



Annual Report 2010

Telecommunications Commission of the Solomon Islands

| CONNECTING THE SOLOMON ISLANDS |

Taeasi Sanga
Clerk to the Parliament
Parliament
Honiara

31 March 2010

Dear Madam,

I am pleased to provide the first Annual Report of the Telecommunications Commission of the Solomon Islands (TCSI) for the year ending 31 December 2010.

This report is prepared in accordance with section 23 of the *Telecommunications Act 2009*. The report provides a summary of the activities of the TCSI including:

- gazetted determinations, orders and directions;
- material procurement and consulting activities;
- register of telecommunications licences;
- register of frequencies issued; and
- TCSI's financial statements.

Section 23 of the Act requires that the report be tabled in Parliament within three months after the end of each financial year.

The Annual Report will also be published on the TCSI's web page at www.tcsi.org.sb and which I recommend as a source of information on the TCSI's activities and duties.

Yours sincerely



Nicholas Williams
Telecommunications Commissioner

TABLE OF CONTENTS

Table of contents.....	3
Introduction.....	4
Activities of the Commission.....	6
Establishment.....	6
Funding.....	6
Procurement.....	7
Enforcement.....	7
Spectrum Management.....	8
Broadcasting.....	8
Internet Domains.....	9
Numbering.....	9
Licences.....	9
The way forward in 2011.....	10
Summary.....	12
Appendix A: Evaluation Committee.....	13
Appendix B: Determinations, Orders, Directions and Regulations.....	14
Appendix C: Universal Access.....	15
Appendix D: Applications, Disputes and Complaints filed with the TCSI.....	16
Appendix E: Material Procurement and Outsourcing.....	17
Appendix F: Material Litigation.....	19
Appendix G: List of Licences and Exemption Orders in force.....	20
Appendix H: Summary of Radio-Frequencies allocated and assigned.....	21
Appendix I: List of interconnection and access agreements filed in 2010.....	22
Appendix J: Summary of Regulated Prices.....	23
Appendix K: TCSI Financial Statements for year ending 2010.....	24

INTRODUCTION

2010 was a significant transitional year in the telecommunications market of the Solomon Islands. Since 1988, only Solomon Telekom Limited (STL) has been permitted to provide telecommunications services under a series of exclusive licences. But from 1 April 2010 an additional mobile service provider was allowed to offer commercial services.

The advent of competition, albeit still limited, followed from a relatively hectic 2009 for telecommunications. Between the period of June to end December, 2009, the Government reached an agreement with STL for STL to surrender its exclusive licence to provide services (26 June 2009); the Telecommunications Act was passed and commenced (11 September 2009); BMobile Limited, subsequently BMobile (Solomon Islands) Limited ("bemobile") was awarded the second mobile licence (18 December 2009); and the Solomon Islands first Telecommunications Commissioner, Nicholas Williams, was appointed (21 December 2009).

The Telecommunications Act ("the Act") was the principal agent for change. Under the Act, the second mobile operator was allowed to launch service from 1 April 2010 and further market entry was permitted from 1 April 2011. It was also the Act that established the Telecommunications Commission as the sector regulator, charged with liberalisation of the market, the management of key regulated assets, such as radio frequencies and numbers, and the future regulation of market players.

Market developments

It would be misleading in the extreme to suggest that by the end of 2010 the Solomon Islands telecommunications market was anything but a laggard in world terms. With mobile penetration¹ of around 25%, compared to that for the Asia Pacific region as a whole at 67% and global penetration at 76%², and fixed penetration standing at around 2%, connectivity in the Solomon Islands remains far too low.

But 2010 did see important improvements.

STL reacted to prospective competition and customer complaints by substantially upgrading and replacing many elements of its mobile network, including the core network. New sites were built and equipment brought in which has substantially put to rest the congestion problems that had made the network almost unreachable on some days, particularly Friday afternoons. The new sites and network upgrade was brought in from May 2010 and, after additional network optimisation work, both reliability and quality have been much improved.

bemobile launched their network on 31 August 2010, initially on Guadalcanal, Malaita and Western. Potential subscribers were faced then with a wider choice of handsets and with differing tariffs. Some price competition was introduced and STL reacted with a 50% reduction of its standard SMS tariff.

