



Annual Report & Accounts

two thousand & ten

Starcomms Plc

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Starcomms
...hear for you.

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Report & Accounts
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Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the 13th 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, June 14, 2011 at 10:00 am to transact the following business:

ORDINARY BUSINESS

- To receive the financial statements for the year ended December 31st, 2010 together with the Directors and Auditors Report thereon.
- To re-elect/elect Directors
- To approve the remuneration of Directors.
- To authorize the directors to fix the remuneration of the Auditors.
- To elect members of the Audit Committee.

Dated this 16th day of May, 2011
BY ORDER OF THE BOARD

INCO SERVICES LIMITED
(Company Secretaries)

Notes:

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 6th of June, 2011 to 10th June, 2011 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.

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.

Dated this 19th day of May, 2010
BY ORDER OF THE BOARD

INCO SERVICES LIMITED
(Company Secretary)



Highlights of key Achievements in 2010

Months	Description
January	<ul style="list-style-type: none">Starcomms Launched Services in Jos, Enugu and BauchiLaunched Voice Chat Services
February	<ul style="list-style-type: none">Starcomms Introduced new range of VAS, Pioneer Tracking service in West Africa (StarTrack),Starcomms got OMH Recognition, first CDMA operator in Africa,Launched Valentine Bundle offerHisense Chat phone Launched
March	<ul style="list-style-type: none">Starcomms received Best Operator in West Africa Award from African Telecom People in ParisLaunched Free on-net Call in Recharge Bonus PromoWon Best CDMA Operator at the Beacon of ICT Awards
April	<ul style="list-style-type: none">24 hours free on-net call promo extendedOld for new campaign: Data Modem exchange for CustomersBonuzee Loyalty Promo, Telecenter Operators rewardedi-Zap Data service extended to Abeokuta, Ilorin, Kaduna, Jos, Warri, Benin & ZariaMusic Dedication/Demand launchedSelf Care Portal for Data Customers Introduced.
June	<ul style="list-style-type: none">Starcomms introduced new volume based Data Renewal package for Moto Q & Moto Q 9cGoodwill message sent to Nigerian Super Eagles during the 2010 World CupInternet packages with Free Access presented to The Down Syndrome Foundation of NigeriaWinners emerged in the World Cup Predict and Win Promo.
July	<ul style="list-style-type: none">International call rates promo (N12)Weekend on-net call rate of N2 Introduced for Lagos customersStarcomms introduced Inspirational SMS service, daily quote to inspire customers
August	<ul style="list-style-type: none">Starcomms commenced International Roaming serviceAttained 'Super Brand' statusHuawei Hanset 'StarValue' introducedHisense Dual SIM introduced
September	<ul style="list-style-type: none">Dual SIM handset introducedNew Islamic Handset introduced(Quiblah Phone)Starcomms won best CDMA award and CEO named The Telecomm Personality of the Year at Top Celebrities AwardsStarZone lower tariff launched for 8 Cities in the EastRamadan offer introduced, N4 per minute on-net call
October	<ul style="list-style-type: none">Embarked on network upgrade for better service deliveryStarcomms introduced Internet Protocol Contact Center (IPCC) for effective Customer Care50th Nigeria Independence, Starcomms launched 50.50.50.50 promo
November	<ul style="list-style-type: none">Call-Me-Back VAS introduced. It enabled customers to send message for a return call to their friends when they do not have creditAfrican Telecom Hall of Fame award: Starcomms won Best CDMA Operator, i-zap won Best Internet Product of the Year and Maher Qubain won Best Telecom CEO of the yearTower lease agreement with Swap Technology completed
December	<ul style="list-style-type: none">Starcomms extended i-zap internet Users' validity by 50%More awards won at the maiden edition of EKO AwardsCDMA myPad introducedStar winners emerged and rewarded in the Bonuzee promo for payphone Operators

Our Achievements

Our products and services have distinguished us from other telecommunication companies in Nigeria and even in West Africa for several years. The accolades and awards that we have achieved in the past years have proved the same. They include:

- Best Cross-over Network of the year 2008/09 (Nigerian Telecom Awards)
- Best CDMA Operator of the Year - 2008/09 (NIITA)
- Best Product of the Year (iZap) - 2008/09 (NIITA)
- West African Best CDMA 3G Mobile Telecoms Network of the Year (2009)
- Best CDMA Network of the Year (African Telecom Hall of Fame)
- Best Product of the Year (iZap) - (African Telecom Hall of Fame)
- Best CDMA Company of the Year 2010 9Top Celebrity Achievers Awards)

These awards are a true reflection of the faith Nigerians consumers have put in Starcomms



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



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



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



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



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



Corporate Social Responsibility
Nigerian Union of Journalists
Communications Week - 2009



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



chairman's
statement



Chief Maan Lababidi
Chairman

CHAIRMAN'S STATEMENT

It is my pleasure, as the Chairman of Starcomms Plc, to present my annual report.

2010 proved to be a challenging year for Starcomms and the Nigerian telecommunications industry generally. Nigeria has seen significant growth in the sector over the past decade and this growth will no doubt continue for the foreseeable future, as penetration of telecommunications services is circa 50%, although due to the high incidence of multiple sim ownership as many as 66% of the population are estimated as not subscribing to any mobile phone service. However, as with all fast growing industries, there comes a time where competitive dynamics dictate that there will be some structural changes in the sector.

New competition is excellent in that it stimulates innovation and brings tangible benefits to consumers in the form of a wider range of services at a lower cost. The arrival of Airtel within Nigeria has stimulated competition, and we have seen significant discounting of tariffs resulting in a price war over the past months. One of the consequences of these new market dynamics, coupled with the tight credit environment in the banking sector, is that several smaller telecoms operators have found it difficult to survive. These operators were originally founded by Nigerians and had provided an opportunity for local players to participate in this fast growing sector.

However, consolidation of the telecoms sector is inevitable, and the smaller players will be forced to either consolidate with larger players in order to achieve the economies of scale, or face an uncertain future. This consolidation will, in

The arrival of Airtel within Nigeria has stimulated competition, and we have seen significant discounting of tariffs resulting in a price war over the past months

my opinion, be good for the sector in the long run, but it is vital that Nigerians remain with a meaningful stake in the telecoms sector, or else we face the situation where our industry will be dominated by foreign-owned operators. Starcomms is a proudly Nigerian-owned company, with over 12 000 shareholders, and is committed to remaining a key player in the telecommunications sector.

Of course, even the foreign operators have sometimes found it difficult to succeed in our highly competitive market. MultiLinks was acquired by South African telecoms giant Telkom SA but pursued a misguided loss-making business strategy which led to its decision to sell its wireless business in recent months. In doing so, the CEO of Telekom SA blamed CDMA, the technology used by several operators including MultiLinks, Starcomms and Visafone, for not being able to compete with GSM.

This is a surprising statement, as CDMA is a far more modern technology than GSM and is in fact the technology used by all the GSM operators to deliver 3G services. It allows more voice calls and data to be carried by a channel than GSM, and it uses our scarce spectrum resources more efficiently. Starcomms stands by CDMA and is fully committed to bringing world-class products and services to the Nigerian public.

Proof of Starcomms' ability to innovate and lead has been the strong growth in our data services, which we believe is the future for telecoms operators worldwide. Voice tariffs around the world have been declining in recent years due to competitive pressures and the need to offer lower and lower tariffs to attract consumers at the lower end of the social-economic spectrum. Nigeria has experienced in recent times very aggressive discounting of tariffs.

What has been surprising is the speed at which voice tariffs have declined in Nigeria. In Europe, data is seen as the growth engine for the future and Starcomms has been well ahead of the Nigerian industry for some years. We were the first operator to launch 3G data services back in 2007 and today we are widely recognized as a leader in the broadband data field. In Europe operators are considered to be successful in making the transformation from voice only, to voice and data if their data revenues exceed 20% of total revenues. Starcomms is proud to report that data revenues now constitute more than 26% of our total revenues and are growing at over 21% per annum.

As can be seen from the 2010 annual financials, Starcomms is in a transition phase where voice revenues have declined but are increasingly being replaced by data revenues. This has caused pressures on profitability and we are currently pursuing a number of strategic initiatives designed to counter this pressure.

Proof of Starcomms' ability to innovate and lead has been the strong growth in our data services, which we believe is the future for telecoms operators worldwide.

These include:

- Outsourcing the passive elements of our base stations, including the towers and power. This yielded US\$81.4m as a result of the sale and lease-back which allowed us to reduce our debt by US\$70m . Starcomms has been a leader in outsourcing non-core network elements.
- Reducing international bandwidth costs. As an anchor tenant of submarine data cable operator, MainOne, we have been able to reduce costs by over 70%, which allows us to be more competitive while stimulating greater usage through lower tariffs
- Driving increased efficiency within our organisation, which will lead to higher revenues per staff member
- Increasing the quality of our senior management team through appointments of highly qualified individuals

Outsourcing the passive elements of our base stations, including the towers and power. This yielded US\$81.4m as a result of the sale and lease-back which allowed us to reduce our debt by US\$70m

While Starcomm's ability to grow profitability has been impacted in the near term by the above-mentioned factors, we have a world-class telecoms infrastructure covering 31 metros across the country and a committed and dedicated team of industry professionals. I have every confidence that Nigeria is set to resume strong growth and note the recent report by Business Monitor International that forecasts growth for the economy of over 7% as confidence returns to the banking sector and the world economies recover from the recent severe recession. Starcomms is well placed to benefit from this resurgence in growth and I trust it will prove to be a sound investment for all our stakeholders.

Chief Maan Lababidi O.O.N.
Chairman
Starcomms Plc

MD/CEO's report





Managing Director/Chief Executive Officer

CEO's Report

Fiscal Year 2010 saw significant economic adjustment across the world as economies began their slow and hesitant recovery from the global recession. In Nigeria consumers, businesses and government agencies responded to the economic uncertainty by demanding far more from their technology suppliers, at lower prices and incumbent operators began to price discounts at almost same call prices as interconnect rates in order to acquire voice subscribers. This unsustainable pricing strategy in a primarily prepaid market has placed significant pressures on margins and revenue growth. As a result, voice revenues remain at similar levels to 2009 whilst continued growth has been achieved in the broadband segments.

