trust, with interests including brewing, food, property, retailing, media and a small investment in telecommunications, into a focused media, entertainment and telecommunications group. In doing so, Johnnic sold off non-core assets to the value of R7 billion and acquired a controlling stake in cellphone operator MTN.

Paul assumed direct control of MTN in 2001 tasked with diversifying the group's telecommunications interests beyond South Africa. Paul was responsible for acquiring a cellular license in Nigeria in January 2001. By October 2001 MTN Nigeria had successfully launched in three centres (Lagos, Port Harcourt and Abuja). By 2004, MTN it had established itself as the continent's largest cell phone operator, while Johnnic became regarded as the leading black-controlled group in South Africa. MTN was subsequently unbundled out of Johnnic in order to enhance shareholder value and by April 2004 had a market cap of R54 billion, exceeding in value both Vodacom and Telkom, the national telecommunications operator. The rapid growth in value of MTN was attributed to the success and enormous potential of MTN Nigeria.

In January 2005, Paul accepted the position of Non-Executive Chairman of SN Communications Holdings, which as at then owned 99.999% of Starcomms, a Nigerian 3G mobile operator.



Maher Qubain
Board Member & MD/CEO

Maher is the MD/CEO of Starcomms Plc and has considerable expertise in the wireless market and significant international exposure and track. He has proven strong management, business development, strategy and implementation skills to transform corporate vision into profitable reality. He is fully experienced in the upswings and declines of the telecommunications market cycles. He is a US national and a graduate of California State University, Long Beach where he received his B.Sc. (1988) and an M.Sc (1990) in computer Science and Engineering. He also holds a condensed EMBA from the University of Southern California (1997). Maher has over nineteen years experience in high-growth domestic and international wireless telecommunications management. Before joining Starcomms Plc, he held various positions from Advanced Technology Manager at Airtouch to Director of Engineering at AT&T Wireless in Southern California. Maher has been an early Pioneer in digital convergence and worked with world renowned scientist and CDMA technology pioneer Dr. William "Bill" C.Y. Lee at Airtouch in the early 1990s. At Starcomms, Maher is directly responsible for the overall day to day management, strategic planning, funding and execution of all business plans associated with the 3G CDMA2000 wireless national network. Prior to his promotion to Chief Executive Officer, Maher was the Chief Technology Officer of Starcomms for over three years.



Omar Lababidi
Non-Executive Director

Omar Lababidi holds a B.Sc in International Relations from Georgetown University in Washington, D.C. (1998) and an MBA from Columbia Business School (2007). He worked with Tradigrain Incorporated before joining Starcomms as the Director of Marketing where he was responsible for the marketing transformation at Starcomms Plc. Omar Lababidi joined the board in 2007.



Alhaji T. A. Dantata
Non Executive Director

He was educated at Saint Thomas Secondary School, Kano, Nigeria; Victoria College, Alexandria, Egypt; Manaret College, Jeddah, Saudi Arabia and West London University, Westminster, England. He's a graduate of business Studies, and has an associate of Business Executive Certificate. He began his career in business in 1988 as Group Director in Dantata Organisations Limited, a position he held until he was appointed Group Managing Director in 1994. Alhaji T.A. Dantata is also on the board of numerous other companies including Nigeria Sugar Products Limited and Bebeji Oil & Allied Products Limited, Express Petroleum & Gas Company Limited, Dantata Property Development & Management Co. Ltd., Kundila Finance Company Limited, Caunting Limited and Namco Nigeria Limited.

He represents the Dantata Group's interest in the following companies: Electricity Meter Company of Nigeria, NAL Bank Plc, Cement Company of Northern Nigeria (CCNN), Mentholatum Nigeria Ltd., Raleigh Industries Limited and Virgin Nigeria Airways. For several years, he was the Chairman of Kano State Housing Corporation and Kano State Tourism Board. He is widely traveled and has attended several courses both locally and internationally.



Prof. Enrique R. Arzac
Non-Executive Director

Enrique Arzac (Ph.D, M.A. & MBA), a Sr. Professor of Finance and Economics at Columbia Business School, is presently a director at The Adams Express Company, Petroleum & Resources Corporation, Epoch Holdings, and Credit Suisse Asset Management Funds (U.S. Institutional and Closed-End Funds). He is the non-executive chairman of Credit Suisse emerging markets and fixed income closed-end funds. He has served as the senior vice dean of the school and as chairman of the Finance Division. He is presently co-director of the Mergers & Acquisitions Executive Program, jointly offered by Columbia and London Business Schools. He was a Ford Foundation Fellow and a W.R. Grace Research Fellow and recipient of Institute for Quantitative Research in Finance Grants. Before joining Columbia he taught at the University of Buenos Aires, and held various positions, including: Associate Consultant, Ernst & Ernst; Chief Economist, Latin American Economic Research Foundation; and Director of Systems Analysis, Economic Development Council, Argentine Government. He has served as a financial consultant to the State of New Jersey, the United Nations Conference on Trade Development and several U.S. and foreign firms, including: Nathan Associates, Aerojet, Belding Hemingway, Alfa Group, Dynamic Corporation of America, BHD Corp. and the Equitable Life Assurance Company.

Senior Management



Charlotte Courtenay
Finance Director

Ms. Charlotte Courtenay - Finance Director, has over 15 years work experience in a cross section of organizations covering the telecommunication, finance and engineering sectors. Over these years, she has had quality exposure and vast experience in Financial Operations. She worked last for Zain Communications Ghana Ltd. as the Finance Director. She has BA in Politics, Philosophy & History, and is a UK Chartered Management Accountant.

Her financial experience spans various capacities in Telecommunication and other Sectors including Finance Director, Zain Communications Ghana Ltd., Finance Director, ED & F Man Ltd subsidiary in Ivory Coast, Chief Financial Officer for Millicom International Cellular SA subsidiaries in Senegal, Sierra Leone & Democratic Republic of Congo.



Bosun Hambolu
Head, Legal & Regulatory Affairs

Mr. Olatunbosun Hambolu- Head, Legal and Regulatory Affairs, has more than 9 years experience in legal practice starting with Abuka, Ajegbo, Nwoogu & Ilogu Law firm where he served as litigation counsel. He moved to the Banking sector where he gained additional commercial experience in the Legal, and the Credit Risk Management Units. Bosun joined Starcomms Plc in 2005 as Legal Support Administrator. With a strong background in Litigation, Commercial and Regulatory areas of the law, he now heads the Legal and Regulatory Services Unit and is responsible for coordinating and providing legal advice to the company on Contractual, Commercial, Regulatory, as well as Governmental issues.

Mr. Hambolu holds an LLB (Hons) in Civil Law from the Ahmadu Bello University, Zaria, Nigeria. He was called to the Nigerian Bar in January 2001. He has attended several conferences and seminars both within and outside Nigeria and is a member of the International Bar Association (IBA).



Tushar Maheshwari
Chief Commercial Officer

Mr. Tushar Maheshwari, Chief Commercial Officer(CCO), Starcomms has over 20 years of experience with 13 years in blue chip telecom companies in Africa, Asia and South Central Asia. His distinguished career is highlighted by strong management and operating performance, and an impressive record of commercial and business development contributions.

He has in-depth experience across all core business functions and history of success in launching new telecom networks. He is responsible for the development and implementation of the company's overall commercial strategies and realization of revenue targets.

Prior to joining Starcomms, he was CCO at Warid Telecom Uganda, a start up where he launched GSM/WIMAX services and established a nationwide brand and increased market share.

He held senior positions at Bharti Airtel in India where he rolled out new networks. His focus was ensuring revenue targets and corporate goals are achieved. Tushar holds an MBA from Institute of Management Technology and Bachelors in Commerce from Delhi University.



Lalit Verma
Chief Technical Officer

Mr. Lalit Verma, CTO of Starcomms is a veteran in telecom field with 30 years of experience. He has a B.Tech (1st Class with distinction) from Delhi College of Engineering and M.Tech (Integrated Electronics & Circuits) from IIT-Delhi. Prior to joining Starcomms he held several key positions as Business CTO at Reliance Infratel, Sr. VP – Corporate Planning at Reliance Communications, Sr. General Manager – Technical (CDMA Business) at LG India and DGM – Business Development at Escorts Communications. Mr. Lalit has championed the following pioneering assignments in Strategic Analysis and recommendations on key regulatory policies related to Spectrum, MNR, 3G etc and its business impact. He provided Business Development in end to end solutions in new operators for nation-wide launch through NW infrastructure sharing.

Mr. Verma is responsible for technology planning, budgeting, implementation and operations. He facilitates CEO/MD to define business objectives, best practices, and/or set future technology directions.

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Financial Report

Directors' Report

For the year ended 31 December 2009

The directors present their annual report on the affairs of the Company, together with the financial statements and independent auditor's report for the year ended 31 December 2009.

1. 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, 31 cities and 175 towns of the Federal Republic of Nigeria as of 31 December 2009.

2. Operating Results:

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

	2009 Number '000	2008 Number '000
Active voice subscribers at close 1	2,509	1,990
Active data subscribers at close 2	120	95
	2009 N'000	2008 N'000
Revenue	34,304,471	34,501,213
Earnings Before Interest, Exchange Loss Taxation, Depreciation & Amortisation (EBIETDA)	7,334,372	935,317
Interest, Exchange loss and Financing costs, net	(7,014,196)	(3,966,803)
Depreciation and Amortisation	(8,001,327)	(5,383,552)
Operating loss	(666,955)	(4,448,235)
Loss for the year	(7,787,180)	(8,008,084)

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 services as at the end of the financial year.

Directors' Report

For the year ended 31 December 2009

3. Directors and their Interests:

The directors who served during the year and their interest in the shares of the Company as at 31 December 2009 were as follows:-

	Number of ordinary Shares of 50k each	Representing/Position
Chief Maan Lababidi (American)*	172	SNCH/Chairman
Maher Qubain (American)	7,269,584	Managing Director/Chief Executive
Prof Enrique Arzac (American)	Nil	Non - Executive
Omar Lababidi (American)	Nil	SNCH
Olawale A. Edun	3,846,153	Non - Executive
Prof. Partha Mohanram (American) (Resigned 30 June 2009)	Nil	Non - Executive
Paul Edwards (British)	Nil	SNCH
Alh. Tajudeen Dantata** (Appointed 30 June 2009)	461,538	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.