¹ The proportion of the total population with a mobile subscription measured as total subscriptions/total population

² Source: TCSI estimate (for Solomon Islands) and WCIS Informa (Asia Pacific and global estimates)

In December, STL launched its 3G mobile network in Honiara and Auki, giving the opportunity for data and internet access.

Taken together, these actions clearly do not promise to resolve all of the Solomon Islands connectivity issues. But they show an initial benefit from the policy of liberalisation.

If the mobile sector advanced, it should not be allowed to mask the reality that the data market remains poorly served. ADSL speeds are poor, often far below the advertised speed for the product. STL has enough international capacity such that this should not be the bottleneck. But still speeds are limited and the reliability of the service unexceptional. Moreover, 3G tariffs do not appear to be priced to compete with, and thereby cannibalise, the traffic over ADSL.

The brevity of the market overview is an indication of the problem facing the Solomon Islands. Without more players and greater consumer choice, the pressures to upgrade services, diversify products, price competitively and extend networks is muted. The Internet Service Provision (ISP) segment is one key area that the TCSI hopes will advance substantially in 2011 as liberalisation is introduced.

Even with greater competition, the ISP market still faces a high cost floor because of the reliance on satellites for international connectivity. During 2010, the World Bank and Asian Development Bank have promoted a project to secure financing, including potential donor funds, to bring a submarine fibre-optic cable to the country. The cost of the project is not small and prospective shareholder engagement has been limited so far, but the need for a cable to ensure the continued competitiveness of the Solomon Islands *vis a vis* its international neighbours is recognised by industry.

ACTIVITIES OF THE COMMISSION

ESTABLISHMENT

The TCSI was established by the Telecommunications Act and came into being on 1 February 2010 when the first Telecommunications Commissioner, Nicholas Williams, took up his position. RAMSI and AusAid provided AUD600,000 of funding to rent offices, acquire necessary furniture and equipment and to support the initial operational costs, including salaries, of the TCSI. Offices were found initially at Victory Building, Honiara from 1 March 2010 and then, in December, at the Hyundai Mall in Honiara. The key determinant in selecting offices (and subsequently moving offices) was to control and limit operational costs associated with any property; no consideration was given to acquiring permanent premises as the TCSI did not have access to sufficient funds for that to be a plausible option.

Recruitment of staff began in February 2010, when four posts were advertised locally. The TCSI had little problem finding suitably qualified applicants; three posts were subsequently filled by local staff and the fourth by an expatriate already resident in the country.

Organisationally, the TCSI is split into two parts, with the Commissioner responsible and accountable for both. The Project Management Unit is essentially responsible for the back-office management of the TCSI, dealing with financing, procurement, office management, contracts, HR and training. The other part is the operations piece dealing with the rationale for a TCSI. Such matters as Regulatory Resource Management (spectrum, domain names and numbering), market intelligence, competition, licence enforcement and regulation are addressed. In time, matters like number portability and universal access will be considered and the operations of the TCSI may be expected to expand in future years.

FUNDING

The Telecommunications Act foresees the TCSI being funded primarily from a levy of up to 2% of gross revenues on licensed telecommunications service providers. However, until 15 October 2015, at the latest, all service provider licence fees must be paid to STL as part-payment of the Government's debt to the company for surrendering its exclusive licence. Consequently, the TCSI is dependent on donor funding.

Throughout 2010 funding of the TCSI consisted of the following grants:

- accountable cash grant (reference 54180) of AUD\$300,000 from AusAID;
- accountable cash grant (reference 53736) of AUD\$300,000 from RAMSI; and
- International Development Association (IDA) grant (reference P113148) of USD\$5.99M (payable for a five year period).