“ This unsustainable pricing strategy in a primarily prepaid market has placed significant pressures on margins and revenue growth ”

Corporate Highlights

- 16% increase in free cash flow
- 17% increase in data subscribers
- 17% growth in data revenue over 130k new data subscribers
- 26% reduction in debt
- 26% increase in OpEx
- 8% increase in gross margins
- 30% reduction in direct costs
- 4% reduction in EBITDA

Competition within Nigeria has intensified to the point where we may now be regarded as perhaps one of the most heavily competitive markets in the world. The impact of this uniquely challenging environment for the Nigerian telecom sector has been clear: in order to fund investment in infrastructure and regulatory compliance, new services and innovation, whilst reducing prices, we have needed to make a decisive strategic shift towards a reduction in operating costs, focus on profitable segments and establish leadership in customer service levels.

Year 2010 was clearly an extraordinary time for businesses around the world, a year of incredible challenge and change. Virtually every company and industry was affected, and some have been altered forever. While Starcomms was not immune to the effects of the global economic downturn, our disciplined management of the business has enabled us to deliver strong growth in certain segments whilst voice revenues remained at similar levels as those in 2009. We delivered growth in broadband, reduced our debt and continued cost efficiency programs & outsourcing.

A reshaped strategy

At its core, the strategy we set forward in 2009 continued in 2010 and is focused on cost reduction, simplification of the way we do business and serving our customers, value retention and targeted growth in profitable segments.

We are reducing costs by maintaining headcount levels as we did in 2008, outsourcing non-core functions and reducing overall operational costs across the regions.

We have simplified our organization by restructuring, particularly in commercial and technical aspects to reduce overheads. We also completed the sales and co-location lease back of some of our passive tower infrastructure to reduce ongoing tower maintenance operating costs, and we used the sale proceeds to reduce the Net Debt/EBITDA ratio to below 2.5.

“ At its core, the strategy we set forward in 2009 continued in 2010 and is focused on cost reduction, simplification of the way we do business and serving our customers, value retention and targeted growth in profitable segments. ”

We are very focused on retaining value by offering attractive bundled services to our customers. We are taking care to encourage high-value customers to use our cost effective international roaming, post paid and broadband services. Furthermore, we are aggressively targeting growth areas, such as enterprise, in the corporate and enterprise areas. This reshaped strategy will assist us to achieve our mission of becoming a leading provider in broadband and ICT services in Nigeria.

Mobile

We now have over 1.5 million active customers on our network. We aim to focus efforts on increasing air time usage, network quality and reducing operational costs.

We will keep bringing new devices, products and pricing plans to market, serving retail and business customers. We will also focus additional efforts in 2011 to increase activations and efficiencies in newly launched cities. We introduced the most cost effective worldwide roaming services, launched 7 new cities and over 100 new sites and an array of new devices (i.e. dual SIM handsets).

Broadband

We launched broadband services in 6 new cities during 2010 and expanded capacity in existing ones. The continued investments have increased subscribers by 17% (21,000), data revenues grew by 21% (N1,334 millions) over 2009.

Other significant developments include the offering of iZap + service on this network, which will enable 'real world' speeds of up to 900Kbps during 2011. We will also establish a strong presence in enterprise and corporate data and ICT service offerings during 2011 which will help reduce the voice ARPU decline which is placing pressures on overall revenues. Starcomms's strategic position in this segment is anchored by our sustained investment in superior network technology. We continued to push that envelope in 2010, embedding ourselves even more deeply in the high-tech sector of the economy.

Our iZap third-generation wireless network is consistently rated the nation's best in quality and reliability. With this competitive edge, we have captured a significant share of the fast-growing broadband market over the last 2 years and have introduced a wide array of wireless data services and products (i.e. myPad/myFi bundle).

Outsourcing

Starcomms' strategy addresses the hard decisions needed to secure the long-term health of our company, such as outsourcing core and non-core assets.

During Q4 2010, we sold a number of passive elements of the infrastructure (i.e. towers). We believe this transaction leave Starcomms well positioned to offer services at lower costs than her competitors.

During 2011 we will be looking at executing outsourcing activities that were started in late 2010.

Positioning Starcomms for the future

In addition to managing our business through the global economic downturn, during 2010 we took steps to position Starcomms in important ways for the future by enhancing our core business and investing in new and emerging growth areas.

In our core business, we revitalized our offerings and made great strides in reducing our delivery costs. To ensure that Starcomms is properly aligned to capture growth opportunities, we made important organizational changes—combining our corporate and enterprise businesses to take advantage of the tremendous opportunities around broadband and ICT growth in 2011 and beyond; integrating all technology capabilities into a new technology growth platform to provide clients with fully integrated technology solutions. We also continue to focus on growing market share and expanding our business in key geographic markets, with a special emphasis on profitable cities. At the same time, we are enhancing and expanding our capabilities around several defining areas that show potential for growth and profits, including enterprise, corporate, ICT and automation services. We will continue to invest in assets and innovations that differentiate Starcomms in the market.

Investing in our people and our communities

To ensure that our people have the necessary skills to serve subscribers at the highest level, as well as to advance in their own careers, we invest significantly in their training and professional development—nearly N48.6 million in fiscal 2010 alone. Our corporate training also instills in our people our five core values of PRIDE (Perfection, Respect, Innovation, Dedication and Excellence), which complement our Code of Business Ethics and shape the culture and character of your company, guiding

// During Q4 2010, we sold a number of passive elements of the infrastructure (i.e. towers). We believe this transaction leave Starcomms well positioned to offer services at lower costs than her competitors. //

how we behave and make decisions.

Another fundamental part of Starcomms's character is our belief that being a good corporate citizen is a hallmark of a high-performance business. In fiscal 2010, we took our franchise business model, Internship and training of dealers which is all about helping people develop skills that enable them to participate in and contribute to the economies of Nigeria.

Through all those Corporate Social Responsibility activities, we are applying Starcomms's experience in talent management and skills development to make a significant and lasting impact on the economic well-being of individuals and their communities—whether it's small entrepreneurs in Kano, migrant groups in Maiduguri, or housewives in Lagos and Ibadan.

Fiscal 2011 and beyond

As we move further into 2011, competition will continue to increase, new regulatory initiatives will be imposed (i.e. Number Portability) and the political climate will change. Notwithstanding, we remain intently focused on our subscribers so that we can continue to generate value for them while ensuring that we are well-positioned to take advantage of growth opportunities.

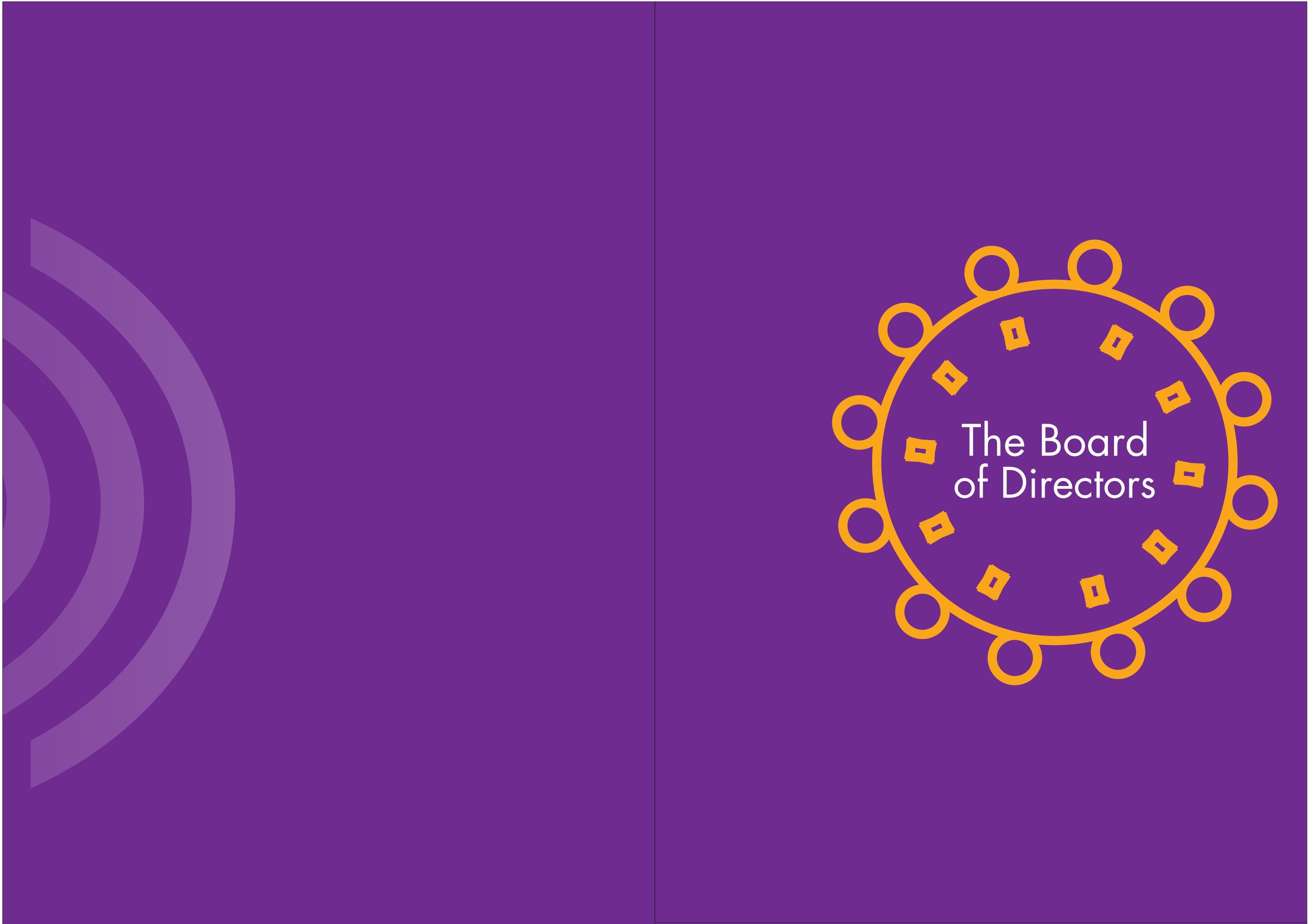
I want to thank the 765 Starcomms men and women around Nigeria for their hard work and dedication throughout fiscal year 2010, which enabled us to navigate a challenging environment, deliver to both our clients and our shareholders, and position Starcomms for the future.