4. Analysis of Shareholders:

The analysis of distribution of shares of the Company at 31 December 2009 was as follows:

Shareholding between	No of Share Holders	% of Shareholders	No of Shares	% of Shares
200,000,001 - 3,000,000,000	1	0.01	2,026,537,925	29.46
100,000,001 - 200,000,000	6	0.05	845,015,657	12.28
50,000,001 - 100,000,000	6	0.05	452,413,861	6.58
1,000,001 - 50,000,000	564	5.15	2,999,994,667	43.61
100,001 - 1,000,000	1,099	10.04	390,464,883	5.68
50,001 - 100,000	862	7.87	71,907,867	1.05
10,001 - 50,000	2,611	23.84	67,272,043	0.98
1 - 10,000	5,801	52.98	24,871,194	0.36

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 2009. No other shareholder of the Company held 10% or more of the issued share capital of the Company as at 31 December 2009.

* Chief Maan Lababidi has indirect shares in the Company through SNCH

** Alhaji Tajudeen Dantata has indirect shares in the Company through Dantata Investment

Directors' Report

For the year ended 31 December 2009

5 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	8		8
Maher Qubain	8		8
Prof Enrique Arzac	8		8
Omar Lababidi	8		6
A. Olawale Edun	8		8
Prof. Partha Mohanram	8		4
Paul Edwards	8		8
Alh. Tajudeen Dantata	8		2

6. Corporate Governance

The Company maintains strict 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 in 2003. 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 Company and Allied Matters Act of Nigeria and the Articles of Association of the Company in its dealings and proceedings.

Directors' Report

For the year ended 31 December 2009

7. Fixed Assets

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

8. Charitable Donations

The Company made charitable donations amounting to N3.1 million (2008: N4.3 million) to the following individual and organisations during the year:

	N'000
Lagos Monarch Ilupesi Project	2,500
The Nigeria Police Force	100
Sango Police Community Relations Council	100
Other Donations	380
	<hr/>
	3,080

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.

9. 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.

10. Suppliers

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

11. 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 2009, the Company had two (2) physically challenged persons in its employment.

Directors' Report

For the year ended 31 December 2009

(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

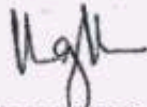
The Company is committed to keeping employees informed, as much as possible, about the Company's performance and progress and seeks their views, whenever practicable, on matters which particularly affect them as employees. The Company regularly organizes on-the-job training for its staff using in-house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

12. Auditors

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)



Lagos, Nigeria.
24th March 2010

Statement of Directors' Responsibilities

For the year ended 31 December 2009

In accordance with the provisions of the Companies and Allied Matters Act of Nigeria, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the financial position of the Company at the end of the financial year and of its financial performance and cash flows for the year then ended.

The responsibilities include ensuring that:

- i. the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act of Nigeria;
- ii. appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;
- iii. the Company prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
- iv. it is appropriate for the financial statements to be prepared on a going concern basis.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with Nigerian Statements of Accounting Standards and the requirements of the Companies and Allied Matters Act of Nigeria.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company and of its financial performance and cash flows.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Director's name

Maher Qubain
CEO
24th March, 2010



Director's name

Chief Maan Lababidi
Chairman

Audit and Risk Committee's Report

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

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 2009 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 2009 and are satisfied that management is taking appropriate steps to address issues and comments noted in the report.

The External Auditors confirmed management's full cooperation in the course of the performance of their duties and that they were not limited in any way by the Company and its management.



Mr. Olawale Edun
Chairman Audit Committee

23rd March, 2010

Members of the Audit Committee comprised of:

1. Mr. Olawale A. Edun (Directors' Representative)
2. Mrs. Eniola Fadayomi (Shareholders' Representative)
3. Prof. Enrique Arzac (Directors' Representative)
4. Mr. Kayode Pitan (Shareholders' Representative)
5. Mr. Paul Edwards (Directors' Representative)
6. Dr. Umar Faruk (Shareholders' Representative)

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 confirm 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 Chairperson (b) the Committee, and (c) the Board and ensured that this limit of authority reflect 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. Olawale Edun
Chairman Tendering and Procurement Committee
1 February, 2010

Members of the Board Tendering and Procurement Committee are:

1. Mr. Olawale Edun
2. Mr. Omar Lababidi
3. Mr. Paul Edwards

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 Board Nomination and Corporate Governance Committee

28th October, 2009

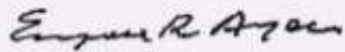
Members of the Board Nomination and Corporate Governance Committee are:

1. Mr. Paul Edwards
2. Chief Maan 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. Enrique Arzac
Chairman Board Remuneration Committee

24th March, 2010

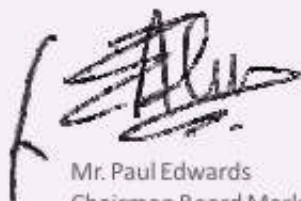
Members of the Board Remuneration Committee are:

1. Prof. Enrique Arzac
2. Mr. Olawale Edun
3. Mr. Paul Edwards

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 NSE and the SEC ("Disclosure Procedures").
- 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

23rd March, 2010

Members of the Board Market Announcement Committee are:

1. Mr. Paul Edwards
2. Prof. Enrique Arzac
3. Mr. Olawale Edun



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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 2009, 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 38 to 69.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, the financial statements give a true and fair view of the financial position of **Starcomms Plc** as at 31 December 2009 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.

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.

KPMG



24th March, 2010
Lagos, Nigeria

Statement of Accounting Policies

A summary of the principal accounting policies adopted by the Company, all of which have been consistently applied in the current and preceding years, except as disclosed in Note k (ii) and (iii), is set out below:

a. Basis of accounting

The financial statements are prepared under the historical cost convention, except as otherwise stated, and have been prepared on a going concern basis.

b. Revenue

Revenue comprises gross outgoing airtime and associated revenues, incoming call and roaming revenues, data carrier services (internet) and hardware revenue, mobile and fixed wireless telephones and accessories sales, net of free airtime, discounts and value-added tax.

- Airtime revenue is recognised based on usage
- Mobile and fixed wireless telephone handsets are bundled with Remote User Identification Module (RUIM) cards and recognised as revenue on delivery of the handset to the customers
- Data carrier service revenue (internet) is recognised on provision of the service
- Data carrier hardware revenue is recognised on delivery to customer
- Where advance payments are received from customers for services to be provided in the future, payments received are deferred and subsequently recognised as revenue when the related service is provided.

c. Fixed assets

Fixed assets including improvements that extend useful lives are stated at cost less accumulated depreciation. Costs relating to fixed assets under construction are disclosed as capital work-in-progress. Repair and maintenance costs are expensed as incurred.

Depreciation

Depreciation is provided at rates calculated to write off the cost of each asset, less the estimated residual value, on a straight line basis, over its expected useful life. No depreciation is provided for construction work-in-progress. The annual depreciation rates are as follows:

Leasehold land	- over the lease period
Buildings	- 5%
Tower and antennae	- 10%
Telecom machinery and equipment	- 12%
Furniture and equipment	- 15%
Motor vehicles	- 33 ^{1/3} %
Computer equipment	- 33 ^{1/3} %
Generators	- 33 ^{1/3} %
Leasehold improvement	- Shorter of period of lease or 20%

The attributable cost of each asset under construction is transferred to the relevant category immediately the asset is available for use and depreciated accordingly.

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

Statement of Accounting Policies

- d. Stocks**
Stocks, which include mobile and fixed wireless telephones, accessories, internet hardware and Prepaid 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 inventories 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 costs to be incurred in selling and distribution. Where appropriate, allowance is made for slow moving, obsolete and defective stock.
- e. Debtors**
Debtors are stated net of allowances for bad and doubtful debts.
- f. Income tax**
Income tax expenses/credits are recognised in the profit and loss account. Current income tax is the expected tax payable on taxable income for the year, using applicable statutory tax rates and any adjustment to tax payable in respect of previous years.
- g. 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.
- h. 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 re-translated 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.
- i. Intangible asset**
Licence fees are capitalised as intangible assets and amortised over the period of the licences, commencing from the effective date of the licence.
- j. 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.

Statement of Accounting Policies

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.

k. Retirement benefit scheme

i. 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 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.

ii. Gratuity scheme:

Lump sum benefits payable to employees on retirement or resignation are accrued over the service life of employees. The provision is based on an independent actuarial valuation using the projected unit credit basis. Actuarial gains or losses arising are charged to the profit and loss account. Although, the scheme is not funded, the Company ensures that adequate arrangements are in place to meet all obligations arising under this scheme. During the year, the Company terminated the scheme and the gratuity obligation arising as at 31 March 2009 is payable when the employees exit the Company, with no interest accruing on the unpaid amount.

The effect of the discontinuation of this accounting policy is shown in Note 17(b) to these financial statements.

iii. Other Long Term Employee Benefits Long Service Awards

Other long term employee benefits are accrued over the service life of the employees. The charge to the profit and loss account is based on an independent actuarial valuation performed using the projected unit credit basis. During the year, the Company terminated the scheme and the benefits accrued as at 31 March 2009 will be payable when the employees exit the Company, with no interest accruing on the unpaid amount.

The effect of the discontinuation of this accounting policy is shown in Note 17(b) to these financial statements.

l. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, bank balances, short term 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.

m. Leases

i. 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.

Statement of Accounting Policies

ii. 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.

n. 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.

o. 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.

p. Assets retirement obligations

The Company's estimated asset dismantling and restoration costs are based on 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 over the remaining life of the assets to the extent that it does not exceed the lease period. Subsequent changes in the value of the liability arising from changes in discount rate are recognised in the profit and loss account as interest expense.

q. Interest expense

Interest expense comprise interest on borrowings, unwinding of the discount on provisions and effect of changes in discount rates on assets retirement obligations.

