



## **VISION**

---

**Always, be the leading provider of ICT services facilitating the attainment of Gross National Happiness.**

## **MISSION STATEMENT**

---

**To meet the ICT needs of Bhutan with the most reliable and advanced telecom infrastructure.**

1. Enhance accessibility to telecommunications and its related services.
2. Improve customer care and reliability of services at all times.
3. Meet customer demands by offering a wide range of products and services at reasonable rates.
4. Enable and encourage growth of IT and IT enabled services and private businesses based on the Information and Communications Technology (ICT) in Bhutan
5. Enhance functional and operational efficiency through automation and pass on the benefits of these cost reductions to our customers.
6. Make concerted efforts to develop professionalism in all its employees.
7. Provide a reasonable rate of return to the stakeholders.

## **CORPORATE BELIEFS AND ETHICS**

---

**Bhutan Telecom Ltd. is a responsible corporate entity always striving to be accountable through good corporate governance. It is guided by the following corporate ethics and beliefs in all its endeavors;**

1. To act responsibly towards local community embracing efficiency, transparency and accountability as its cornerstones for all operations.
2. To act responsibly in upholding the principle of balanced economic development through extension of telecommunications service to rural and remote areas of the country.
3. To promote and practice best work ethics by inculcating a sense of positive attitude in all its employees.
4. To motivate employees by encouraging to take initiative through appropriate incentives and rewards based on merits
5. To develop human capacities and capabilities through education, training and retraining of employees.
6. To diversify products and services to meet changing needs of its customers and
7. To implement good internal control systems designed to ensure complete and accurate procedures to limit potential losses and lapses through fraud



## **BOARD OF DIRECTORS REPORT**

---

This report is on the performance of Bhutan Telecom Limited and the audited financial statements for the year ended 31 December 2010. The Board of Directors is pleased to report that the company has witnessed substantial increase in operating income and profit after tax during the 2010 financial year. On behalf of the Board of Directors, I, the Chairperson of the Board, would like to make the following reports:

### **Operational Performance & Achievements**

For the second consecutive year, the company has received double awards – awards for “Growth Engine for Mobile Telephony” and “Growth Engine for Internet” – from Voice & Data, a leading magazine in India that traces the business, technology and regulatory aspect of telecom and networking. The awards are given for excellence in telecom space and outstanding performance. The company received the awards at the 9<sup>th</sup> SAARC CEO Conclave held in Delhi, India.

Some of the Major activities undertaken during the year are the followings:

- i) The 21-year old Satellite Earth Station in Thimphu has been refurbished at a cost of US\$ 500,000.
- ii) More than 80% of the work on the Nu. 22 million Next Generation Network (NGN) Fibre SDH project has been completed by the end of December, 2010.
- iii) The transmission bandwidth between Thimphu and Wangdue has been increased by 31 E1s, Darechu-Sarpang by 59 E1s, Yongla-Martshala-Samdrupcholing by 8 E1s. The Thimphu-Kanglung IT backbone link via Tsirang was increased by 7 E1s and Yongla-Samdrup Jongkhar link was upgraded by 59 E1s. The increase in bandwidth has facilitated the company to provide additional IT and mobile services.
- iv) The software for 3 E10 MM switches in Kanglung, Damphu and Wangdue was upgraded from R27.1 to R27.2.4 and data servers were upgraded with new hardware. The NMC2 software R133.4.1 was upgraded to a new version R1.5.0.
- v) 35 new BTS and 3 GSM Repeater Stations were installed at a cost of Nu. 377.5 millions. With this, cellular mobile coverage has been extended to 203 Geog centers and over 70% of the villages in the country.
- vi) New applications such as Phonebook Backup and Cell Broadcast Centre were also introduced. CRBT license capacity was increased from 75,000 to 100,000 subscribers.
- vii) Broadband installations in 17 locations were upgraded and new installations were made in 13 new locations.
- viii) Hong Kong circuit was upgraded from DS-3 (45 Mbps) to STM-1 (155 Mbps) thereby increasing the total international bandwidth to 320 Mbps.
- ix) The Marketing Division was set up with well defined organizational structure and clear roles and responsibilities.
- x) The Company has moved closer to being the first IPv6 ready country in the region and most likely in the world.



## Financial Performance

Despite the competing mobile operator starting their operation in other parts of Bhutan and existence of competition in the IT segment, the company's operating income in 2010 increased by Nu.249 million to Nu.1,563 million from Nu.1,314 million in 2009. This is an increase of 19% as compared over the previous year's operating income.

Profit Before Tax has increased to Nu. 534.64 million in 2010 from Nu. 323.11 in 2009. This is an increase of 65% as compared to the previous year's figures. The company's Profit After Tax amounts to Nu. 336.53 million against Nu. 212.99 million in 2009. This is an increase of 58% over 2009 figures. The operating expenditure in 2010 stands at Nu.534.32 million against Nu.516 million in 2009 which is an increase of 3.5%.