We are indebted to the members of our Board of Directors for their wise advice and strategic guidance. And as always, we'd also like to thank our employees for another great year of serving our customers and our communities. In thousands of daily actions, they embody our performance-based culture and the commitment to integrity that underlies everything we do. Thanks to them, Starcomms continues to be known as a company that stands for something larger than itself; our long list of accolades – Telecom Company of the Year, ICT Product of the year, CEO of the year, Best Brand of the Year, to name a few – speaks to their passion for turning our values into action. We love what we do, and as we transform Starcomms for the high-tech future ahead, we rely on the steadfast dedication of our people to building a business as good as the networks it runs on.

Whatever the economic challenges of the last few years, we have always had confidence in our vision of the future – confidence rooted in our absolute belief in the value of what we do. We have shown that it is possible to change the growth trajectory of our company by investing in technology, skills and innovative capacity. In the process, we are helping create value across the economy: opening new markets, redefining productivity and jump-starting new segments. In creating business value, we are creating social value as well by using our technology to help address Nigeria's most pressing telecommunications and ICT challenges.

We are excited about the possibilities ahead and proud of the contributions we have made toward putting your company on the path to sustained growth, competitiveness and prosperity in the years ahead.


Maher Qubain
Managing Director /CEO



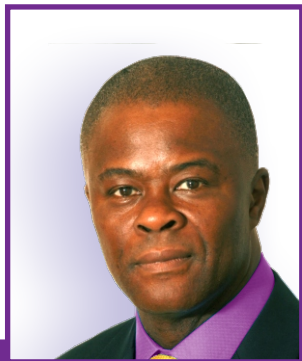
The Board
of Directors



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 Ojo 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.



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 Air Nigeria. 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



Maher Qubain
Chief Executive Officer/MD

Mr. Maher Qubain - Chief Executive Officer of Starcomms, is a seasoned wireless executive with an internationally recognized track record. Mr. Qubain has over twenty one years background in high-growth domestic and international wireless telecommunications management with Airtouch/Vodafone, AT&T wireless, BellSouth and Ericsson in North & Latin America, Africa, Korea & Malaysia. He has been an early pioneer in digital convergence and worked with the world renowned scientist and CDMA technology pioneer Dr. William "Bill" C. Y. Lee at Airtouch.

At Starcomms, Mr. Qubain is directly responsible for the overall day to day management (Network, Commercial, Customer Services, IT/IS/ISP, Finance, Legal, HR and Regulatory), strategic planning, budgeting and execution of all business plans associated with the 3G CDMA2000 national mobile network. Prior to his post as COO, Mr. Qubain was the Chief Technology Officer with Starcomms for over 3 years and has been one of the main drivers in building Starcomms to be the leading Mobile Operator in Nigeria with over 2.9 Million Subscriber Base.



Logan Pather
Chief Operating Officer

Logan Pather Chief Operating Officer, has over 25 years of work experience. He has worked in several telecom communication companies in Africa. Logan is bringing with him his wealth of experience as managing director in other African countries.

Prior to joining Starcomms, he was managing director of Roamwave Africa (responsible for 20 African countries). He was responsible for the set up of the organization in SA and also ensure sales channels along with marketing strategy and partnerships. His career is highlighted by strong and in-depth knowledge and exposure across all core business functions such as finance, sales & marketing, human resources, customer service operations etc.

He worked in Nortel Southern Africa and Telecel - Zambia as Managing director responsible for operational strategy and growth.

He holds a Diploma in Business Management and MBA (Short Course Programme)



Bosun Hambolu
Head, Legal & Regulatory Affairs

Mr. Olatunbosun Hambolu - Head, Legal and Regulatory Affairs, has more than 10 years experience in legal practice starting with Abuka, Ajegbo, Nwaogu & Ilogu Law firm where he served as litigation counsel. He also worked within the Banking sector where he gained additional commercial experience in Credit Risk Management. Bosun joined Starcomms Plc in 2005 as Legal Support Administrator. With a strong background in litigation, Commercial and Regulatory areas of the law, he 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 graduated with an LLB (Hons) in Civil Law from the Ahmadu Bello University, Zaria, Nigeria. Called to the Nigerian Bar in January 2001, he is also a member of the International Bar Association (IBA).



David Ordman
Chief Financial Officer

David Ordman - Chief Financial Officer, has over 18 years work experience in various sectors. Prior to joining Starcomms he worked as Finance Director within EMAAR, The Economic City in Saudi Arabia, with responsibility for all aspects of Finance within the Utilities & Telecoms division of EMAAR, delivering a multi-utility solution within King Abdullah Economic City, a \$2bn megaproject.

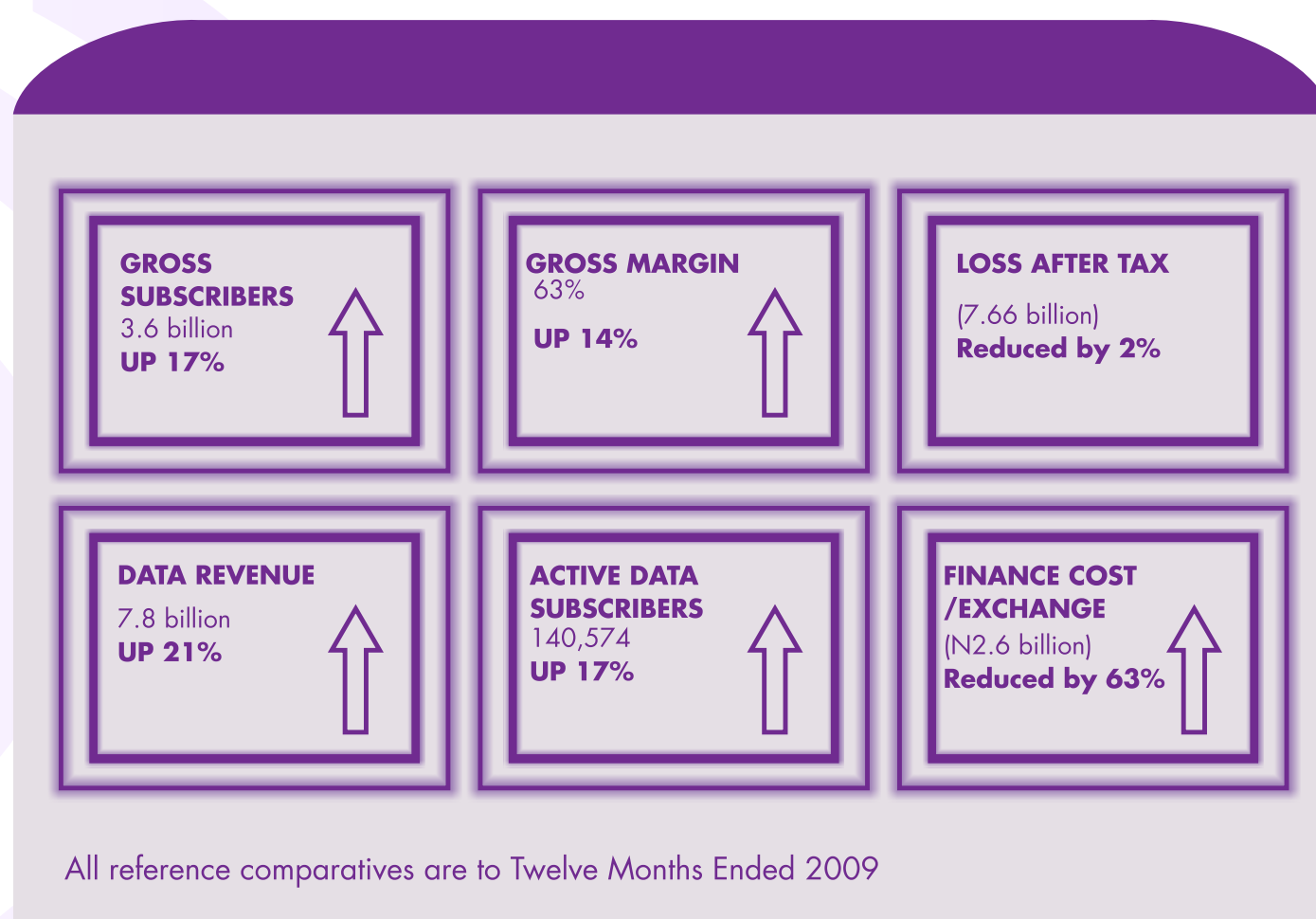
Previously David has also worked as Chief Financial Officer in United Utilities Plc (Estonia and Bulgaria) and Millicom International Cellular, Pakistan.

He studied Civil Engineering from University of Birmingham, UK. He then trained with Price Waterhouse Coopers, and achieved Order of Merit from the Institute of Chartered Accountants of England & Wales. More recently David received his MBA having attended a joint program at London Business School, UK and Columbia Business School, USA.