Profit and Loss Account

For the year ended 31 December 2009

	<u>Notes</u>	2009 N'000	2008 N'000
REVENUE	1	34,304,471	34,501,213
Direct costs	2	(15,407,934)	(22,115,903)
GROSS PROFIT		18,896,537	12,385,310
Operating expenses		(19,563,492)	(16,833,545)
OPERATING LOSS	3	(666,955)	(4,448,235)
Interest, exchange differences and financing costs, net	4	(7,014,196)	(3,966,803)
LOSS BEFORE TAXATION	5	(7,681,151)	(8,415,038)
Taxation	6(a)	(106,029)	406,954
LOSS AFTER TAXATION		(7,787,180)	(8,008,084)
APPROPRIATION:			
Transferred to general reserve	20	(7,787,180)	(8,008,084)
Loss per share	7	(113k)	(144k)

The accounting policies on pages 38 to 41 and notes on pages 45 to 67 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2009

	Notes	2009 N'000	2008 N'000
NON CURRENT ASSETS			
Fixed assets	8	53,989,186	49,541,184
Intangible assets	9	676,901	781,909
Deferred tax asset	10	3,787,318	3,787,318
Long term prepayments	11	1,406,784	1,234,134
TOTAL NON CURRENT ASSETS		59,860,189	55,344,545
CURRENT ASSETS			
Stocks	12	2,535,288	3,543,206
Debtors and prepayments	13	4,344,569	7,326,915
Cash and bank balances	14	6,845,594	15,904,260
TOTAL CURRENT ASSETS		13,725,451	26,774,381
CURRENT LIABILITIES			
Bank loans and overdraft	15	(11,761,594)	(13,851,637)
Creditors and accruals	16	(8,699,754)	(9,067,897)
Taxation	6(b)	(270,955)	(164,926)
TOTAL CURRENT LIABILITIES		(20,732,303)	(23,084,460)
NET CURRENT (LIABILITIES)/ASSETS		(7,006,852)	3,689,921
TOTAL ASSETS LESS CURRENT LIABILITIES		52,853,337	59,034,466
NON CURRENT LIABILITIES	17	(21,604,256)	(19,998,205)
NET ASSETS		31,249,081	39,036,261
CAPITAL AND RESERVES:			
Share capital	18	3,439,239	3,439,239
Share premium	19	50,779,997	50,779,997
General reserve	20	(22,970,155)	(15,182,975)
SHARE HOLDERS' FUNDS		31,249,081	39,036,261

Signed on behalf of the Board of Directors by:

 (Chairman)

 (Chief Executive Officer)

Approved by the Board of Directors on 24th March, 2010

The accounting policies on pages 38 to 41 and notes on pages 45 to 67 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 N'000	2008 N'000
Cash flows from operating activities:			
Operating profit/(loss) before working capital changes	21	6,280,350	(586,741)
Working capital changes	22	1,550,781	(6,555,895)
Gratuity Paid	17(b)	(27,550)	-
Net cash inflow/(outflow) from operating activities		<u>7,803,581</u>	<u>(7,142,636)</u>
Cash flows from investing activities:			
Purchase of fixed assets	8	(11,148,560)	(29,943,288)
Interest received	4	1,085,009	1,797,272
Proceeds on disposal of fixed assets		6,404	4,450
Acquisition of intangible assets	9	-	(339,100)
Net cash outflow from investing activities		<u>(10,057,147)</u>	<u>(28,480,666)</u>
Cash flows from financing activities:			
Proceeds from issuance of shares	19(b)	-	39,733,323
Bank overdraft repaid	15(a)	(1,590,408)	(486,259)
Bank overdraft obtained	15(a)	-	751,378
Commercial papers repaid	15(b)	(700,000)	(510,000)
Repayment of shareholders loans			(4,396,140)
Bank loans obtained	17(c)	11,473,746	21,061,872
Bank loans repaid	17(c)	(13,505,805)	(3,132,109)
Finance lease repaid	17(a)	(79,984)	(242,879)
Finance lease obtained	17(a)	-	238,742
Interest paid	4	(2,402,649)	(2,123,427)
Net cash (outflow)/inflow from financing activities		<u>(6,805,100)</u>	<u>50,894,501</u>
Net (Decrease)/Increase in cash and cash equivalents		(9,058,666)	15,271,199
Cash and cash equivalents, beginning of year		15,904,260	633,061
Cash and cash equivalents, end of year		<u>6,845,594</u>	<u>15,904,260</u>

The accounting policies on pages 38 to 41 and notes on pages 45 to 67 form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2009

1. Revenue:

- (a) Revenue, which is entirely made up of domestic income, represents the invoiced value of services rendered and items sold to external customers, net of free airtime, discounts and value added tax and comprises:

	2009 N'000	2008 N'000
Net call revenue (Note (b))	20,035,116	18,035,744
Interconnect revenue	3,811,720	3,106,657
Internet hardware	1,430,246	521,326
Handsets and accessories	2,594,012	7,122,101
Data revenue (internet services)	6,433,377	5,715,385
	<u>34,304,471</u>	<u>34,501,213</u>

- (b) Net call revenue is analysed as follows:

	2009 N'000	2008 N'000
Gross call revenue	21,790,809	23,049,027
Less:		
Airtime subsidy	(403,469)	(974,022)
Free airtime to dealers/subscribers (Note 16(c))	(1,352,224)	(4,039,261)
Net call revenue	<u>20,035,116</u>	<u>18,035,744</u>

Notes to the Financial Statements

For the year ended 31 December 2009

2. Direct costs

	2009 N'000	2008 N'000
Interconnect	8,194,034	9,198,961
Internet hardware	1,066,904	652,524
Handsets and accessories	2,514,554	7,683,382
NCC Annual Levy	617,998	544,578
Discount on handsets and internet hardware	815,511	2,559,251
Data transmission	1,586,313	689,624
Other direct costs	612,620	787,583
	<u>15,407,934</u>	<u>22,115,903</u>

3. Operating loss

	2009 N'000	2008 N'000
Gross profit	18,896,537	12,385,310
Operating expenses (excluding depreciation & amortisation)	(11,562,165)	(11,449,993)
Earnings Before Interest, Exchange Loss, Taxation, Depreciation & Amortisation (EBIETDA)	7,334,372	935,317
Depreciation	(7,896,319)	(5,308,486)
Amortisation	(105,008)	(75,066)
	<u>(666,955)</u>	<u>(4,448,235)</u>

Notes to the Financial Statements

For the year ended 31 December 2009

4. Interest expense, exchange differences and financing costs, net

Interest expense, exchange differences and financing costs net, comprise:

	2009 N'000	2008 N'000
Interest on bank loans and overdrafts	3,112,195	2,072,298
Interest on finance leases	35,500	51,129
Interest expense (Note (a))	3,147,695	2,123,427
Interest received	(1,085,009)	(1,797,272)
Net interest	2,062,686	326,155
Exchange loss	4,951,510	3,640,648
	<u>7,014,196</u>	<u>3,966,803</u>

(a) An amount of N2.4 billion was paid to banks during the year in respect of interest on loans.

5. Loss before taxation

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

	Notes	2009 N'000	2008 N'000
Staff costs	5(b)	1,824,836	1,517,451
Directors' remuneration	5(c)	54,797	49,899
Operating lease rentals		45,360	32,130
Auditor's remuneration		28,000	23,000
Gain on disposal of fixed assets		(5,573)	(4,450)
Depreciation	8(a)	7,896,319	5,308,486
Amortisation	9	105,008	75,066
Net interest	4	2,062,686	326,155
Exchange loss	4	4,951,510	3,640,648
Allowance for doubtful debts		388,580	125,937

(b) Staff costs

i. Employees costs during the year amounted to:

	2009 N'000	2008 N'000
Salaries, wages and allowances	1,825,339	1,373,619
Pension contribution	62,966	49,662
Gratuity (write-back)/charge (note 17(b))	(63,469)	94,170
	<u>1,824,836</u>	<u>1,517,451</u>

Notes to the Financial Statements

For the year ended 31 December 2009

- 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:

N		Number	
		2009	2008
0	- 500,000	10	9
500,001	- 1,000,000	375	494
1,000,001	- 1,500,000	215	175
1,500,001	- 2,000,000	80	68
2,000,001	- 2,500,000	42	38
2,500,001	- 3,000,000	25	19
3,000,001	- 3,500,000	14	15
3,500,001	- 4,000,000	9	5
4,000,001	- 4,500,000	7	9
4,500,001	- 5,000,000	3	7
5,000,001	- 5,500,000	4	8
5,500,001	- 6,000,000	6	2
6,000,001	- 6,500,000	-	2
6,500,001	- 7,000,000	-	3
7,000,001	- 7,500,000	3	2
7,500,001	- 8,000,000	4	-
8,000,001	- 8,500,000	3	1
8,500,001	- 9,000,000	2	1
9,000,001	- 9,500,000	2	1
9,500,001	- 10,000,000	2	1
10,000,001	- 10,500,000	1	5
10,500,001	- 11,000,000	2	2
11,000,001	- 11,500,000	3	1
11,500,001	- 12,000,000	1	1
12,500,001	- 13,000,000	2	-
13,000,001	- 13,500,000	1	-
13,500,001	- 14,000,000	1	-
14,000,001	- 14,500,000	1	-
15,500,001	- 16,000,000	1	-
16,000,001	- 16,500,000	2	-
18,000,001	- 18,500,000	1	1
20,000,001	- 21,000,000	2	-
21,000,001	- 21,500,000	1	-
23,000,001	- 23,500,000	1	-
26,500,001	- and above	1	-
		827	870

Notes to the Financial Statements

For the year ended 31 December 2009

iii. The number of full-time persons employed as at 31 December 2009 was as follows:

	2009 Number	2008 Number
Corporate Affairs	6	5
Engineering/Operations Group	156	144
Sales and Marketing	255	157
Customer Care	221	337
Information Technology	38	67
Human Resources	20	25
Finance and Admin	83	77
Customer Operations/Store	48	58
	<u>827</u>	<u>870</u>

(c). Directors' remuneration

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

	2009 N'000	2008 N'000
Fees:		
- chairman (non-executive)	-	-
- other non-executive directors	12,797	16,420
	<u>12,797</u>	<u>16,420</u>
Remuneration as executive director	42,000	33,479
	<u>54,797</u>	<u>49,899</u>

The remuneration (excluding pension contributions) of the highest paid director was N42 million (2008: N33 million).