The AusAid and RAMSI grants were, as previously mentioned, ring-fenced to meet the initial start-up costs of the TCSI. Appendix K provides a full financial review of the TCSI in 2010.

In order to have access to the IDA funding, the TCSI has had to meet certain conditions, including the appointment of a Project Coordinator, Finance Manager and Procurement Manager suitable to the

World Bank. These positions were filled. Subsequent reviews by the World Bank have approved of the management of the project funds.

PROCUREMENT

The TCSI is funded by an IDA Grant, part-financed by the World Bank. Consequently, it must follow World Bank procurement guidelines when acquiring capital assets and consultancy advice. The guidelines are extensive and the procurement processes inevitably very lengthy. As an example, it took six months to procure legal advice for a licensing regime. While such exactitude in the procurement process ensures that funding is not misplaced, misdirected or inefficiently used, the operational effect is that the TCSI has taken longer than it would like to take forward necessary work.

Appendix E sets out the individual procurement processes begun - though not necessarily completed - by the TCSI during 2010. While the TCSI is careful not to become over-reliant on consultancy advice, the practical reality at this time in the development of a regulatory regime in the Solomon Islands is that such consultancy is invaluable. Access to capable advisors gives the TCSI's staff the opportunity to develop their own regulatory skills while pursuing immediate operational goals expeditiously.

ENFORCEMENT

The biggest regulatory issue facing the TCSI during 2010 was enforcement of the coverage obligation in bemobile's licence.

Bemobile was awarded its licence on 18 December 2009 after a competitive selection process or 'beauty contest' in which it was required, amongst other things, to offer a coverage commitment and an associated demand guarantee or performance bond. The coverage commitment offered by bemobile is represented in its licence as a coverage obligation. The obligation is split into four thresholds. bemobile has guaranteed compliance with the obligation by lodging a Demand Guarantee of US\$10M. Any failure to meet any of the coverage thresholds can see the TCSI exercise up to US\$2.5M in lieu of coverage foregone. If bemobile fails to meet all thresholds, then the full US\$10M is, of course, at risk.

The first threshold required bemobile to provide services to 25% of the population by 18 June 2010. In the event, they had not built any base stations by that date and were not in a position to launch a commercial service. Consequently, the TCSI exercised the demand guarantee in the amount of US\$ 1.5M. In doing so, it took into account the Government's desire for rapid launch and that bemobile's launch commitment was a key factor in it being awarded the licence, while being mindful of the importance of maintaining an incentive for bemobile to launch its services as soon as possible. Accordingly, the TCSI did not exercise the full amount of US\$2.5M, but informed bemobile that it would exercise the remaining US\$1M balance of the first tranche of the demand guarantee if bemobile still failed to comply with its first coverage threshold by 31 August 2010. When bemobile launched services on 31 August 2010 covering more than 25% of the population, the TCSI released the US\$1M balance of the first tranche under the demand guarantee.

bemobile then failed to comply with its second threshold of 50% population coverage by 18 September 2010. In light of bemobile's initial late launch, the TCSI considered the consequent difficulty bemobile faced in getting back on track to meet that second threshold. Under those circumstances and again in order to maintain an incentive for bemobile to meet that second threshold as soon as possible, the TCSI did not exercise the second tranche of the demand guarantee. Instead, with bemobile's agreement, the TCSI amended bemobile's licence obligations. The requirement of the 50% threshold was delayed to 1 December 2010 without any consequent draw-down under the demand guarantee, and the requirement of the 75% threshold was advanced from 18 March 2011 to 1 February 2011. When the TCSI found that bemobile met the 50% threshold by 1 December 2010, it released the entire second US\$ 2.5M tranche of the demand guarantee.

The enforcement of bemobile's licence has entailed much discussion, legal advice, correspondence and meetings with the company. As at March 2011, bemobile is again in breach of its licence, having failed to meet the third threshold by the due date of 1 February 2011 and the rectification period of 14 February 2011.