Financial Report



Financial Highlights



DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

Corporate Head Office:	52 Adetokunbo Ademola Street Victoria Island Lagos
Board of Directors:	Chief Maan Lababidi (American) - Chairman Maher Qubain (American) - Managing Director/Chief Executive Officer Prof Enrique Arzac (American) Omar Lababidi (American) Olawale A Edun Paul Edwards (British) Alh. Tajudeen Dantata
Company Secretary:	Inco Services Limited 1 Oyediran Street, off Bode Thomas P.O. Box 2631, Surulere, Lagos
Registration No:	RC: 276160
Independent Auditors:	KPMG Professional Services 22A Gerrard Road, Ikoyi Lagos
Registrars:	First Registrars Limited 2 Abebe Village Road Iganmu, Lagos
Solicitors:	Nasir Salau & Co 13 Sunbo Jibowu Street Onikan, Lagos G. Elias & Co. NCR Building (6th Floor) 6 Broad Street, Lagos

DIRECTORS' REPORT

For the year ended 31 December 2010

1. Financial Statements

The directors present their annual report on the affairs of Starcomms Plc ("the Company"), together with the financial statements and independent auditor's report for the year ended 31 December 2010.

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

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

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

The Company's business activities also include the provision of Data (Broadband internet) and other value added services. The Company had network operations covering 22 States, 31 cities and 175 towns of the Federal Republic of Nigeria as of 31 December 2010.

3. Operating Results

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

	2010 Number '000	2009 Number '000
Active voice subscribers at close ¹	1,726	2,509
Active data subscribers at close ²	140	120

1. Active voice subscribers are subscribers who had made or received calls within the last 90 days before the end of the financial year.
2. Active data subscribers are subscribers who could access data as at the end of the financial year.

	2010 N'000	2009 N'000
Turnover	29,031,336	34,304,471
Earnings Before Interest, Exchange Loss Taxation, Depreciation & Amortisation (EBIETDA)	3,111,907	7,334,372
Exceptional item	3,936,254	-
Interest expense and exchange loss	(2,889,964)	(8,099,205)
Depreciation and Amortisation	(9,601,962)	(8,001,327)
Operating loss	(2,553,801)	(666,955)
Loss for the year	(7,660,137)	(7,787,180)

4. Business review

Total voice minutes increased by 12% over the prior year, although total revenue declined by 15% to N29,031 million (2009: N34,304 million), due to a 27% decline in ARPU (average revenue per user). This highlights the continued downward pressure on tariffs resulting from an increasingly competitive environment.

The Company has reduced direct costs by 30% to N10,760 million (2009: N15,407 million) thus improving gross margin by 8% (2010: 63% vs. 2009: 55%).

Data revenues continued to show strong growth and constitute 27% of total revenues. Data subscribers increased by 17% to 140,000 (2009: 120,000). Gross margin with respect to Data revenue has also improved due to the reduction in bandwidth costs.

Total debt due to financial institutions decreased by 31% from N33,157 million in 2009 to N22,783 million in current year, this contributed to the 15% decline in interest charged in current year when compared with the previous year. Starcomms Plc will continue its policy of reducing its debt profile. The Company has a positive cash flow and a healthy Net Debt to EBITDA ratio.

The Naira continued to remain stable in the year under review moving only 1% from N147.6 to 1US\$ to N148.7 to 1 US\$ in current year, resulting in foreign exchange loss decreasing by 96% from N4,951 million to N221 million in current year.

The Company managed to deliver noticeable improvements in most financial and operational indices in a very competitive environment. The operational efficiency strategies which began in 2009 are continuing to yield positive results. The sale and co-location of some towers contributed positively in reducing operational cost while strong growth in specific segments has helped counter the decline in voice ARPUs. The unsustainable price war which began in the late part of 2010 is placing pressure on revenues and is expected to continue well into 2011. Starcomms Plc will offer additional innovative products and services and leverage our leadership in certain segments whilst increasing focus on operational efficiencies in order to continue to drive profitable growth and augment the decline on the retail voice ARPU.



5. Directors and their Interests

The directors who served during the year and their interest in the shares of the Company as at 31 December 2010 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 Officer
Prof Enrique Arzac (American)	Nil	Non-executive
Omar Lababidi (American)	Nil	SNCH***
Olawale A. Edun	3,846,153	Non-executive
Paul Edwards (British)	Nil	SNCH***
Alh. Tajudeen Dantata**	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.



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

6. Analysis of Shareholders

The analysis of distribution of shares of the Company at 31 December 2010 was as follows:

SHAREHOLDING BETWEEN	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
200,000,001 - 3,000,000,000	3	0.03	2,589,895,378	37.65
100,000,001 - 200,000,000	4	0.04	482,891,382	7.02
50,000,001 - 100,000,000	9	0.08	654,819,344	9.52
1,000,001 - 50,000,000	508	4.75	2,610,745,746	37.96
100,001 - 1,000,000	1,071	10.02	384,580,771	5.59
50,001 - 100,000	797	7.45	66,151,381	0.96
10,001 - 50,000	2,517	23.54	64,949,585	0.94
1 - 10,000	5,783	54.09	24,444,510	0.36
	<u>10,692</u>	<u>100</u>	<u>6,878,478,09</u>	<u>100</u>

S.N. Communications Holdings (SNCH) Limited held 2,026,537,925 ordinary shares representing 29.46% of the issued and paid-up share capital of the Company as at 31 December 2010. No other shareholder of the Company held 10% or more of the issued share capital of the Company as at 31 December 2010

7. 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	No. of Meetings Held	No. of Meetings Attended
Chief Maan Lababidi	5	5
Maher Qubain	5	5
Prof Enrique Arzac	5	5
Omar Lababidi	5	5
Olawale Edun	5	5
Paul Edwards	5	5
Alh. Tajudeen Dantata	5	5



8. 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 Companies and Allied Matters Act of Nigeria and the Articles of Association of the Company in its dealings and proceedings.

9. Fixed Assets

Information relating to changes in fixed assets is disclosed in Note 9 to the financial statements.



10. Charitable Donations

The Company made charitable donations amounting to N2.95 million (2009: N3.1 million) to the following individual and organizations during the year:

	N'000
Donations to fifty (50) orphanages on Independence day	2,500
Donations to Katin Kwari Market Fire Outbreak	250
Other Donations	200
	<u>2,950</u>

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.

11. 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.

12. Suppliers

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

13. Acquisition of Own Shares

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

14. 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 2010, the Company had no physically challenged persons in its employment (31 December 2009: 2).

(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.

15. Effectiveness of Internal Control System

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the assets of the Company. The system of internal control is to provide reasonable assurance against material misstatement, prevent and detect fraud and other irregularities.

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

16. Auditors

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

BY ORDER OF THE BOARD

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

30 April 2011



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

The directors accept responsibility for the preparation of the annual financial statements set out on pages 16 to 46 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

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

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Maher Qubain

30 April 2011

Chief Maan Lababidi

30 April 2011



AUDIT AND RISK COMMITTEE'S REPORT

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

- i) Reviewed and ascertained that the accounting and reporting policies adopted by the Company are in accordance with applicable legal requirements and agreed ethical practices.
- ii) Reviewed the scope and planning of audit requirements and found them satisfactory.
- iii) Appraised the Financial Statements for the year ended 31 December 2010 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 2010 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 A Edun
Chairman Audit and Risk Committee

6 April 2011

Members of the Audit and Risk 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 A Edun
Chairman Tendering and Procurement Committee
6 April 2011

Members of the Board Tendering and Procurement Committee are:

1. Mr. Olawale A 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 Nomination and Corporate Governance Committee

6 April 2011

Members of the Board Nomination and Corporate Governance Committee are:

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



REMUNERATION COMMITTEE'S REPORT

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

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

Prof. Enrique Arzac
Chairman Remuneration Committee

6 April 2011

Members of the Board Remuneration Committee are:

1. Prof. Enrique Arzac
2. Mr. Olawale A 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.


for
Mr. Paul Edwards
Chairman Board Market Announcement Committee
6 April 2011

Members of the Board Market Announcement Committee are:

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



KPMG Professional Services
22a Gerrard Road, Ikoyi
PMB 40014, Falomo
Lagos, Nigeria

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Fax 234(1)462 0704
Internet www.ng.kpmg.com

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 2010, 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 16 to 46.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

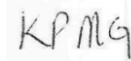
Opinion

In our opinion, these financial statements give a true and fair view of the financial position of **Starcomms Plc** as at 31 December 2010 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.



30 April 2011
Lagos, Nigeria





STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding years, 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. Fixed assets**
Fixed assets, including improvements that extend useful lives, are stated at cost less accumulated depreciation. Repair and maintenance costs are expensed as incurred. Costs directly attributable to bringing an asset to the location and condition necessary for its intended use are included in the cost of fixed assets. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing items and restoring sites on which they are located.
- Costs relating to fixed assets under construction or in the process of installation are disclosed as capital work-in-progress.
- c. 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. The annual depreciation rates are as follows:
- | | | |
|---------------------------------|---|--|
| Leasehold land | - | over the lease period |
| Buildings | - | 5% |
| Optic Dark Fibre | - | 6 ² / ₃ % |
| Tower and antennae | - | 10% |
| Telecom machinery and equipment | - | 12 ¹ / ₂ % |
| Furniture and equipment | - | 15% |
| Motor vehicles | - | 33 ¹ / ₃ % |
| Computer equipment | - | 33 ¹ / ₃ % |
| Generators | - | 33 ¹ / ₃ % |
| Leasehold improvement | - | 20% or period of lease, whichever is lower |
- No depreciation is provided for capital work-in-progress. 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.
- d. Turnover**
Turnover is recognized when it is probable that the future economic benefits associated with the transaction will flow to the Company, the significant risks and rewards have been transferred to the buyer and the amount can be measured reliably.
- Turnover comprises gross outgoing airtime and associated revenues, incoming call and roaming revenues, handsets and accessories sales net of trade discounts and value-added tax. Prepaid airtime revenue is recognised based on usage while post paid airtime revenue is recognized based on amounts invoiced to the post paid subscriber for airtime used. Free airtime is included in gross revenue and is applied as a set off in arriving at net revenue.



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

Handsets and accessories revenue is recognized on delivery to the customer.

Data revenue is recognised based on usage. However, when data services are paid in advance over a certain period of time, data revenue is recognised on a straight line basis over the period.