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

	2009 Number	2008 Number
N1,000,001 - N2,000,000	-	1
N2,000,001 - N5,000,000	<u>4</u>	<u>3</u>

Notes to the Financial Statements

For the year ended 31 December 2009

6. Taxation

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

	2009 N'000	2008 N'000
Income tax	88,464	41,564
Education tax	17,565	46,624
	<hr/>	<hr/>
	106,029	88,188
Deferred tax credit (Note 10)	-	(495,142)
	<hr/>	<hr/>
	106,029	(406,954)

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

	2009 N'000	2008 N'000
Balance, beginning of year	164,926	76,738
Current year charge (Note (a))	106,029	88,188
Payments during the year	-	-
	<hr/>	<hr/>
Balance, end of year	270,955	164,926

7. Loss per share

Loss per share is based on loss for the year of N7,787 million (2008: N8,008 million) and on 6,878,478,097 (2008: 5,551,494,856) ordinary shares being the weighted average number of ordinary shares in issue during the year.

Notes to the Financial Statements

For the year ended 31 December 2009

8. Fixed assets

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

	Leasehold Land & Building	Furniture & Equipment	Computer Equipment	Tower & Antennae	Motor Vehicles	Leasehold Improvement	Telecom Machinery & Equipment	Generators	Capital Work In Progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost										
Beginning of year	2,680,524	643,955	1,963,982	9,583,008	574,210	491,540	40,193,892	1,968,785	4,977,854	63,077,750
Additions	14,419	30,487	181,745	2,956	41,307	23,706	60,557	41,788	11,948,187	12,345,152
Transfers	613,624	67,927	732,567	1,449,209	-	45,180	4,017,879	551,445	(7,477,831)	-
Disposals	-	(1,055)	(415)	-	(22,729)	-	(3,403)	(21,465)	-	(49,067)
End of year	3,308,567	741,314	2,877,879	11,035,173	592,788	560,426	44,268,925	2,540,553	9,448,210	75,373,835
Accumulated Depreciation										
Beginning of year	182,241	106,719	941,238	1,742,771	285,064	160,730	9,556,992	560,811	-	13,536,566
Charge for the year	114,635	47,453	646,009	1,012,645	146,848	100,362	5,191,167	637,200	-	7,896,319
Disposals	-	(973)	(329)	-	(22,729)	-	(2,740)	(21,465)	-	(48,236)
End of year	296,876	153,199	1,586,918	2,755,416	409,183	261,092	14,745,419	1,176,546	-	21,384,649
Net Book Value										
End of year	3,011,691	588,115	1,290,961	8,279,757	183,605	299,334	29,523,506	1,364,007	9,448,210	53,989,186
Beginning of year	2,498,283	537,236	1,022,744	7,840,237	289,146	330,810	30,636,900	1,407,974	4,977,854	49,541,184

Included in additions to fixed assets are assets amounting to N1,196,592,000 that had not been paid for and are included in creditors and accruals.

Notes to the Financial Statements

For the year ended 31 December 2009

- (b) Included in fixed assets are motor vehicles purchased under finance lease arrangements as follows:

	2009 N'000	2008 N'000
Cost	422,379	422,379
Accumulated depreciation	(303,415)	(157,753)
Net book value	118,964	264,626

- (c) Capital Commitments
The Company had authorised and contracted capital commitments amounting to N1.2 billion as at 31 December 2009 (2008: N5.4 billion).

9. Intangible assets

In August 2006, the Company was awarded a 10 year renewable Unified Access Service Licence by the Nigerian Communications Commissions, which is valid until August 2016. The licence fees are capitalised as intangible assets and amortised over the period of the licence.

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

	2009 N'000	2008 N'000
Cost		
Beginning of year	994,557	655,457
Additional numbering plan purchased	-	339,100
End of year	994,557	994,557
Accumulated amortisation		
Beginning of year	212,648	137,582
Charge for the year	105,008	75,066
End of year	317,656	212,648
Net Book Value		
End of year	676,901	781,909
Beginning of year	781,909	517,875

Notes to the Financial Statements

For the year ended 31 December 2009

10. Deferred tax asset

The Company had unutilised capital allowances of N63,444 million at year end, which is available for set off against future taxable profits. A deferred tax asset of N3,787 million (2008: N3,787 million) relating to deductible temporary differences has been recognised as at 31 December 2009. The movement on the deferred tax asset account during the year was as follows:

	2009 N'000	2008 N'000
Balance, beginning of year	3,787,318	3,292,176
Taxation credit for the year (Note 6(a))	-	495,142
Balance, end of year	3,787,318	3,787,318

11. Long term prepayments

Long term prepayments represent the long term portion of prepaid rent for land on which some network base stations are sited.

12. Stocks

	2009 N'000	2008 N'000
Handsets and accessories	2,042,545	2,921,600
Internet hardware	68,254	416,337
Air time recharge cards	424,489	205,269
	2,535,288	3,543,206

The value of airtime recharge cards disclosed above relates to the cost of recharge cards and not the value of airtime.

Notes to the Financial Statements

For the year ended 31 December 2009

13. Debtors and prepayments

	2009 N'000	2008 N'000
Dealers and subscribers	1,631,784	751,093
Interconnect receivables	489,010	666,415
Advance payments to suppliers	1,371,528	4,041,047
Due from related parties	-	59,012
Sundry debtors	72,545	298,027
Prepayments Short term portion	779,702	1,511,321
	4,344,569	7,326,915

14. Cash and bank balances

Included in cash and cash equivalents is an amount of N60 million (2008: N280 million) held in Debt Service Accrual Accounts, which are operated under specific restrictions.

15. Bank loans and overdraft

	2009 N'000	2008 N'000
Bank overdraft (Note (a))	-	1,590,408
Commercial papers and bankers acceptances (Note (b))	-	700,000
Short term portion of bank loans (Note 17(c))	11,761,594	11,561,229
	11,761,594	13,851,637

Notes to the Financial Statements

For the year ended 31 December 2009

(a) The movement in bank overdraft was as follows:

	2009 N'000	2008 N'000
Balance, beginning of year	1,590,408	1,325,289
Overdraft obtained during the year	-	751,378
Payments made during the year	(1,590,408)	(486,259)
Balance, end of year	<u>-</u>	<u>1,590,408</u>

(b) The movement in commercial papers and bankers acceptances was as follows:

	2009 N'000	2008 N'000
Balance, beginning of year	700,000	1,210,000
Commercial papers obtained during the year	-	-
Payments made during the year	(700,000)	(510,000)
Balance, end of year	<u>-</u>	<u>700,000</u>

16. Creditors and accruals

	2009 N'000	2008 N'000
Trade creditors	1,512,279	1,959,823
Interconnect payable (Note (a))	950,354	1,434,811
Unearned income (Note (b))	1,789,073	1,359,099
Pension fund accrual	56,967	52,709
Due to related parties (Note 23)	13,922	93,171
Other creditors and accruals (Note ((d))	4,332,332	4,080,509
Finance lease creditors (Note 17(a))	44,827	87,775
	<u>8,699,754</u>	<u>9,067,897</u>

Notes to the Financial Statements

For the year ended 31 December 2009

(a) Interconnect payable represent amounts payable to other Interconnect partners in respect of interconnect traffic terminated on partners' network in line with interconnect agreements between the Company and Interconnect partners.

(b) Unearned income represents payments received from subscribers in advance of services to be rendered, which is analysed as follows:

	2009 N'000	2008 N'000
Unearned revenue inclusive of free airtime	1,820,990	1,540,426
Unutilised free airtime at year end	(31,917)	(181,327)
Unearned revenue net of free airtime	<u>1,789,073</u>	<u>1,359,099</u>

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

	2009 N'000	2008 N'000
Balance, beginning of year	181,327	-
Free airtime given during the year	1,202,814	4,220,588
Free airtime utilised (Note 1(b))	(1,352,224)	(4,039,261)
Unutilised free airtime, end of year	<u>31,917</u>	<u>181,327</u>

(d) Included in other creditors and accruals is an amount of N745 million (2008: N851 million) representing accrued interest on loans.

Notes to the Financial Statements

For the year ended 31 December 2009

17. Non current liabilities

	2009 N'000	2008 N'000
Finance lease obligations (Note (a))	13,125	50,161
Provision for gratuity and long service awards (Note (b))	136,217	227,236
Medium term borrowings (Note (c))	21,395,349	19,670,237
Provision for asset retirement and restoration costs (Note (e))	59,565	50,571
	21,604,256	19,998,205

(a) Finance lease obligations

The Company purchased a number of motor vehicles through finance lease arrangements with Safewheelers Express Limited as shown below.

Lessor	Purpose	Monthly Lease Rental	Duration of Lease	Unexpired Period
Safewheelers Express Limited	Motor Vehicles	N2,061,750	24 months	2 months
Safewheelers Express Limited	Motor Vehicles	N2,146,000	24 months	5 months
Safewheelers Express Limited	Motor Vehicles	N2,385,000	24 months	6 months
Safewheelers Express Limited	Motor Vehicles	N1,176,875	48 months	15 months

The leases are secured by legal ownership of the leased assets. The lease agreement stipulates that the Company may exercise the option to purchase the leased assets after the lease period for a residual fee. The above facilities attract interest at an average rate of 14% per annum.