SPECTRUM MANAGEMENT

A key component of the Government's 2008 telecommunications policy was to transfer regulatory functions such as spectrum and numbering management to an independent regulator. Throughout 2010 the TCSI worked on developing a National Radiofrequency Band Plan. This included engaging a consultant through the International Telecommunications Union (ITU) and a stock take of frequency allocations in the Solomon Islands. The plan is designed to bring the Solomon Islands into line with the ITU Regional Regulations and is consistent with the principle objective of the Act. The TCSI has commenced the National Spectrum Band Plan consultation process and expect the process to be completed by April 2011.

Under the terms of the settlement agreement between STL and SIG, it was agreed that a thorough review of STL's spectrum could commence at any time within three months after the entry of the 2nd mobile service provider, bemobile. The TCSI commenced this review in November 2010 with the objective of rationalising the allocation to STL of spectrum bands that are expected to be required by other service providers and where STL has more spectrum than it would be reasonably be expected to require for the provision of a commercial telecommunications service. The TCSI has requested STL to review its current spectrum allocation and justify its need for the current allocation by March 2011.

BROADCASTING

The TCSI is responsible for licensing all radio frequencies in the Solomon Islands. It is not, however, responsible for licensing the provision of radio and television broadcasting. The former is not regulated at all, whereas the latter is regulated by the TV Act 1996. The TCSI will not release frequencies to a television broadcaster that does not have a licence to provide television services issued by the TV Board under the TV Act but for the caveat below.

For much of 2010, no Television Board was constituted. TV broadcasters were consequently unable to renew their television broadcast service licences. The TCSI has been willing to renew related spectrum licences where the broadcaster previously has had a television broadcast licence and

might be expected to renew it were a Television Board constituted. It would be a great assistance to the TCSI and to prospective television broadcast service providers if a new Television Board was appointed and met.

INTERNET DOMAINS

The Act requires the TCSI to assume responsibility for the registration and allocation of all internet domains under the .sb ccTLD (country code top level domain). Work has begun within the TCSI, with much assistance from STL (the current manager) to review management of the .sb ccTLD. During 2011 the findings from this review will go out for consultation including where ultimate responsibility for domain name management should reside. Any decisions may still require the endorsement of IANA (the Internet Assigned Names Authority).

NUMBERING

Under the Act the TCSI is responsible for the national numbering plan. The Act precludes the TCSI from amending the current national numbering plan before 11 September 2011 (two years after the Act's commencement date). There were no significant issues raised about the numbering plan in 2010. For the record, the Act also precludes the introduction of number portability - the action of maintaining a number even after changing service provider - before 1 April 2012. The TCSI did not view number portability as a priority for the Solomon Islands market during 2010 and has no current plans to consider its introduction.

LICENCES

At the end of 2010, there were two licensees to provide telecommunications services in the Solomon Islands: Solomon Telekom Limited ("STL") and BMobile (Solomon Islands) Limited ("bemobile"). Both had received their licences in December 2009.

No new licences were issued in 2010. This reflected the moratorium imposed by the Telecommunications Act on further market entry until after 1 April 2011.

As noted earlier under "Funding", service providers are required under the Act to pay an annual licence fee of up to 2% of their gross revenue related to the provision of telecommunications services. During 2010, the TCSI discussed the definition of 'gross revenues' with both bemobile and STL. Subsequently, a regulation was made on 27 October 2010 setting out how 'gross revenues' is to be calculated.

The principal objective for 2011 is the successful introduction of full market liberalisation. Issues to be addressed are:

- **the licensing regime:** as at the end of March 2011, a consultation is continuing on a class licence that will permit any qualifying registrant to provide any telecommunications service in the Solomon Islands. Should they need radio-frequencies, they will need to apply separately for a spectrum licence. The class licence should be issued by Order before the end of April 2011;
- **third mobile licence:** the process for an award of a third mobile licence is currently suspended to allow time to consult with incumbent operators. Should it restart, the TCSI will have to ensure a smooth licensing round and judge whether, if any application is received for the licence, any licence should be awarded and on what terms;
- **licence enforcement:** this will continue to be a key theme in 2011 and may be heightened if a third mobile service provider is licensed. There will be a significant administrative burden placed on the TCSI to ensure it has adequate processes to keep track of registered licensees and to ensure all licence fees are collected on time;
- **dispute and appeals panels:** the TCSI is identifying prospective members of a Dispute and Appeal Panel, as required under the Act;
- **market intelligence:** the TCSI has contracted a company to help it create a sustainable database of market intelligence in the Solomon Islands and the wider region;
- **spectrum monitoring:** the TCSI will buy equipment and software to enable it to enforce spectrum licences and monitor instances of interference. Currently, procurement processes are being followed to acquire both software and hardware;
- **domain name management:** a consultation will be published imminently on this matter. Alongside it, the TCSI will also consult on the effects of IP version 6 for the country;
- **numbering:** the current number plan is arguably inconsistent with best practice and may come under stress if value-added service providers enter the market. Consideration will be given to revising the numbering plan but a full consultation with industry, including a cost-benefit analysis will need to be conducted before any decisions are made;
- **universal access:** there is no pressing need to introduce a Universal Access regime in the Solomon Islands at this time. Liberalisation will reveal the extent of uncommercial coverage and users. Until that time, which may be another two years from now, any intervention would be premature and potentially distorting. However, it is necessary to consider

whether, and if not, how the country may benefit from reasonable disaster relief services supported by telecommunications;

- **taxation:** levels of duties and taxation on telecommunications counter Government aims for a widespread and affordable access to telecommunications services. The TCSI will review the matter and make recommendations to the Government; and
- **intellectual property rights:** a consultation is on-going and seeks comments on the effects of intellectual property rights on the telecommunications sector in the Solomon Islands. Any responses will be reviewed and the TCSI will make recommendations to the Minister of Communications and Aviation.

SUMMARY

2010 was primarily a period for the TCSI to install management systems and controls to ensure that the organisation was administratively robust and financing could be accessed. The Project Management Unit in the TCSI successfully met the task and no weaknesses have been found in the TCSI's administration.

Operational work has focused more than anyone would have wanted on licence enforcement, with bemoobile's late launch and subsequent difficulties to meet its coverage obligations taking substantial management time. This was unfortunate. Some issues, particularly the management of internet domains, have not progressed as far as the TCSI would have liked and this will need to be fully corrected in 2011. However, major steps have been taken to improve the management of the radio spectrum in the Solomon Islands and to progress liberalisation of the telecommunications sector. Procurement processes begun in 2010 - for legal advice on a prospective third mobile licence award process and on the licensing regime; for a market intelligence database; and for spectrum hardware and software - leaves the TCSI well positioned to meet the oversight challenges of, one hopes, a much more vibrant telecommunications sector in 2011 as full liberalisation is introduced.

APPENDIX A: EVALUATION COMMITTEE

The Act provides for administrative oversight of the TCSI by an Evaluation Committee. Members of the Evaluation Committee shall be the Chairman of the Law Reform Commission (who will chair the Committee), the Governor of the Central Bank and the Chairman of the Chamber of Commerce and Industry. Until such time that a Chairman of the Law Reform Commission is appointed, the Public Solicitor will take his place on the Evaluation Committee.

The Evaluation Committee has two principal roles. First, it makes recommendations to the Minister of Communications on whom to appoint to be the Telecommunications Commissioner. The Minister may only accept or reject a person recommended by the Evaluation Committee. He may not appoint anyone who has not been first recommended by the Evaluation Committee.

Second, the Evaluation Committee reviews the budget and work plan of the TCSI, ensuring there is an independent assessment of the use of the TCSI's funds.

During 2010, the members of the Evaluation Committee were:

- Denton Rarawa (Chair) - Governor of the Central Bank of the Solomon Islands
- Mike Hemmer (until June 2010) and James Kim (from June 2010) - Chairman of the Solomon Islands Chamber of Commerce and Industry
- Douglas Hou - Public Solicitor

In November 2010 the TCSI submitted its three year rolling budget to the Evaluation Committee. The budget was subsequently approved.