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

- e. Debtors**
Debtors are stated net of allowance for bad and doubtful debts. An allowance is established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Allowance is recognized in the profit and loss account.
- f. Stocks**
Stocks, which include mobile and fixed wireless telephones, accessories, internet hardware and prepaid cards, are stated at the lower of cost and net realizable 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 realizable 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.
- g. Taxation**
Taxation is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax and deferred income tax.
- Current income tax is the expected amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA) using statutory tax rates at the balance sheet date. Education tax is assessed at 2% of assessable profits.
- h. Deferred taxation**
Deferred taxation, which arises from differences in the timing of recognition of items, in the financial statements and by the tax authorities, is calculated using the liability method. Deferred tax is provided on all timing differences at the rates of tax likely to be in force at the time of reversal. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



STATEMENT OF ACCOUNTING POLICIES (Cont.)

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

l. 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.

j. Intangible asset

Acquired telecommunication licences have a definite useful life and are recorded at cost less accumulated amortisation. Licences are amortised on a straight line basis over their estimated useful lives from the date of issuance of licence.

k. Indefeasible rights of use

Indefeasible rights of use (IRU) correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period.

Agreements for the purchase of IRU's are classified as an asset purchase when all of the following conditions are met:

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

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

However, where all of the conditions above are met, the transaction is classified as fixed asset and the purchase consideration less the estimated residual value is written off, on a straight line basis, over its estimated useful life.

l. Impairment

The carrying values of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying value of an asset exceeds its recoverable amount.

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



m. Retirement 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.

n. Cash and cash equivalents

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

o. Leases

i. 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.

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.

p. Provisions

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

q. 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.



STATEMENT OF ACCOUNTING POLICIES (Cont.)

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

- r. **Assets retirement obligations**
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.
- s. **Subscriber acquisition costs**
Subscriber acquisition costs are expensed when incurred.



PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Notes	2010 N'000	2009 N'000
TURNOVER	1	29,031,336	34,304,471
Direct costs	2	(10,760,460)	(15,407,934)
GROSS PROFIT		18,270,876	18,896,537
Operating expenses		(24,760,931)	(19,563,492)
Exceptional item	3	3,936,254	-
OPERATING LOSS	4	(2,553,801)	(666,955)
Interest received		284,247	1,085,009
Interest expense and exchange loss	5	(2,889,964)	(8,099,205)
LOSS BEFORE TAXATION	6	(5,159,518)	(7,681,151)
Taxation	7(a)	(2,500,619)	(106,029)
LOSS AFTER TAXATION		(7,660,137)	(7,787,180)
APPROPRIATION:			
Transferred to general reserve	20	(7,660,137)	(7,787,180)
Loss per share	8	(111k)	(113k)

The accounting policies on pages 16 to 20 and notes on pages 24 to 44 form an integral part of these financial statements.



BALANCE SHEET

As at 31 December 2010

	Notes	2010 N'000	2009 N'000
NON CURRENT ASSETS			
Fixed assets	9	43,476,119	53,989,186
Intangible assets	10	571,893	676,901
Deferred tax asset	11	1,948,716	3,787,318
Long term prepayments	12	1,581,068	1,406,784
TOTAL NON CURRENT ASSETS		47,577,796	59,860,189
CURRENT ASSETS			
Stocks	13	1,133,568	2,535,288
Debtors and prepayments	14	4,082,479	4,344,569
Cash and bank balances	15	7,938,897	6,845,594
TOTAL CURRENT ASSETS		13,154,944	13,725,451
CURRENT LIABILITIES			
Bank loans and overdraft	16	(18,439,289)	(11,761,594)
Creditors and accruals	17	(11,472,357)	(8,699,754)
Taxation	7(b)	(886,147)	(270,955)
TOTAL CURRENT LIABILITIES		(30,797,793)	(20,732,303)
NET CURRENT LIABILITIES		(17,642,849)	(7,006,852)
TOTAL ASSETS LESS CURRENT LIABILITIES		29,934,947	52,853,337
NON CURRENT LIABILITIES	18	(6,346,003)	(21,604,256)
NET ASSETS		23,588,944	31,249,081
CAPITAL AND RESERVES:			
Share capital	19	3,439,239	3,439,239
Share premium		50,779,997	50,779,997
General reserve	20	(30,630,292)	(22,970,155)
SHARE HOLDERS' FUNDS		23,588,944	31,249,081

Signed on behalf of the Board of Directors by:

 Chairman

 Chief Executive Officer

Approved by the Board of Directors on 30 April 2011

The accounting policies on pages 16 to 46 and notes on pages 24 to 44 form an integral part of these financial statements.



STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 N'000	2009 N'000
Cash flows from operating activities:			
Operating profit before working capital changes	21	3,021,514	6,280,350
Working capital changes	22	4,582,494	1,832,941
Tax paid	7(b)	(46,825)	-
Value added tax (VAT) paid		(654,264)	(282,160)
Gratuity paid	18(b)	(21,396)	(27,550)
Net cash inflow from operating activities		6,881,523	7,803,581
Cash flows from investing activities:			
Purchase of fixed assets	9	(5,925,397)	(11,148,560)
Interest received		284,247	1,085,009
Proceeds on disposal of fixed assets		11,491,769	6,404
Net cash inflow/(outflow) from investing activities		5,850,619	(10,057,147)
Cash flows from financing activities:			
Bank loans obtained	18(c)	2,126,734	11,473,746
Bank loans repaid	18(c)	(12,642,391)	(13,505,805)
Finance lease repaid	18(a)	(40,768)	(79,984)
Interest paid	5	2,599,563	(2,402,649)
Net cash outflow from financing activities		(13,155,988)	(4,514,692)
Net decrease in cash and cash equivalents		(423,846)	(6,768,258)
Cash and cash equivalents, beginning of year		6,845,594	13,613,852
Cash and cash equivalents, end of year		6,421,748	6,845,594
Cash and cash equivalents are analysed into:			
Cash and bank balances		7,938,897	6,845,594
Bank overdrafts and commercial paper	16	(1,517,149)	-
Cash and cash equivalents, end of year		6,421,748	6,845,594

The accounting policies on pages 16 to 20 and notes on pages 24 to 44 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. Turnover

(a) Analysis of turnover by category:

	2010 N'000	2009 N'000
Net call revenue (Note (b))	16,392,257	20,035,116
Interconnect revenue (Note (c))	2,860,202	3,811,720
Internet hardware	853,527	1,430,246
Handsets and accessories	1,157,192	2,594,012
Data revenue (internet services)	7,768,158	6,433,377
	<u>29,031,336</u>	<u>34,304,471</u>

(b) Net call revenue is analysed as follows:

	2010 N'000	2009 N'000
Gross call revenue	17,817,644	21,790,809
Less:		
Airtime subsidy	(442,090)	(403,469)
Free airtime to dealers/subscribers (Note 17(b))	(983,297)	(1,352,224)
Net call revenue	<u>16,392,257</u>	<u>20,035,116</u>

(c) Interconnect revenue and costs:
Movement of interconnect revenue and costs showing receivables and payables are analysed below:

	Interconnect receivables		Interconnect payables	
	2010 N'000	2009 N'000	2010 N'000	2009 N'000
Balance, beginning of year	489,010	666,415	(950,354)	(1,434,811)
Revenue/(cost)	2,860,202	3,811,720	(5,245,873)	(8,194,034)
(Receipts)/payments	(2,916,528)	(3,989,125)	5,357,513	8,678,491
Balance, end of year	<u>432,684</u>	<u>489,010</u>	<u>(838,714)</u>	<u>(950,354)</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont.)

2. Direct costs

Direct costs comprise:

	2010 N' 000	2009 N' 000
Interconnect costs (Note 1 (c))	5,245,873	8,194,034
Internet hardware	828,423	1,066,904
Handsets and accessories	1,855,875	2,514,554
NCC Annual Levy	581,677	617,998
Dealer commission on handsets and internet hardware	306,895	815,511
Data transmission	1,399,759	1,586,313
Other direct costs	541,958	612,620
	<u>10,760,460</u>	<u>15,407,934</u>

3. Exceptional item

This represents gain on disposal of the Company's four hundred and seven (407) tower sites and the related assets to a third party, Swap Technologies and Telecoms Plc. The total sales proceeds and gain on disposal of these tower sites and the related assets amounted to N11.4 billion and N3.9 billion respectively (Note 9(c)).

4. Operating loss

	2010 N' 000	2009 N' 000
Gross profit	18,270,876	18,896,537
Operating expenses (excluding depreciation & amortisation)	(15,158,969)	(11,562,165)
Earnings Before Interest, Exchange Loss, Taxation, Depreciation & Amortisation (EBIETDA)	3,111,907	7,334,372
Exceptional item	3,936,254	-
Depreciation	(9,496,954)	(7,896,319)
Amortisation	(105,008)	(105,008)
	<u>(2,553,801)</u>	<u>(666,955)</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont.)

5. Interest expense and exchange loss

	2010 N'000	2009 N'000
Interest on bank loans and overdrafts	2,595,563	3,112,195
Interest on finance leases*	73,546	35,500
Interest expense	2,669,109	3,147,695
Exchange loss	220,855	4,951,510
	<u>2,889,964</u>	<u>8,099,205</u>

*Included in interest on finance leases is an amount of N69.5 million which is yet to be paid at year end.