Notes to the Financial Statements

For the year ended 31 December 2009

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

	2009 N'000	2008 N'000
Amount falling due within one year (Note 16)	44,827	87,775
Amount falling due after one year	13,125	50,161
	57,952	137,936

The movement in finance lease obligations was as follows

	2009 N'000	2008 N'000
Balance, beginning of year	137,936	142,073
Additional finance lease obtained during the year	-	238,742
Payments made during the year	(79,984)	(242,879)
	57,952	137,936

(b) Provision for gratuity and long service awards

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

	2009 N'000	2008 N'000
Balance, beginning of year	227,236	133,066
(Write-back)/charge for the year	(63,469)	94,170
Payments made during the year	(27,550)	-
	136,217	227,236

In previous years, the Company operated an unfunded defined benefit gratuity scheme and a long service award scheme. Both schemes were terminated on 31 March 2009. The obligation due to qualifying employees amounting to N136.2 million at that date will be paid when the employees exit the Company, with no interest accruing on the unpaid amount. The Company's liability for gratuity and long service awards has been fully recognised in these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

(c) Medium term borrowings

Medium term borrowings comprise:

	2009 N'000	2008 N'000
Amounts falling due within one year (Note 15)	11,761,594	11,561,229
Amounts falling due after one year	21,395,349	19,670,237
	<u>33,156,943</u>	<u>31,231,466</u>

Amounts classified as short term borrowings represent repayments falling due within the next 12 months.

The movement in bank borrowings was as follows:

	2009 N'000	2008 N'000
Balance, beginning of year	31,231,466	11,323,404
Bank loans obtained during the year	11,473,746	21,061,872
Payments made during the year	(13,505,805)	(3,132,109)
Exchange loss on loans	3,957,536	1,978,299
Balance, end of year	<u>33,156,943</u>	<u>31,231,466</u>

(d) Medium term loans and facilities

Medium term loans and facilities comprise of various loans obtained by the Company from different lenders, both local and international for its network expansion program.

These loans are as detailed below:

Ref	Lender	Amount Outstanding N	Accrued Interest N
I	Zenith Bank Plc I	2.31 billion	97.91 million
II	Zenith Bank Plc II & III	3.31 billion	164.55 million
III	First City Monument Bank Plc	1.02 billion	14.44 million
IV	Fidelity Bank Plc I	0.59 billion	37.17 million
IV	Fidelity Bank Plc II	9.31 billion	64.65 million
V	Guaranty Trust Bank Plc	0.32 billion	1.09 million
VI	First Bank Plc - HSBC	2.96 billion	23.17 million
VII	Huawei Technologies Company Limited	11.18 billion	340.28 million
VIII	Industrial and Commercial Bank of China Ltd	2.16 billion	1.79 million
	Total	33.16 billion	745.05 million

Notes to the Financial Statements

For the year ended 31 December 2009

- I. The Company secured a facility of US\$25 million from Zenith Bank Plc. This facility has a tenor of 5 years commencing from January 2007 and is priced at 3 month LIBOR plus 400 basis points. The total facility had been fully drawn as at year end and the Company has commenced repayment. The outstanding principal liability and accrued interest at the end of the year was N2.31 billion and N97.91 million respectively.
- II. The Company secured two on-lending facilities from Zenith Bank Plc amounting to US\$22.95 million and US\$23 million respectively to finance a contract agreement between Huawei Technologies Company Limited and the Company for implementation of a full Turnkey Network; including the supply, design, delivery, installation and commissioning among other things, of telecommunication equipment in connection with the CDMA 2000 expansion project. These facilities which had been fully drawn at year end, have tenors of 5 years with 1 year principal moratorium periods each commencing from January 2007 and November 2005 respectively. They are priced at 3 month LIBOR plus 235 basis points and Commercial Interest Reference Rate (CIRR) which will remain fixed over the tenor of the loan plus 175 basis points respectively. The outstanding principal liability and accrued interest on the combined facilities at the year end was N3.31 billion and N164.55 million respectively.
- III. The Company secured a facility of US\$15.80 million from First City Monument Plc. This facility has a tenor of 5 years commencing from July 2006. The total facility had been fully drawn at year end. The interest rate is 3 month LIBOR plus 850 basis points with a floor of 11% p.a. At the balance sheet date, the total facility had been drawn. The outstanding principal liability and accrued interest at the year end was N1.02 billion and N14.44 million respectively.
- IV. The Company secured a facility of US\$16 million from Fidelity Bank Plc. This facility has a tenor of 4 years commencing from July 2006 and is priced at an interest rate of 10.25% p.a. The Company also secured another facility of US\$60 million from Fidelity Bank Plc, to finance the expansion of cell sites and to increase its network capacity. In the current year, the US\$60 million facility was restructured to a Naira loan to enable the Company's cash flows align with repayments. The restructured facility has a tenor of 30 months commencing from July 2009 with a 6 months moratorium. The restructured facility is priced at an interest rate of 19.5% p.a. At the year end both facilities had been fully drawn. The outstanding principal liabilities and accrued interest at the year end for both facilities were N0.59 billion and N9.31 billion; and N37.17 million and N64.65 million respectively.
- V. The Company secured a term loan facility of N850 million from Guaranty Trust Bank Plc to support the Company's expansion works in existing states of operation. The facility had been fully drawn at the year end. This facility has a 5-year tenor commencing from August 2006 and is priced at an interest rate of 17% p.a; subject to market review. The outstanding principal liability and accrued interest at the year end was N0.32 billion and N1.09 million respectively.
- VI. The Company secured an on-lending facility from First Bank of Nigeria Plc amounting to US\$22.95 million to finance a contract agreement between Huawei Technologies Company Limited and the Company for supply, design, delivery, installation and commissioning of CDMA equipment. The facility which was fully drawn at year end has a tenor of 5 years with an 18 months principal

Notes to the Financial Statements

For the year ended 31 December 2009

moratorium period commencing from June 2008 and is priced at 6 month LIBOR plus 320 basis points. The outstanding principal liability and accrued interest at the year end was N2.96 billion and N23.17 million respectively.

- VII. The Company secured vendor financing arrangements with Huawei Technologies Company Limited totaling US\$75.67 million for implementation of a full Turnkey Network; including the supply, design, delivery, installation and commissioning among other things, of telecommunication equipment in connection with the CDMA expansion project. The financing arrangements have a tenor of 3 years with a 2 year principal moratorium period commencing from December 2008 and are priced at 3 month LIBOR plus 300 basis points. This facility had been fully drawn at year end. The outstanding principal liability and accrued interest at the year end was N11.18 billion and N340.28 million.
- VIII. The Company secured an on-lending facility from Industrial and Commercial Bank of China Limited amounting to US\$32.35 million to finance a contract agreement between Huawei Technologies Company Limited and the Company for the construction of CDMA network equipment. This facility is guaranteed by First Bank Plc. The facility has a tenor of 39 months with a 1.5 year principal moratorium period commencing from July 2009 and is priced at 3-month LIBOR plus 185 basis points. An amount of US\$14.62 million had been drawn at year end. The outstanding principal liability and accrued interest at the year end was N2.16 billion and N1.79 million respectively.

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.

Notes to the Financial Statements

For the year ended 31 December 2009

(e) Provision for asset retirement and restoration costs

This represents provisions made for asset retirement and restoration costs. The movement on this account during the year was as follows:

	2009 N'000	2008 N'000
Balance, beginning of year	50,571	-
Provision for the year	8,994	50,571
Balance, end of year	<u>59,565</u>	<u>50,571</u>

18. Share capital*

Share capital is analysed as follows:

	2009 N'000	2008 N'000
Authorised		
8,000,000,000 ordinary shares of 50k each	<u>4,000,000</u>	<u>4,000,000</u>
Issued and fully paid		
6,878,478,097 (2008: 6,878,478,097) ordinary shares of 50k each.	<u>3,439,239</u>	<u>3,439,239</u>

19. Share premium

(a) The movement on the share premium account during the year was as follows:

	2009 N'000	2008 N'000
Balance, beginning of year	50,779,997	12,639,054
Premium on shares issued during the year	-	39,809,497
Share issue costs	-	(1,668,554)
Balance, end of year	<u>50,779,997</u>	<u>50,779,997</u>

* See appendix for history

Notes to the Financial Statements

For the year ended 31 December 2009

(b) The movement on the share capital and share premium accounts for the purpose of cash flows is as follows:

	2009 N'000	2008 N'000
Proceeds on share capital issued during the year	-	1,592,380
Premium on shares issued during the year	-	39,809,497
Share issue costs	-	(1,668,554)
Net proceeds on shares issued	-	39,733,323

20. General reserve

The movement on this account during the year was as follows

	2009 N'000	2008 N'000
Balance, beginning of year	(15,182,975)	(7,174,891)
Transfer from profit and loss account	(7,787,180)	(8,008,084)
Balance, end of year	(22,970,155)	(15,182,975)

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

	2009 N'000	2008 N'000
Loss after taxation	(7,787,180)	(8,008,084)
Add back:		
Interest charges	3,147,695	2,123,427
Exchange loss	4,951,510	3,640,648
Less:		
Interest income	(1,085,009)	(1,797,272)
Taxation	106,029	(406,954)
Operating loss	(666,955)	(4,448,235)
Adjustment for non-cash items:		
- Amortisation of licence fees	105,008	75,066
- Depreciation	7,896,319	5,308,486
- Unrealised exchange loss	(993,974)	(1,662,349)
- Loss on disposal of fixed assets	(5,573)	(4,450)
- (Write-back)/charge for gratuity and long service award	(63,469)	94,170
- Provision for asset retirement and restoration costs	8,994	50,571
Operating profit/(loss) before working capital changes	6,280,350	(586,741)

Notes to the Financial Statements

For the year ended 31 December 2009

22. Working capital changes

	2009 N'000	2008 N'000
Increase in long term prepayments	(172,650)	(260,313)
Decrease/(Increase) in stocks	1,007,918	(1,911,160)
Increase in trade receivables	(703,286)	(24,898)
Decrease/(Increase) in prepayments and other receivables	3,626,620	(3,307,775)
Decrease/(Increase) in amounts due from related companies	59,012	(59,012)
(Decrease)/Increase in other creditors and accruals	(488,965)	1,103,650
Decrease in amounts due to related companies	(79,249)	(620,863)
Increase in unearned income	429,974	579,970
Decrease in interconnect payable	(484,457)	(431,268)
Decrease in trade creditors	(1,644,136)	(1,624,226)
Working capital changes	1,550,781	(6,555,895)

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 at 31 Dec 2009 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.	202,704	7,237
Allison Insurance Brokers Limited	Insurance brokerage to the Company. The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this Company.	1,789	-
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.	152,925	-
Crown Flour Mills	Property rental services to the Company (expatriate accommodation and warehousing facilities). The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this Company.	29,766	-
Pisces Power & Service Ltd (SDMO)	Provides generator supply and maintenance services. The Company is owned by Chief Maan Lababidi	140,402	6,685
Due to related parties (Note 16)			(13,922)

Notes to the Financial Statements

For the year ended 31 December 2009

24. 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 N11 million (2008: N11.5 million). 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 subject to other contingent liabilities amounting to N44.9 million arising in the normal course of business. In the opinion of the directors, no material loss is expected to arise from these liabilities, accordingly no provision has been made in these financial statements.