APPENDIX B: DETERMINATIONS, ORDERS, DIRECTIONS AND REGULATIONS

The TCSI may, on its own initiation, make determinations, orders and directions which it considers necessary or expedient for carrying into effect any of the purposes or provisions of the Telecommunications Act. The Act also grants the TCSI the power to make regulations on matters specified in the Act.

In 2010, the TCSI made the following Order and Regulation:

Telecommunications Commission (bemobile Service Licence Amendment) Administrative Order 2010 (TCSI Order No.01 of 2010) was made on 3 November 2010 and gazetted on 4 November 2010.

The effect of the Order was to bring forward the third threshold of bemobile's coverage obligation from 18 March 2011 to 1 February 2011, to limit the rectification period to 14 days and to provide a minimum amount of USD\$500,000 which the TCSI may exercise from the demand guarantee if the threshold is not met by the end of the rectification period.

Telecommunications (Transitional Licence Fees) Regulations 2010 was made on 27 October 2010 and sets administrative fees for radio-frequency licences and the method to calculate 'gross revenues' for purposes of the annual service provider licence fee.

APPENDIX C: UNIVERSAL ACCESS

The TCSI may by determination adopt and thereafter review annually a Universal Access Plan. Such a plan commonly considers how to serve areas and people that cannot be served on commercially sustainable terms by service providers. The plan should also consider what level of service at a minimum must be offered.

The TCSI has made no determination on universal access to date. It believes that it is too early to do so and that liberalisation must be allowed to evolve first. That will reveal which persons and areas cannot be served commercially. It will, however, as mentioned in the main report, consider in 2011 what reasonable disaster relief services may be provided generally by the telecommunications sector.

APPENDIX D: APPLICATIONS, DISPUTES AND COMPLAINTS FILED WITH THE TCSI

None.

1. Project Coordinator

Responsible for the administration of the TCSI's procurement and finance functions plus all other support services to the TCSI.

Commenced Procurement: 18 February 2010

Completed Procurement: 10 May 2010

Awarded to: Kathleen O'Kane

2. Local Legal Adviser

To provide legal advice, litigation expertise and representation to the TCSI.

Contracted: Primo Afeau of Primo Afeau Legal Services, Honiara

3. TCSI Vehicle

Commenced Procurement: March 2010

Completed Procurement: March 2010

Awarded to: Ela Motors

4. Third Licence Award Process

To provide legal advice on a process to award a third mobile licence.

Commenced Procurement: June 2010

Completed Procurement: December 2010

Awarded to: Macmillan Keck

5. General Authorisation Regime

To provide legal advice on the creation of a licensing regime to support market liberalisation.

Commenced Procurement: July 2010

Completed Procurement: February 2011

Awarded to: Webb Henderson

6. Market Intelligence Database

To design and build a market intelligence database.

Commenced Procurement: September 2010

Completed Procurement: March 2011

Awarded to: Network Strategies

7. Spectrum Monitoring Equipment

Equipment to enable the TCSI to monitor spectrum interference and review the use of frequency bands.

Commenced Procurement: June 2010

On-going.

8. Spectrum Management software

To assist spectrum staff to develop local band plans; to track licences; and to plot interference.

Commenced Procurement: June 2010

On-going.

APPENDIX F: MATERIAL LITIGATION

None.

Telecommunications service provider licences

1. Solomon Telekom Company Limited
2. Bemobile Solomon Islands Limited

Radiocommunication general users licence

Licences can be issued under the class type of licence. The TCSI has been issuing these Radio Communication general users licence during 2010.