6. Loss before taxation

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

	Notes	2010 N'000	2009 N'000
Staff costs	6(b)	2,319,710	1,824,836
Directors' remuneration	6(c)	69,693	54,797
Gain on disposal of fixed assets		(3,947,384)	(5,573)
Depreciation	9(a)	9,496,954	7,896,319
Amortisation	10	105,008	105,008
Interest income		(284,247)	(1,085,009)
Interest expense	5	2,669,109	3,147,695
Auditor's remuneration		31,500	28,000
Exchange loss	5	220,855	4,951,510
Allowance for doubtful debts		262,741	388,580
Operating lease rentals		<u>45,360</u>	<u>45,360</u>

(b) Staff costs

i. Employees costs during the year amounted to:

	2010 N'000	2009 N'000
Salaries, wages and allowances	2,247,862	1,825,339
Pension contribution	71,848	62,966
Gratuity write-back	-	(63,469)
	<u>2,319,710</u>	<u>1,824,836</u>



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

		<u>Number</u> 2010	<u>Number</u> 2009
₤	₤		
0	- 500,000	7	10
500,001	- 1,000,000	233	375
1,000,001	- 1,500,000	278	215
1,500,001	- 2,000,000	87	80
2,000,001	- 2,500,000	42	42
2,500,001	- 3,000,000	35	25
3,000,001	- 3,500,000	16	14
3,500,001	- 4,000,000	11	9
4,000,001	- 4,500,000	10	7
4,500,001	- 5,000,000	2	3
5,000,001	- 5,500,000	-	4
5,500,001	- 6,000,000	1	6
6,000,001	- 6,500,000	6	-
6,500,001	- 7,000,000	3	-
7,000,001	- 7,500,000	4	3
7,500,001	- 8,000,000	2	4
8,000,001	- 8,500,000	2	3
8,500,001	- 9,000,000	2	2
9,000,001	- 9,500,000	5	2
9,500,001	- 10,000,000	2	2
10,000,001	- 10,500,000	1	1
10,500,001	- 11,000,000	-	2
11,000,001	- 11,500,000	1	3
11,500,001	- 12,000,000	-	1
12,500,001	- 13,000,000	2	2
13,000,001	- 13,500,000	-	1
13,500,001	- 14,000,000	2	1
14,000,001	- 14,500,000	1	1
15,500,001	- 16,000,000	3	1
16,000,001	- 16,500,000	-	2
18,000,001	- 18,500,000	1	1
20,000,001	- 21,000,000	3	2
21,000,001	- 21,500,000	1	1
23,000,001	- 23,500,000	1	1
24,500,001	- and above	1	1
		<u>765</u>	<u>827</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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

	2010 Number	2009 Number
Corporate Affairs	6	6
Engineering/Operations Group	140	156
Sales and Marketing	245	255
Customer Care	193	221
Information Technology	28	38
Human Resources	24	20
Finance and Admin	82	83
Customer Operations/Store	47	48
	<u>765</u>	<u>827</u>

(c) Directors' remuneration

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

	2010 N'000	2009 N'000
Fees:		
- chairman (non-executive)	-	-
- other non-executive directors	22,929	12,797
	<u>22,929</u>	<u>12,797</u>
Remuneration as executive director	46,764	42,000
	<u>69,693</u>	<u>54,797</u>

The remuneration of the highest paid director was N46.8 million (2009: N42 million)

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

	2010 Number	2009 Number
N3,000,001 - N3,500,000	3	4
N13,000,001 - N13,500,000	1	-
	<u></u>	<u></u>



7. Taxation

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

	2010 N'000	2009 N'000
Income tax	647,401	88,464
Education tax	14,616	17,565
	<u>662,017</u>	<u>106,029</u>
Deferred tax write down (Note 11)	1,838,602	-
	<u>2,500,619</u>	<u>106,029</u>

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

	2010 N'000	2009 N'000
Balance, beginning of year	270,955	164,926
Current year charge (Note (a))	662,017	106,029
Payments during the year	(46,825)	-
	<u>886,147</u>	<u>270,955</u>

8. Loss per share

Loss per share is based on loss for the year of N7,660 million (2009: N7,787 million) and on 6,878,478,097 (2009: 6,878,478,097) ordinary shares being the number of ordinary shares in issue during the year.



9. Fixed assets

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

	Leasehold Land & Buildings N'000	Optic Dark Fibre N'000	Tower & Antennae N'000	Telecom Machinery & Equipment N'000	Furniture & Equipment N'000	Computer Equipment N'000	Motor Vehicles N'000	Generators N'000	Leasehold Improvement N'000	Capital work in Progress N'000	Total N'000
Cost											
Beginning of year	3,308,567	-	11,035,173	44,268,925	741,314	2,877,879	592,788	2,540,553	560,426	9,448,210	75,373,835
Additions	4,093	602,875	-	99,357	11,845	210,376	13,377	202,261	4,563	5,379,525	6,528,272
Transfers	912,636	-	1,782,712	7,043,594	51,641	246,731	-	703,673	29,114	(10,770,101)	-
Disposals	(989,584)	-	(7,058,930)	(1,850,715)	(104,533)	(155)	(685)	(1,842,187)	-	-	(11,846,789)
End of year	<u>3,235,712</u>	<u>602,875</u>	<u>5,758,955</u>	<u>49,561,161</u>	<u>700,267</u>	<u>3,334,831</u>	<u>605,480</u>	<u>1,604,300</u>	<u>594,103</u>	<u>4,057,634</u>	<u>70,055,318</u>
Accumulated Depreciation											
Beginning of year	296,876	-	2,755,416	14,745,419	153,199	1,586,918	409,183	1,176,546	261,092	-	21,384,649
Charge for the year	162,067	40,192	1,096,146	6,237,881	56,367	889,225	134,573	771,440	109,063	-	9,496,954
Disposals	(64,765)	-	(1,706,457)	(1,366,717)	(36,228)	(155)	(618)	(1,127,464)	-	-	(4,302,404)
End of year	<u>394,178</u>	<u>40,192</u>	<u>2,145,105</u>	<u>19,616,583</u>	<u>173,338</u>	<u>2,475,988</u>	<u>543,138</u>	<u>820,522</u>	<u>370,155</u>	<u>-</u>	<u>26,579,199</u>
Net Book Value:											
End of year	<u>2,841,534</u>	<u>562,683</u>	<u>3,613,850</u>	<u>29,944,578</u>	<u>526,929</u>	<u>858,843</u>	<u>62,342</u>	<u>783,778</u>	<u>223,948</u>	<u>4,057,634</u>	<u>43,476,119</u>
Beginning of year	<u>3,011,691</u>	<u>-</u>	<u>8,279,757</u>	<u>29,523,506</u>	<u>588,115</u>	<u>1,290,961</u>	<u>183,605</u>	<u>1,364,007</u>	<u>299,334</u>	<u>9,448,210</u>	<u>53,989,186</u>



- (b) Included in fixed assets are optic dark fibre cables and motor vehicles purchased under finance lease arrangements as follows:

	Optic Dark Fibre Cables N'000	Motor Vehicles N'000	Total N'000
Cost			
Beginning of year	-	422,379	422,379
Addition	602,875	-	602,875
End of year	602,875	422,379	1,025,254
Accumulated depreciation			
Beginning of year	-	303,415	303,415
Charge for the year	40,192	107,992	148,184
End of year	40,192	411,407	451,599
Net Book Value			
End of year	562,683	10,972	573,655
Beginning of year	-	118,964	118,964

- (c) The Company entered into an agreement with Swap Technologies and Telecoms Plc for the sale of four hundred and seven (407) out of its eight hundred (800) tower sites (comprising network towers, civil works, generators, network equipment, diesel tanks and landed properties) with a total net book value of N7.5 billion as at the date of the transaction.

A deed of release was signed between the Company and its lenders releasing the tower sites sold to Swap Technologies and Telecoms from all existing security on loans obtained by the Company.

The total proceeds received from the sale amounted to N11.4 billion with a gain of N3.9 billion.

- (d) **Capital Commitments**
The Company had authorised and contracted capital commitments amounting to N2.9 billion as at 31 December 2010 (2009: N1.2 billion).



10. 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:

	2010 N'000	2009 N'000
Cost		
Beginning of year	994,557	994,557
End of year	994,557	994,557
Accumulated amortisation		
Beginning of year	317,656	212,648
Charge for the year	105,008	105,008
End of year	422,664	317,656
Net Book Value		
End of year	571,893	676,901
Beginning of year	676,901	781,909

11. Deferred tax asset

The Company had unutilised capital allowances of N64.5 billion at year end (2009: N63.4 billion), which is available for set off against future taxable profits. The Company has adjusted the deferred tax asset balance to reflect the extent to which it is probable that there would be future taxable profits in the short to medium term against which the potential deferred tax asset could be utilised.

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

	2010 N'000	2009 N'000
Balance, beginning of year	3,787,3	183,787,318
Deferred tax write down (Note 7 (a))	(1,838,602)	-
	1,948,716	3,787,318



12. Long term prepayments

Long term prepayments are analysed as follows:

	2010 N'000	2009 N'000
Building and offices	753,709	1,129,084
Network sites	454,755	1,057,402
Indefeasible right of use (Note (a))	1,118,880	
	2,327,344	2,186,486
Less short term portion (Note 14)	(746,276)	(779,702)
	<u>1,581,068</u>	<u>1,406,784</u>

(a) During the year, the Company entered into a contract for the acquisition of Indefeasible Rights of Use (IRU) with respect to 2 STM 1 capacity on a submarine cable with a tenor of 15 years commencing from 1 July 2010.

13. Stocks

	2010 N'000	2009 N'000
Handsets and accessories	771,215	2,042,545
Internet hardware	255,255	68,254
Air time recharge cards	107,098	424,489
	<u>1,133,568</u>	<u>2,535,288</u>

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

14. Debtors and prepayments

	2010 N'000	2009 N'000
Dealers and subscribers	1,748,917	1,631,784
Interconnect receivables (Note 1(c))	432,684	489,010
Advance payments to suppliers	773,852	1,371,528
Sundry debtors	380,750	72,545
Prepayments – Short term portion (Note 12)	746,276	779,702
	<u>4,082,479</u>	<u>4,344,569</u>



15. Cash and bank balance

Included in cash and cash equivalents is an amount of N10.7 million (2009: N60 million) held in Debt Service Accrual Accounts, which are operated under specific restrictions.

16. Bank loans and overdrafts

	2010 N'000	2009 N'000
Bank overdrafts and commercial paper (Note (a))	1,517,149	-
Short term portion of bank loans (Note 18 (c))	16,922,140	11,761,594
	<u>18,439,289</u>	<u>11,761,594</u>

(a) Bank overdrafts and commercial paper comprise various short-term facilities obtained to finance imports and to meet working capital requirements. Total amount drawn at year end amounted to N1.5 billion (2009: Nil) at market related interest rates. The bank overdrafts and commercial paper are secured by a negative pledge on the Company's assets.