25. Segment reporting

The Company carries out its operations entirely in Nigeria which is considered one geographical segment. As at 31 December 2009, the Company's operations comprised two 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:

	2009 N'000	2008 N'000
Revenue		
Voice	26,440,848	28,264,502
Data	7,863,623	6,236,711
Total per profit and loss account (Note 1(a))	34,304,471	34,501,213
Depreciation		
Voice	6,080,165	4,459,111
Data	1,816,154	849,375
Total per profit and loss account (Note 8(a))	7,896,319	5,308,486

Notes to the Financial Statements

For the year ended 31 December 2009

	2009 N'000	2008 N'000
Amortisation		
Voice	-	-
Data	-	-
Unallocated	105,008	75,066
Total per profit and loss account (Note 9)	<u>105,008</u>	<u>75,066</u>
Interest expense and financing charges, net		
Voice	-	-
Data	-	-
Unallocated	2,062,686	326,155
Total per profit and loss account (Note 4)	<u>2,062,686</u>	<u>326,155</u>
Loss before taxation		
Voice	-	-
Data	-	-
Unallocated	(7,787,180)	(8,415,038)
Total per profit and loss account	<u>(7,787,180)</u>	<u>(8,415,038)</u>

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.

26. 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:

	2009 Number	2008 Number
Net active voice subscribers, beginning of year	1,990	699
New voice subscribers during the year	602	1,466
Voice subscribers churned during the year	(83)	(175)
Active voice subscribers, end of year	<u>2,509</u>	<u>1,990</u>

Notes to the Financial Statements

For the year ended 31 December 2009

- (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:

	2009 Number	2008 Number
Net active data subscribers, beginning of year	95	38
New data subscribers during the year	123	130
Data subscribers churned during the year	(98)	(73)
Active data subscribers, end of year	120	95

27. Comparative Financial Statements

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

28. Subsequent Events

There were no significant post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31 December 2009 that have not been adequately provided for or disclosed in these financial statements.

Value Added Statement

For the year ended 31 December 2009

	2009 N'000	%	2008 N'000	%
Revenue	34,304,471		34,501,213	
Bought-in-materials and services				
- Local	(26,708,840)		(27,205,382)	
- Imported	(3,387,933)		(8,483,711)	
	4,207,698		(1,187,880)	
Interest received	1,085,009		1,797,272	
Value Added	5,292,707	100	609,392	100
Distribution of Value Added				
To Government as:				
Taxes	106,029	2	(406,954)	(67)
To Employees:				
Salaries, wages and fringe benefits	1,824,836	34	1,517,451	249
To Providers of Finance:				
Interest to lenders	3,147,695	60	2,123,427	349
Retained in the business				
To maintain and replace fixed assets (depreciation)	7,896,319	149	5,308,486	871
To replace licences (amortisation)	105,008	2	75,066	12
To deplete reserves	(7,787,180)	(147)	(8,008,084)	(1,314)
Value Added	5,292,707	100	609,392	100

Value added represents the additional wealth which the Company has been able to create by its own employees' efforts. This statement shows the allocation of that wealth between government, employees, providers of capital and that retained in the business.

Five Year Financial Summary

For the year ended 31 December 2009

	2009	2008	2007	2006	2005
	N'000	N'000	N'000	N'000	N'000
Profit and Loss Account					
Turnover	34,304,471	34,501,213	19,135,582	13,614,796	6,344,212
Operating (loss)/profit	(666,955)	(4,448,235)	137,425	296,559	(1,212,268)
(Loss)/profit before taxation	(7,681,151)	(8,415,038)	451,813	(2,068,489)	(3,022,679)
(Loss)/profit after taxation	(7,787,180)	(8,008,084)	1,016,067	(1,495,017)	(2,568,793)
Funds Employed					
Share capital	3,439,239	3,439,239	1,846,859	41,280	41,280
Share premium	50,779,997	50,779,997	12,639,054	-	-
General reserves	(22,970,155)	(15,182,975)	(7,174,891)	(8,190,957)	(6,695,940)
Shareholders' Funds	31,249,081	39,036,261	7,311,022	(8,149,677)	(6,654,660)
Assets Employed					
Fixed assets	53,989,186	49,541,184	24,906,382	16,735,894	9,257,991
Intangible assets	676,901	781,909	517,875	413,739	22,898
Deferred tax	3,787,318	3,787,318	3,292,176	2,651,184	2,077,712
Long term prepayment	1,406,784	1,234,134	973,821	348,790	-
Net current (liabilities)/assets	(7,006,852)	3,689,921	(8,942,712)	(6,796,056)	(5,581,542)
Non-current liabilities	(21,604,256)	(19,998,205)	(13,436,520)	(21,503,228)	(12,431,719)
Net Assets	31,249,081	39,036,261	7,311,022	(8,149,677)	(6,654,660)
(Loss)/earnings per share	(N1.13)	(N1.44)	N1.03	(N36.22)	(N42.74)
Adjusted (loss)/earnings per share	-	-	N0.15	(N 0.22)	(N 0.37)

The background is a solid dark purple color. It features several overlapping, semi-transparent circles of varying shades of purple, creating a layered effect. A large, stylized number '8' is drawn in a lighter shade of purple, positioned on the left side of the page. The text 'Products & Services' is centered in the middle-right area of the page.

Products & Services

Starcomms Products & Services



Starcomms Plc offers you so much more with our range of products and services. We ensure you are up to speed on matters relating to family, friends, business & associates with telecommunication tools that absolutely enhance your lifestyle.

Enjoy:

- Value for money with affordable tariff rates
- More talktime - with Starcomms free minute offers & bonus packages
- Real time communication with clients & prospects
- Broadband & Internet access on the move

Our services includes

- Voice - Mobile and Fixed Services - Prepaid and Postpaid services
- Data - Mobile Broadband, Mobile and Fixed internet services
- Enterprise Solutions - (VPN, Bulk SMS, Call Conferencing, E1 trunks & much more)
- Value added Services - Voice SMS, Funbox, WAP, Africhat, Afritalk, Starcomms social network service (Twitter, Facebook etc)

Product Categories

Voice

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

Data

- IZAP EVDO Broadband Service
- 1X Internet services

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

MOBILE - Roaming Tariff Plans

ROAMING TARIFFS ARE 5% VAT INCLUSIVE				
MOBILE TARIFFS	RoamEASY	RoamEASY	RoamSMART	RoamPRO
Access Charge (N / month)			750	1800
Daily Deduction (N/Day)			25	60
	PMB (N)	PSB (K)	PSB (K)	PSB (K)
On Net (Peak)				
Local	10	27	22	15
Unified	16	30	29	24
On Net (Off Peak)				
Local	9	20	16	13
Unified	10	22	22	15
Off Net (Peak)				
PTO / Nitel / Fixed	19	38	33	29
GSM / Unified	32	61	55	46
Off Net (Off Peak)				
PTO / Nitel / Fixed	17	32	29	24
GSM / Unified	22	42	33	29

Mobile Range of handsets - Voice and Data & Voice only Phones



Voice - Fixed

Talkie (Fixed) services are available on the local number plan & bundled with trendy fixed phones.



FIXED - Talkie Prepaid Tariff Plans

TALKIE TARIFFS ARE 5% VAT INCLUSIVE					
	Talk Easy	Talk Easy	TalkSMART	TalkBiz	TalkPROFIT
Monthly Access Charge (N/month)			300	540	750
Daily Deduction (N/Day)			10	18	25
On Net (Peak)	PMB (N)	PSB (K)	PSB (K)	PSB (K)	PSB (K)
	Local	9	22	20	15
	Unified	12	29	25	23
On Net (Off Peak)					
	Local	7	14	13	11
	Unified	9	19	15	18
Off Net (Peak)					
	Local	13	31	28	28
	National	17	33	32	32
	GSM / Unified	28	55	50	44
Off Net (Off Peak)					
	Local	11	25	21	19
	National	14	33	32	32
	GSM / Unified	19	35	30	28

Our Talkie (Fixed) services are available on the local number plan & bundled with trendy fixed phones



Huawei 8521 (Cordless Phone)



Huawei ETS 2558

Corporate Tariff Plan

Corporate Roaming 20/10	
	IN charging Tariff VAT inclusive (N)
On Net (Peak)	
Local/Unified	10
On Net (Off Peak)	
Local/Unified	10
Off Net (Peak)	
Local/National	14
GSM / Unified	21
Off Net (Off Peak)	
Local/National	14
GSM / Unified	21

Free Compliments

CUG (VPN) only



Data Services (Broadband & Internet)

Data Services

Your business never has to be on hold, it goes with you everywhere; Connect whilst 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 1X 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 & 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 & 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 Device



Izap @ starcomms (Epivalley 8089 USB Modem)

ONE X Internet Service

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 Device



ONE X Internet Service

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. You have Absolute Connectivity on the Move!