1. Amateur Licensees
2. Aeronautical Licensees
3. Maritime Licensees
4. Land Mobile Licensees
5. VSAT satellite Licensees
6. Fixed station Licensees
7. Broadcasting station Licensees

APPENDIX H: SUMMARY OF RADIO-FREQUENCIES ALLOCATED AND ASSIGNED

Radiocommunication licences	Issued during 2010
Amateur Licensees	Shane Lynd (Australia) Thomas Lynd (Australia)
Aeronautical Licensees	Solomon Airlines
Maritime Licensees	Blossom (SI) Company Ltd (Solomon Islands) Concrete Industries (Solomon Islands) El-Shaddai Enterprise (Solomon Islands) Guadalcanal Provincial Shipping Ltd (Solomon Islands) Haura Shipping Services (Solomon Islands) Isabel Development Company Ltd (Solomon Islands) National Fisheries Development Ltd (Solomon Islands) Pacific Venture (SI) Ltd (Solomon Islands) Shortland Shipping (Solomon Islands) Silent World (Solomon Islands) Transol Shipping Co. Ltd (Solomon Islands) Tremax Shipping (Solomon Islands) UTA Shipping (Solomon Islands)
Land Mobile Licensees	Solomon Kitano Mendana Hotel
VSAT satellite Licensees	No licences were issued during 2010
Handheld Licensees	No licences were issued during 2010
Fixed station Licensees	Guadalcanal Exploration Newmont Venture Limited – Solomon Islands
Broadcasting station Licensees	No licences were issued during 2010

APPENDIX I: LIST OF INTERCONNECTION AND ACCESS AGREEMENTS FILED IN 2010

Interconnection Agreement between Solomon Telekom Company Limited and Bemobile Solomon Island Limited: 16 April 2010

Roaming Arrangement and co-location agreement between Bemobile Solomon Islands Limited and Solomon Telekom Company Limited: 14 October 2010

APPENDIX J: SUMMARY OF REGULATED PRICES

There are currently no regulated prices.

APPENDIX K: TCSI FINANCIAL STATEMENTS FOR YEAR ENDING 2010

<u>RECEIPTS</u>			<u>AMOUNT (SBD)</u>
1. Grants Income			
Ramsi	\$ 2,041,320		
AusAid	\$ 1,978,750		
World Bank	\$ 2,140,165 (a)	\$ 6,160,235	
2. Operating Incomes			
Telecommunications			
Licences	\$ 2,178,447 (b)		
Spectrum Licences	\$ 200.00		
Other receipts	\$ 300,216 (c)	\$ 2,478,864	
TOTAL RECEIPTS			\$ 8,639,099
<u>EXPENDITURES</u>			
1. Operating Expenditures			
Consultants	2,607,748 (d)		
Staff Salaries	381,731		
Telephone	92,740		
Rent	653,832		
Electricity	68,781		
Staff training & development	41,099		
PAYE Tax	207,088		
NPF	70,752		
Other operating	474,373 (e)	4,598,145	
2. Capital expenditures			
IT Hardware & software	239,675		
Furniture	176,158		
Office Equipment	14,688		
Motor Vehicle	304,040	734,561	
Other capital expenditures	-	-	
TOTAL EXPENDITURES			\$ 5,332,706
Cash at the end of year			
Increase/(decrease)			\$ 3,306,393

Notes to accompany Appendix K

- (a) Total of USD\$ 270,088.81 was received from WB in this financial period which a standard exchange rate of 0.1262 was applied to derive SBD value for the purpose of this annual report.
- (b) Total represents annual licences due from STL and Bemobile as 31 December 2010 for the period 31 August 2010 to 31 December 2010. Licences were received in January 2011 as follows, \$1,992,434 for STL and \$186,013.10 for Bemobile. These amounts are to be diverted to STL as compensation for loss of exclusive licence.
- (c) Other receipts are composition of various reimbursement costs for rentals and a printer machine from Tina River Hydro project.
- (d) Operating expenses for consultants includes Telecommunications Commissioner and Project Coordinator fees. All USD values were converted to SBD on a standard exchange rate of 0.1262.
- (e) Composition of all other operating costs not included in the specified descriptions. This includes operating expenses expended on USD account such as bank charges etc.