17. Creditors and accruals

	2010 N'000	2009 N'000
Trade creditors	2,623,644	1,512,279
Interconnect payable (Note 1 (c))	838,714	950,354
Deferred revenue (Note (a))	2,049,363	1,789,073
Pension fund accrual	74,678	56,967
Due to related parties (Note 23)	71,751	13,922
Other creditors and accruals (Note (c))	5,600,027	4,332,332
Finance lease creditors (Note 18(a))	214,180	44,827
	<u>11,472,357</u>	<u>8,699,754</u>

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

	2010 N'000	2009 N'000
Deferred revenue inclusive of free airtime	2,068,588	1,820,990
Unutilised free airtime at year end (Note (b))	(19,225)	(31,917)
Deferred revenue net of free airtime	<u>2,049,363</u>	<u>1,789,073</u>



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

	2010 N'000	2009 N 000
Balance, beginning of year	31,917	181,327
Free airtime given during the year	970,605	1,202,814
Free airtime utilised (Note 1 (b))	(983,297)	(1,352,224)
Unutilised free airtime, end of year	19,225	31,917

(c) Included in other creditors and accruals is an amount of N295 million (2009: N745 million) representing accrued interest on loans.

18. Non current liabilities

	2010 N'000	2009 N'000
Finance lease obligations (Note (a))	310,879	13,125
Provision for gratuity and long service awards (Note (b))	114,821	136,217
Medium term borrowings (Note (c))	5,860,738	21,395,349
Provision for asset retirement and restoration costs (Note (e))	59,565	59,565
	6,346,003	21,604,256

(a) In previous years, the Company purchased a number of motor vehicles through finance lease arrangements with Safewheelers Express Limited. The lease was for a period of forty – eight (48) months and the unexpired lease period as at the end of the year is twelve (12) months. The monthly lease rental is N1.17 million and the lease attracted interest at an average rate of 14% per annum.

During the year, the Company entered into finance lease arrangements with 21st Century Technologies Limited in respect of dark optic fibre cables, the lease payments are as described below:

Tenor	Year 1	Year 2	Year 3	Year 4	Year 5
Annual lease rental (N'000)	200,000	170,000	144,500	122,825	104,401

The lease has a tenor of five (5) years and the interest rate implicit in the lease agreement is 15% per annum. The unexpired lease period as at 31 December 2010 is four (4) years. 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 outstanding lease obligation at the year end was as follows:

	2010 N'000	2009 N'000
Amount falling due within one year (Note 17)	214,180	44,827
Amount falling due after one year	310,879	13,125
	525,059	57,952

The movement in finance lease obligations was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	57,952	137,936
Additional finance lease obtained during the year (Note 9(b))	602,875	-
Payments made during the year*	(135,768)	(79,984)
Balance, end of year	525,059	57,952

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

(b) Provision for gratuity and long service awards
The movement on this account during the year was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	136,217	227,236
Write-back for the year	-	63,469
Payments made during the year	(21,396)	(27,550)
Balance, end of year	114,821	136,217

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 N114.8 million as at year end will be paid when the employees exit the Company, with no interest accruing on the unpaid amount.



(c) Medium term borrowings
Medium term borrowings comprise:

	2010 N'000	2009 N'000
Amounts falling due within one year (Note 16)	16,922,140	11,761,594
Amounts falling due after one year	5,860,738	21,395,349
	<u>22,782,878</u>	<u>33,156,943</u>

The movement in bank borrowings was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	33,156,943	31,231,466
Bank loans obtained during the year	2,126,734	11,473,746
Payments made during the year	(12,642,391)	(13,505,805)
Exchange loss on loans	141,592	3,957,536
Balance, end of year	<u>22,782,878</u>	<u>33,156,943</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 the construction of its network expansion programme. These loans are as detailed below:

Lender	Facility Limit	Tenor	Interest Rate per annum	Amount Outstanding	
				2010 N'000	2009 N'000
GT Bank Plc	¥850 million	5 years	16%	89,126	318,750
Fidelity Bank Plc I	US\$25 million	4 years	10.25%	-	590,400
Fidelity Bank Plc II	US\$60 million	2 years	15%	4,654,500	9,309,000
First City Monument Bank	US\$15.8 million	5 years	3 month LIBOR + 850 b.p with a floor of 11%	346,086	1,020,285
Zenith Bank Plc	US\$25 million	5 years	10%	780,393	2,306,250
Zenith Bank Plc II/ HSBC	US\$22.95 million	5 years	3 months LIBOR + 235 b.p	1,233,203	2,040,546
Zenith Bank Plc III/ China Exim	US\$23 million	6 years	Commercial interest rate (CIRR) + 175 b.p	247,825	1,269,485
Huawei Technologies Company Limited	US\$75.8 million	3 years	3 months LIBOR + 300 b.p	9,010,266	11,181,772
First Bank – Zurich	US\$22.9 million	3 years	3 months LIBOR + 320 b.p	2,121,934	2,963,285
Industrial and Commercial Bank of China	US\$32.4 million	5 years	3 months LIBOR + 185 b.p	4,299,545	2,157,170
				<u>22,782,878</u>	<u>33,156,943</u>

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.



(e) **Provision for asset retirement and restoration costs**

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

The principal assumptions used are as follows:

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

The movement on this account was as follows:

	2010 N'000	2009 N'000
Balance, beginning of year	59,565	50,571
Provision for the year	-	8,994
Balance, end of year	<u>59,565</u>	<u>59,565</u>

19. Share capital

Share capital is analysed as follows:

	2010 N'000	2009 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 (2009: 6,878,478,097) ordinary shares of 50k each.	<u>3,439,239</u>	<u>3,439,239</u>

20. General reserve

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

	2010 N'000	2009 N'000
Balance, beginning of year	(22,970,155)	(15,182,975)
Transfer from profit and loss account	(7,660,137)	(7,787,180)
Balance, end of year	<u>(30,630,292)</u>	<u>(22,970,155)</u>



21. Operating profit before working capital changes

	2010 N'000	2009 N'000
Loss after taxation	(7,660,137)	(7,787,180)
<i>Add back:</i>		
Interest expense	2,669,109	3,147,695
Exchange loss	220,855	4,951,510
Less:		
Interest income	(284,247)	(1,085,009)
Taxation	2,500,619	106,029
Operating loss	<u>(2,553,801)</u>	<u>(666,955)</u>

Adjustment for non-cash items:

- Amortisation of licence fees	105,008	105,008
- Depreciation	9,496,954	7,896,319
- Unrealised exchange loss	(79,263)	(993,974)
- Gain on disposal of fixed assets	(3,947,384)	(5,573)
- Write-back for gratuity and long service award	-	(63,469)
- Provision for asset retirement and restoration costs	-	8,994

Operating profit before working capital changes	<u>3,021,514</u>	<u>6,280,350</u>
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22. Working capital changes

	2010 N'000	2009 N'000
Increase in long term prepayments	(174,284)	(172,650)
Decrease in stock	1,401,720	1,007,918
Decrease in debtors and prepayments	167,090	2,982,346
Increase/(decrease) in creditors and accruals*	3,187,968	(1,984,673)
Working capital changes	<u>4,582,494</u>	<u>1,832,941</u>

*Value Added Tax (VAT) paid of N654.2 million (2009: N282.2 million) shown separately in the statements of cash flows has been adjusted for in deriving the movement in creditors and accruals. This also accounts for the change in the prior year comparative number.



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	
			2010 N'000	2009 N'000
Capital Security Services Limited	Security services and drivers to the Company. The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this Company.	153,710	12,639	7,237
Allison Insurance Brokers Limited	Insurance brokerage to the Company. The Chairman of Starcomms Plc, Chief Maan Lababidi has interests in this Company.	10,428	-	-
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.	62,622	-	-
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.	24,180	24,180	-
Pisces Power & Service Ltd (SDMO)	Provides generator supply and maintenance services. The Company is owned by Chief Maan Lababidi.	198,129	34,932	6,685
Chapel Hill Denham Group	Provides consultancy and advisory services to the Company. The Chairman of the firm is Olawale Edun.	38,000	-	-
Due to related parties (Note 17)			71,751	13,922

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 N272.7 million (2009: N11 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 N747 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 2010, 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:

	2010 N'000	2009 N'000
Revenue		
Voice	20,409,651	26,440,848
Data	8,621,685	7,863,623
Total per profit and loss account (Note 1(a))	29,031,336	34,304,471
Depreciation		
Voice	7,312,654	6,080,165
Data	2,184,300	1,816,154
Total per profit and loss account (Note 9(a))	9,496,954	7,896,319
Amortisation		
Voice	-	-
Data	-	-
Unallocated	105,008	105,008
Total per profit and loss account (Note 10)	105,008	105,008
Interest expense		
Voice	-	-
Data	-	-
Unallocated	2,669,109	3,147,695
Total per profit and loss account (Note 5)	2,669,109	3,147,695



	<u>2010</u> N'000	<u>2009</u> N'000
Loss before taxation		
Voice		-
Data		-
Unallocated	(5,159,518)	(7,787,180)
Total per profit and loss account	<u>(5,159,518)</u>	<u>(7,787,180)</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:

	<u>2010</u> Number'000	<u>2009</u> Number'000
Net active voice subscribers, beginning of year	2,509	1,990
New voice subscribers during the year	582	602
Voice subscribers churned during the year	(1,365)	(83)
Active voice subscribers, end of year	<u>1,726</u>	<u>2,509</u>

- (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:

	<u>2010</u> Number'000	<u>2009</u> Number'000
Net active data subscribers, beginning of year	120	95
New data subscribers during the year	137	123
Data subscribers churned during the year	(117)	(98)
Active data subscribers, end of year	<u>140</u>	<u>120</u>



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 2010 that have not been adequately provided for or disclosed in these financial statements.