Subscription Plans (iZAP & One X)

iZAP Subscription Plans			
Package	Access Period	Validity	Monthly Subscription Fee
Purple Always On	24hours	30 days	N15,950
Purple Business	9am - 9pm	30 days	N7,000
Purple Night	9pm - 9 am	30 days	N 5000
Friendly 8	7-11 am & 7-11pm	30 days	N 6,000

Hour Packs

iZAP	Access Period	Validity	Monthly Subscription
Purple 100 Hours	24hours	30 days	N 6,500
Purple 250 Hours	24hours	90 days	N15,000

1X Subscription Plans (Rates are VAT(Inclusive)

Package	Access period	Validity	Monthly Subscription fee (N)
Green Always On	24hrs	30 days	N10,000
Green Business	9am - 9pm	30days	N7,000
Green Night	9pm - 9am	30 days	N5,000
Friendly 8	7-11am & 7-11 pm	30 days	N6,000

Hourly Packs 1X	Access period	Validity	Monthly Subscription fee (N)
Green 100 hrs	24hrs	30days	N5,000
Green 250 hrs	24hrs	90 days	N10,000

1X Pay as You Surf	Access period	Rate Per Minute (N)
Green 250 hrs	24hrs	N3.00

Enterprise Solutions

VPN	Bulk SMS	Call Conferencing	PBX solution
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Starcomms VPN (Virtual Private Network) Service (CUG)

- Starcomms VPN solution is like a wireless intercom system connecting all your business branches and staff within cities where Starcomms has presence
- Starcomms switch will act as your nationwide PABX wherever Starcomms has coverage
- You may also activate mobiles or fixed desktop lines for key and relevant personnel of your company and a number of lines on your PABX, provision the lines on the same VPN (CUG) to enable free calls with one another and the branches/Headquarters. This will invariably reduces cost and increases efficiency
- All the lines activated on this plan will be provisioned on Starcomms voice VPN (Close User Group) service to enable zero call billing for all calls within the group irrespective of duration of talk time for a fixed monthly rental

**This plan is only available on Corporate 20/10*

Monthly Service Charge for National VPN Service

S/N	Number of Lines VPN	Applicable Monthly service charge per Line
1	10 - 49 lines	N1,500
2	50 - 499	N1,200
3	500 - 1499	N1,000

Bulk SMS

The bulk SMS enhances your business communication in no small way. This service gives you the opportunity to send messages to a predefined large group of phone numbers at a very low cost. What better way to keep in touch with your clients customers and prospects, while promoting your products and services.

At short notice you can;

- Update customers on new products & Services
- Inform them on promo activities

Rate Price Plan for Bulk SMS

Number of SMS	Starcomms Standard Rate/SMS (On-net)
501 - 50,000	4.5
50,001 - 100,000	4
100,001 - 250,000	3.5
250,001 - 500,000	3
500,001 - 1,000,000	2.5
1,000,001 - 1,500,000	2
Above 1,500,000	1.5

Call Conferencing

- Starcomms call conferencing allows you to have that important meeting with up to 30 people, even when all those involved are in different locations "
- It is Voice conferencing with a difference. With this service there is no conference bridge, it will be registration-less and reservation-less with no contracts, no billing, no time limits, no charge

In order to use this service users simply follow these three steps

- Pay annual subscription charge sign order forms and standard terms and conditions and Starcomms issued the users a set of PINs
- Distribute the start time of the call, their PIN and the voice conferencing allocated access number to fellow conference call participants
- For invited parties to participate, they simply dial the voice conferencing number at the agreed start time and enter their PIN when prompted. That's all there is to it

**All the benefits you get with the service*

- It encourages cost and time saving expenses before meetings hold
- It enables various participants (2-30 people) to talk simultaneously with voice clarity
- Participants in the call conferencing could be from different local & international networks. Calls on the service are secured & simple to use

Value Added Services

- SMS2email
- Facebook through SMS another 1st in Africa
- StarTrack- Keep up with Family n Friends and have a peace of mind
- Afritalk talk to likeminded people without revealing your number
- Africhat
- CRBT Startunz reinvented
- WAP
- Missed Call Notification
- Call Waiting
- Listen to Bible
- Listen to Quran
- Funbox
- Voice SMS
- Dash me credit

SMS 2 EMAIL

With any Starcomms phone (fixed or mobile) you can now get your e-mails with the ease of an SMS and send a text message to one or more email addresses.

HOW DO I GET IT?

If you can send & receive an SMS from your Starcomms phone, then you can use Starcomms SMS2email service. It is really that simple. Just text "Email" to 33396 and get the steps to configure your Gmail, pop 3 and MSN mail on your phone. All sms sent are charged at N8/SMS

Facebook

Starcomms now brings Facebook.....right there on your mobile phone!!!

Facebook is the most popular social networking utility on the web. It's the coolest way to socialize & stay connected with people. Facebook is now made available on your own Starcomms phone with most of its features all through SMS

- You can access your Facebook account
- You can update your profile
- You can update your status & let people know what's happening in your life
- You can get updates whenever it happens on your Facebook account through an SMS
- You can Search for your friends, view their profiles
- You can write messages, interact with them
- You can join online clubs & socialize with other members
- You can make new friends & More.....all through SMS

How to access Facebook on my Phone?

It's easy!

The first step is to add mobi-social Application to your Facebook account. Go to <http://www.facebook.com/mobisocial> and add the application to your Facebook account, then accept all permissions. Send F to 33397 and you will get a phone validation code. Enter the phone validation code in the application. All sms sent are charged at N8/SMS

Starcomms StarTrack

Starcomms StarTrack is a service that is designed to give you peace of mind and find out your family and friends' locations





SMS2EMAIL

startrack»

Starcomms StarTrack uses the mobile network to find the position of the Starcomms phone user you want to locate. It allows you to know where your loved ones are at all times using your Starcomms phone. When you request the location of a consenting person, you will receive an SMS with a written description of their recent location, including time and date. The accuracy of the location details depends on the area they are in at that particular moment.

Benefits

- Peace of mind in knowing where your loved ones are at all times
- Easier to check who is nearby and socialize with friends
- Convenience of a 24/7 accessible service
- Service is available to all Starcomms network subscribers
- Easy to register and use

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

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 & fast chat application that enables synchronous, text-based, interpersonal communication across mobile users. It enables mobile users to interact & 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 online MSN , Yahoo or ICQ ! Messenger contacts anytime, anywhere, over any phone using SMS. Its features include create profile, people search, buddy listing & 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 at N3 per SMS.

Starcomms CRBT - Startunz

StarTunz is designed to replace the traditional 'dull' ring-ring tone that callers hear when they place a call to your phone. StarTunz allows the calling party to hear the music or audio clips set by you for each call received.

StarTunz is handset independent and therefore works for any Starcomms mobile or desktop phone. It has the capability to assign different StarTunz for different individual callers, groups and even at different times of the day & on special days too. A wide range of music selections is available for use from Oldies, R n B, Naija, to Gospel & Islamic StarTunz.

You can select, modify or change any StarTunz to personalize your phone at any time you so wish.

To subscribe using SMS for the service, send REG to 2222

To download and set a StarTunz as default tone, send down and the tone code to 2222 e.g text down6001011536 and send to 2222 for I Will Always Love You" by Whitney Houston. To subscribe using

IVR (Interactive Voice Response), dial *2222 and follow the voice prompt. Enter any 6 digit as your password and keep the plus safely.

StarTunz have one month validity from date of purchase. You can now copy a Startunz from your friend by just pressing "*" twice. E.g. to copy the tune from your friend press "*" while listening.

TARIFF	
StarTunz has one month validity from date of purchase	
Activation Fee	Free of Cost
Monthly Subscription Fee	N100
Usage Charge	N50/download
SMS use	N5/SMS
IV use	N10/min

WAP

Starcomms WAP service offers a whole range of value added data applications like Ringtone, Java Games, Wallpapers, event based wallpapers and animations, Truetones, MP3 tones, Animations to Starcomms CDMA Mobile subscribers through their WAP and data enabled handsets. A Starcomms subscriber can access these services by clicking on the WAP browser in their WAP and data enabled handset, which will take the user to default WAP homepage - Starcomms WAP. This homepage will carry the link to the value added data application.

Functionalities:

Downloads: This enables a Starcomms user to download contents like Polyphonic Ringtones, Wallpapers and Games onto his Handset. The price ranges from N50 - N150 depending on the content. Surf: Ability to Surf other WAP sites like Yahoo, Rediff or any other.

Missed Call Notification Service

Now, you can't miss a call!!! Yes, with Missed Call Notification where you will be sent an SMS alert informing you about your missed calls. The Missed Call Notification service will be available to you under the following situations
When your phone is switched off or is in non-reachable or out of coverage area

So now when somebody calls you, and if your phone is either in switched off mode or not reachable, the caller will hear the following:

"Your call has been forwarded to the short message prompt system. The short message has been sent successfully. Please hang up".

Once the phone is switched on, you would receive an SMS that will read as - "You have a missed call from (MSISDN) date, time. Pls call back".

At any point of time you can deactivate the service by dialing *1220.

You can re-activate the service by dialing *122.

Missed Call Notification is being offered FREE as introductory offer.

Call Waiting

Now you can switch between calls and never miss an important conversation.

Call Waiting is a unique facility that notifies you that a second call is waiting during an active call, and allows you to switch between calls. You will be notified of the waiting call by a recurring beep which will be audible to you during the phone conversation.

The Call waiting service is available for free to all roaming customers (0702-8 & 0702-9) customers under the following scenario:

When you are already on a call and when someone else calls, you will hear the waiting tone (a beep) and the number flashing. You can do the following:

- a. Press END (to end the current call) and answer the second call
- b. Ask the 1st Caller to hold on and press 'Accept Call' and talk to the second caller
- c. Again press the 'Accept Call' button to speak to the 1st caller



SMS2EMAIL

starTrack»

- d. So when the caller is on hold he will listen to the following voice prompt: "Please hold, the number you have dialed is busy".
- e. You can deactivate the service by dialing *740. At any point of time, you can re-activate the service by dialing *74.

Listen to the Holy Bible

Nigeria is a market that has evolved and grown gradually from SMS to Voice. The idea is to eventually evolve into an IVR services that are flexible and delivers content to the handsets The Starcomms Listen-to-the-Bible service enables subscribers to make use of the time they usually spend in traffic, at the bus stops or while commuting on a long trip or even for their nightly Bible study at their convenience.

To enjoy the facility Starcomms phone users will need to dial a short code *777 on their Starcomms phones to access the service and select any particular verse of Holy Bible and listen to the bible at a fixed cost of only N25 per call. The Starcomms Listen-to-The-Bible service is of relevance to students. Many students find that they spend a great deal of time waiting in lines at school as well. This period of inactivity which would ordinarily be wasted can be turned into Bible study time. No matter the situations: be it school, sports or other active sessions, the Bible in their Starcomms phone will come handy for their spiritual benefits. No other operator offers these services in Nigeria.

Listen to the Holy Quran

Muslim subscribers on the Starcomms are in for a good time with the recent introduction of the Listen-to-Quran service on the network. Nigeria With the launching of the Listen-to-Quran service, subscribers can now listen to inspirational and uplifting Surrahs of their choice from the Holy Quran on their Starcomms phones.

The Starcomms Listen-To-Quran service, which is the first of its kind in Nigeria, is one of the newest value-added services of the network. This service is designed to update and increase the knowledge of Muslim subscribers in the tenets of Islam as well as allow subscribers access to the Holy Quran anytime anywhere on their Starcomms phones. Learning, reading and memorizing of the Holy Quran has been considered by scholars as the only method that will inspire Muslim faithfuls to plan and act on the injunctions of Allah.

Daily Recitation of the Holy Quran is a very important component of the Islamic faith and the convenience which the Listen-to-Quran service brings makes the service very amenable to Muslim subscribers as they are able to access the service easily and on the move. Subscribers can access this service by simply dialing *786 on their Starcomms phones to access the IVR mode to select any particular Surah of Holy Quran and continue listening at a fixed cost of N25 per call.

Funbox

Welcome to a world of fun, and there's never a dull moment again! The FunBox grants you access to a vast range of entertainment & information services news, sports, jokes, lifestyle, horoscope, weather, ringtones etc. The FunBox will bring you a host of infotainment services onto your mobile at the touch of a button!

Voice SMS

Voice SMS (VSMS) Allows a sender to send a voice message to the recipient without talking to the recipient. It's done by dialing (*117) and follow the voice prompt.

The sender leaves a message in the Voice SMS system and hangs up the phone. The recipient will receive SMS alert about the sender's message. The recipient can then return call on the SMS to directly listen to the sender's message. The recipient can reply to the message by pressing (*117). The sender will receive SMS alert this time which the sender can return call to listen to the message.

Voice SMS is like SMS in the sense that the charging is event-based irrespective of how long the message is, but however, the duration of the voice message deposit is usually 30 seconds.

DashMe Credit

The credit transfer service allows Starcomms subscriber with the required minimum airtime balance to send money/airtime credit from their Starcomms phone to another Starcomms phone via SMS. The service enables you to give out

List of Starcomms Showrooms & Offices

SHOWROOMS	ADDRESSES
VICTORIA ISLAND	Plot 1261, Bishop Kale Close, Off Saka Tinubu,VI
IKOYI	Shop C1, Falamo Shopping Complex,Ikoyi
SURULERE	105, Bode Thomas Rd,Surulere
IKEJA	82 Allen Avenue ,Warola House Ikeja
APAPA	51, Calcutta Crescent, Apapa
IKOTUN EGBE	118, Isolo Egbe Rd.Ikotun
LEKKI	SHOP 31, Palm Shopping Mall.Lekki
ALABA	3 Alaba International Market Rd.Alaba
ABUJA	19, Durban Rd., Off Adetokunbo Ademola Street, Wuse 2, Abuja
PORT HARCOURT	55/57, Aparo Street, Off Evo Rd., GRA Phase 11
KANO 1	16, Audu Bako Way, Nassarawa GRA.
KANO 2	47, Aminu Kano Way, Kadankaya.
IBADAN	1, Town Planning Way, Mobil Junction, Ring Rd
MAIDUGURI	2 Damboa Rd. Opp. NTA, Beside NBC.
ILORIN	Plot 232, Ibrahim Taiwo Road, Ilorin
ABA	28, Okigwe Rd., by Mr Fans, Aba.
ASABA	375, Nnebuisi Rd., same building with Abeyy Building Society, Asaba
ONITSHA	62, New Market Rd., Onitsha
ZARIA	8, Theresa Bowyer Str., Former Red Onions, PZ, Zaria.
KADUNA	4, Aliu Rd., opposite Oceanic Bank, Kaduna
BENIN	60, Airport Rd., Benin City .
ABEOKUTA	KM 1, Moshood Abiola Rd., by NNPC, Abeokuta.
UYO -	205, Oron Rd., Uyo.
CALABAR	35, Atekong Drive Housing Estate, Off Marion Rd., Calabar.
WARRI	44 Warri/Sapele Rd, before Enerhen Junction, Warri.
OWERRI	166, Okigwe Rd., Opposite FSP Primary School.
UMUAHIA	7B,Factory Road , Behind Govt. House Umuahia
FRANCHISE SHOPS	ADDRESSES
IKOTA	Block H 508, Last Gate, Ikota Shopping Complex
SAGAMU	246, Akarigbo Rd., Sabo, Sagamu.
IJEBU-ODE	91, Ejirin Rd., Ijebu-Ode. OYO Tawakalitu Plaza, Owode.
SAPELE	109A, Warri/Sapele Rd., Beside Eagle Line, Sapele.
OGBOMOSHO	Onigbinde House, Opp. School of Nursing, Takie Area
EGBEDA	41, Idimu Rd,By Ponle Bus Stop Egbeda
SHOMOLU	27,Fola Agoro Road, Shomolu
FESTAC	21 Road, H Close , House 2, Festac.
MUSHIN	73,Palm Avenue ,Mushin
KADUNA	No 6 Kachia Road, Kaduna South, kaduna
PORT HARCOURT	321,Aba/Port Harcourt Express Way By Izi Bus Stop

Top Ten Dealers

	Company Name	Location
1.	Easy & Quiet Ltd	1a Bishop Crowther Street, Akerele, Surulere, Lagos.
2.	Flexmore Tech. Ltd	Plot 1408a Adetokunbo Ademola Street V/I Lagos
3.	Seaman Ventures	Seaman Plaza, By Oyo Plaza Trade Fair Complex Badagry Exp.
4.	Stanqueen Investment Ltd.	1a Mojidi Street, Off Toyin Street, Ikeja, Lagos
5.	Firstgate Communications Ltd	92, Adeniran Ogunsanya Surulere Lagos
6.	Great Bakis Ventures Ltd	11, Ojulowo Imoshe St. Anifowoshe, Ikeja, Lagos
7.	Ephybrand Nig. Ltd	24, Akwwojo Road, Egbeda Lagos
8.	T. I.G Communications Ltd	2, St Finbarr Road, Akoka Lagos
9.	Aliensar Infinity Communication	13, Bebo Road, Kano
10.	Don-p Communication	42, Ademola Adetokunbo Wuse 2 Abuja

ADMISSION CARD

12th ANNUAL GENERAL MEETING TO BE HELD AT LAGOS/KOGI/OSUN HALLS, TRANSCORP HILTON HOTEL, ABUJA AT 10:00 A.M. ON TUESDAY MAY 11, 2010.

NAME OF SHAREHOLDER:

NUMBER OF SHARES HELD:

Please admitto the 12th 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

Movements in Share Capital

Year	Authorized		Issued & Fully Paid Up (N)		Consideration
	Increase	Cumulative	Increase	Cumulative	
1995	-	20,000,000	-	5,000,000	Cash
1996	-	20,000,000	-	5,000,000	
1997	-	20,000,000	15,000,000	20,000,000	Cash
1998 May	20,000,000	40,000,000	-	20,000,000	
1998 July	2,000,000	42,000,000	21,280,000	41,280,000	Cash
1999	-	42,000,000	-	41,280,000	
2000	-	42,000,000	-	41,280,000	
2001	-	42,000,000	-	41,280,000	
2002	-	42,000,000	-	41,280,000	
2004	-	42,000,000	-	41,280,000	
2004	-	42,000,000	-	41,280,000	
2005	-	42,000,000	-	41,280,000	
2006	-	42,000,000	-	41,280,000	
2007 Sept.	1,958,000,000	2,000,000,000	818,551,359	859,831,359	Cash
2007 Sept.	2,000,000,000	4,000,000,000	255,150,000	1,114,981,359	Cash
2007 Sept.	4,000,000,000	8,000,000,000	-	2,229,962,718	Cash
2007 Nov.	-	8,000,000,000	1,264,994,349	3,494,957,067	Cash

Note:

Nominal Value at N1.00 each.

Split to 50k nominal value of shares - Sept. 2007.

PROXY FORM



The 12th Annual general Meeting of Starcomms PLC taking place at the Lagos/Kogi/Osun Halls, transcorp Hilton Hotel, Abuja on the 11th day of May at 10am
I/we,

Account Number:.....

Shareholder's Name:
.....

No of Shares:.....

Being a Shareholder of Starcomms PLC (RC.276167) hereby appointofor failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on our behalf as he deems fit or as specified in the boxes in relation to the resolution to be submitted to Shareholders at the Annual General Meeting of the Company to be held on the 11th of May and at any adjournment thereof:

Dated this.....day of....2010

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

x Kindly delete the section which does not apply to your voting instruction
xx Corporate shareholders should execute by applying Common Seal

NOTES

1. A member 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
1) "That the Report of the Directors and the Financial Statements for the year end 2009 now submitted be and are hereby received and approved"			
2) To re-elect directors Retiring by rotation: I. Mr. Omar Lababidi ii. Mr. Maher Qubain			
3)"That the Director's remuneration for the year be and is hereby approved by the members"			
4)"To authorize the Directors to fix the remuneration of the auditors"			
5 "To elect members of the Audit Committee"			

Please indicate with an "X" in the appropriate box 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.