VALUE ADDED STATEMENT

For the year ended 31 December 2010

	2010	%	2009	%
Turnover	29,031,336		34,304,471	
Bought-in-materials and services				
- Local	(17,199,422)		(26,708,840)	
- Imported	(2,684,898)		(3,387,933)	
	9,147,016		4,207,698	
Interest received	284,247		1,085,009	
Value Added	9,431,263	100	5,292,707	100
Distribution of Value Added				
To Government as:				
Taxes	2,500,619	26	106,029	2
To Employees:				
Salaries, wages and fringe benefits	2,319,710	25	1,824,836	34
To Providers of Finance:				
Interest to lenders	2,669,109	28	3,147,695	60
Retained in the business				
To maintain and replace fixed assets (depreciation)	9,496,954	101	7,896,319	149
To replace licences (amortisation)	105,008	1	105,008	2
To deplete reserves	(7,660,137)	(81)	(7,787,180)	(147)
Value Added	9,431,263	100	5,292,707	100

Value added represents the additional wealth which the Company have 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 2010

	2010 N'000	2009 N'000	2008 N'000	2007 N'000	2006 N'000
Profit and Loss Account					
Turnover	29,031,336	34,304,471	34,501,213	19,135,582	13,614,796
Operating (loss)/profit	(2,553,801)	(666,955)	(4,448,235)	137,425	296,559
(Loss)/profit before taxation	(5,159,518)	(7,681,151)	(8,415,038)	451,813	(2,068,489)
(Loss)/profit after taxation	(7,660,137)	(7,787,180)	(8,008,084)	1,016,067	(1,495,017)
Funds Employed					
Share capital	3,439,239	3,439,239	3,439,239	1,846,859	41,280
Share premium	50,779,997	50,779,997	50,779,997	12,639,054	-
General reserves	(30,630,292)	(22,970,155)	(15,182,975)	(7,174,891)	(8,190,957)
Shareholders' Funds	23,588,944	31,249,081	39,036,261	7,311,022	(8,149,677)
Assets Employed					
Fixed assets	43,476,119	53,989,186	49,541,184	24,906,382	16,735,894
Intangible assets	571,893	676,901	781,909	517,875	413,739
Deferred tax asset	1,948,716	3,787,318	3,787,318	3,292,176	2,651,184
Long term prepayments	1,581,068	1,406,784	1,234,134	973,821	348,790
Net current (liabilities)/assets	(17,642,849)	(7,006,852)	3,689,921	(8,942,712)	(6,796,056)
Non current liabilities	(6,346,003)	(21,604,256)	(19,998,205)	(13,436,520)	(21,503,228)
Net Assets	23,588,944	31,249,081	39,036,261	7,311,022	(8,149,677)
(Loss)/earnings per share	(N1.11)	(N1.13)	(N1.44)	N1.03	(N36.22)
Adjusted earnings/(loss) per	-	-	-	N0.15	(N0.22)



Products
& Services

STARCOMMS PRODUCT OFFERING



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 and Fixed broadband and 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
 - Awuff
 - Awuff PLUS

- 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

New Promo Tariff /Subscription Plans

- Awuff Tariff Plan
- Awuff Plus (subscription Plan)Unlimited On-net plan

	Promo Plan 1	Promo Plan 2
	Awuff Tariff Plan	Awuff Plus (subscription Plan)
Plan	First minute call /per day charge, subsequent rates/calls discounted & billed per second First call of the day billed at N30 for the first minute	Subscription based plan (several subscription options available) 1,3,5,7,15 & 30 day Plan available (see table below)
On-net (peak & Off peak	15k	Unlimited
Off-net (peak & Off peak	20k	20k

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



Huawei 8521 (Cordless Phone)

Corporate Roaming 20/10 (VPN Plan)

Corporate VPN (Awuff)Tariff Plan	
Corporate 20/10	
	NET Tariff PMB (N)
On- Net(Peak/Off peak)	
Local/Unified	9
Off Net (Peak /Off-peak)	
GSM / CDMA Unified Mobile/ Local/National	12
Free Compliments - Free calls within the CUG	CUG

Data Services

Your business never has to be on hold, it goes with you everywhere; Connect in your car, at work, on the field, at the beach, anywhere within Starcomms 3G EVDO mobile broadband coverage area for EVDO Services and All Starcomms coverage areas for One X services and be secure with in built data protection provided by superior CDMA technology. Plug and Play –simply slot your PCMCIA or Express card into the PCMCIA or Express card slot on your Laptop or Your data USB device into a USB slot on a laptop or desktop & 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 Devices

IZAP Mobile Broadband Access Devices

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 Devices

Subscription Plans (IZAP & One X)

IZAP Subscription Plans (Rates are VAT(Inclusive)



TARIFF PLAN	1x CODE	ACCESS TIME	AMOUNT	izap CODE	ACCESS TIME	AMOUNT
ALWAYS REN	141	30 DAYS 24/7	10,000	241	30 DAYS 24/7	15,950
100 HOURS REN	142	30 DAYS 24/7	5,000	242	30 DAYS 24/7	6,500
250 HOURS REN	143	90 DAYS 24/7	10,000	243	90 DAYS 24/7	15,000
NIGHT REN	144	30 DAYS 9PM - 9A.M	5,000	244	30 DAYS 9PM - 9A.M	5,000
BUSINESS REN	145	30 DAYS 9A.M - 9PM	7,000	245	30 DAYS 24/7	7,000
7 - 11 A.M 7 - 11PM REN	146	1 MONTH	6,000	246	30 DAYS	6,000
50 HOURS	147	14 DAYS	2,500	249	14 DAYS	3,500
ALL NIGHT PLAN						
12A.M - 3A.M	148	30 DAYS	1,500	251	30 DAYS	1,500
3A.M - 6A.M	149	30 DAYS	1,500	252	30 DAYS	1,500

To check your internet balance / validity, from a Starcomms phone text your internet number ONLY to 37937 and from ANY other network text your internet number ONLY to 07026037937.

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

Starcomms Data Plans

Starcomms ...best for you

Subscription options Unlimited On-net plan

Subscription Plans	Days	Subscription fee (N)
1 day	1	100
3 days	3	300
5days	5	490
7 days	7	665
15 days	15	1350
30 days	30	2500

MOBILE - Roaming Tariff Plans

ROAMING TARIFF - Mobile Prepaid Plans				
MOBILE TARIFFS				
TARIFFS INCLUSIVE OF 5% VAT				
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	28	22	15
Unified	16	30	29	24
On Net (Off Peak)				
Local	9	20	16	13
Unified	10	23	22	15
Off Net (Peak)				
PTO / Nitel / Fixed	19	38	33	29
GSM / CDMA Unified mobile	32	62	55	46
Off Net (Off Peak)				
PTO / Nitel / Fixed	17	32	29	24
GSM / CDMA Unified mobile	22	45	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 - Tariff Plan - Talkie Prepaid Tariff Plan

FIXED TARIFFS					
TARIFF S INCLUSIVE OF 5% VAT					
	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	23	20	15	13
Unified	12	30	25	23	21
On Net (Off Peak)					
Local	7	14	13	11	13
Unified	9	19	15	18	21
Off Net (Peak)					
Local	13	32	28	28	28
National	17	34	32	32	32
GSM / CDMA Unified mobile	28	56	50	44	40
Off Net (Off Peak)					
Local	11	26	21	19	27
National	14	33	32	32	32
GSM / CDMA Unified mobile	19	36	30	28	28

ENTERPRISE SOLUTIONS

VPN Bulk SMS Call Conferencing PBX solution

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.

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 two steps

- I. Pay annual subscription charge sign order forms and standard terms and conditions and Starcomms issued the users a set of PINs.
 - II. Distribute the start time of the call, their PIN and the voice conferencing allocated access number to fellow conference call participants.
 - III. 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.

Value Added Services

Jobs on Phone; Google SMS; AfriTalk; AfriChat; Listen to Bible; Listen to Quran; WAP; StarTrack

Jobs on phone

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

How does it work?

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

Service Cost:

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

Google SMS:

Starcomms directly signed up with Google Nigeria to launch various SMS based services on the network. The service includes Gtalk and Gmail through SMS. On any handset Starcomms subscribers will be able to use his Gmail. The basic features of the service are as follows; Initiate the sending of emails; Receive emails; Block contacts

Also the service will allow seamless chat service on Gtalk thus completing the entire chat product portfolio of Yahoo, MSN and Gtalk

Cost of service
N5/SMS (100% share to Starcomms)

AfriTalk:

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

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

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

Starcomms AfriChat

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

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

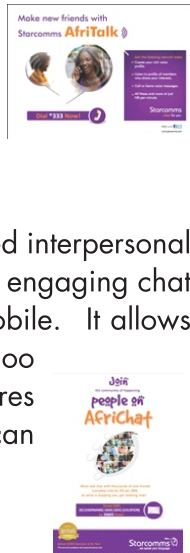
Listen to the Holy Bible

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

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

Listen to the Holy Quran

Starcomms subscribers can now listen to inspirational and uplifting Surahs of their choice from the Holy Quran on their Starcomms phones. This service is designed to update and increase the knowledge of Muslim subscribers in the tenets of Islam as well as allow them access to the Holy Quran anytime & anywhere.



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

How to use the Service:

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

WAP

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

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

StarTrack

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

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





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 admit

to 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



PROXY FORM

The 13th Annual general Meeting of Starcomms PLC taking place at the Lagos/Kogi/Osun Halls, transcorp Hilton Hotel, Abuja on the 14th day of June 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 14th of June and at any adjournment thereof:

Dated this.....day of....2011

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 1261 c 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 2010 now submitted be and are hereby received and approved"			
2) To re-elect directors Retiring by rotation: i. Mr. Paul Edwards ii. Prof. Enrique Arzac			
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" "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.

Appendix

Movements in Share Capital

Authorized		Issued & Fully Paid Up (N)		Consideration	
Year	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.