The net fixed assets of the company stands at Nu.2,621.19 million. Assets worth Nu.357.86 million have been fully depreciated and written off. Current assets and advances have increased from Nu. 688.42 million to Nu. 847.77 million mainly due to the increase in cash at banks and advance to suppliers. The current liabilities have decreased from Nu. 298.59 million in 2009 to Nu. 237.56 million in 2010 which is mainly due to the decrease in liability for deposit works and provisions.

## Reserves & Surplus

An amount of Nu.168.267 million is proposed to be transferred to the Reserve and Surplus.

## Dividend

Dividend of 50% of Profit After Tax amounting to Nu. 168.267 million is recommended for the year 2010.

## Audit Reports

The company was audited by the statutory auditors, J. Gupta & Co., Chartered Accounts from Kolkata, India. We are pleased to report that there are no major audit qualifications in the Auditors' Report and that all past recommendations made by the auditors are being implemented and followed.

## Corporate Social Responsibility

The company, in addition to its commercial mandates, is committed to connecting all citizens of the country to the global information network. The company has successfully completed the Rural GSM Project to take mobile services to Sakten, Merak, Laya, Lingshi, Naro, Soe, Lauri and Minjiwong. All of these places are very remote and travel time to these places ranges from 2 to 5 days walk from the nearest road. 50% of the project cost amounting to about Nu. 141 million was received from the universal service fund as subsidy. Through this project, services have been taken to areas where the scope for returns on investment is limited. The venture was undertaken as part of the company's corporate social responsibility.



Additionally, the company spent Nu. 1.8 million in 2010 on corporate social responsibility activities by building a basketball court for youth in Phuentsholing, providing free computers and internet access to some very remote schools and supporting other social causes. The company has also provided free bulk SMS for social messages like education and blood donations.

### **Human Resource**

The company believes that human resource is the most important requirement for the company to succeed and move forward. Therefore, it is important to attract, recruit and retain competent, hard-working, dedicated and professional employees.

The company has invested a sum of Nu. 9.308 million to impart trainings to the employees. A total of 203 employees were trained in-country whereas 68 employees received trainings outside the country. 36 employees attended ex-country seminars, workshops, conferences and field visits. 16 employees are currently undertaking long-term studies in various countries through self-funding or various open scholarships.

### **New Initiatives**

In order to bring international content closer to users, the company installed a 5.2 Terabyte (TB) storage capacity Cache Solution in the Internet Operations Centre. This solution will store frequently accessed content and serve the users locally thereby improving internet access while saving international bandwidth. Internet Protocol version 6 (IPv6) project was started which will make Bhutan the first fully IPv6 ready country in the region, and most probably, in the world. IPv6 will provide better quality of service demanded by new applications such as IP telephony, online audio and video streaming, interactive online games, e-commerce, etc. Further, IPv6 is expected to be a platform on which a host of innovations are expected to happen. Business partnerships were entered into with two Original Equipment Manufacturers (OEMs) – Hewlett-Packard (HP) and IBM/Lenovo.

The company installed the Cell Broadcast Centre (CBC) in 2010. It is one of the most useful location-based solutions to disseminate information on disasters, marketing messages, alerts, etc., on a geographical basis. Phonebook Backup application was set up to enable the company's valued users to back up their contacts from the handsets to storage account.

To have a feel of the market, a new category of voucher known as the "power voucher" was introduced on a short-term basis.

### **Challenges**

The biggest challenge faced by the company during 2010 was the implementation of the rural GSM project in the very remote locations. As these locations do not have motor roads, transportation of the equipments to the sites was the major challenge for the company. All materials had to be carried to the



sites either on horsebacks or by porters. The local peoples' reluctance to assist in transportation of the materials was difficult to understand.

With the increasing demand for experienced technical professionals and offer of higher salaries and perks outside BTL, it has been a challenge for the company to retain its employees.

With the competition entering the central region of the country, it has been a challenge to acquire new customers while retaining the existing ones.

The company operates in a highly technical industry where new technology makes the existing technology obsolete in very short periods. Therefore, the company has to continually invest heavily on up-grades and introduction of new technologies.

About 80% of company's total revenue is generated from mobile services. Because of the small size of the Bhutanese market, competition reaching the central and eastern regions and the fact that customer growth is likely to reach a saturation point in the immediate future, it will be a challenge for the company to sustain the revenue growth.

The rapidly evolving ICT technology vis-a-vis the proprietary nature of the capital intensive ICT equipment and associated systems supplied by the ICT vendors make it very difficult to undertake cost effective evolutionary migration. Consequently, the risk of expensive ICT equipments and systems becoming obsolete prematurely is high.

With the present rapid economic development and the government's thrust in making Bhutan an ICT enabled nation, the growth in ICT network is imminent. Therefore, it is likely that some or many of the existing installed ICT system capacities are exhausted sooner than expected. This may also entail the need to undertake expensive augmentations or upgrades.

## Outlook

The outlook for the future of the company is bright. There are innumerable opportunities in the ICT sector that the company can capitalize on to ensure growth. Mobile banking, mobile health and mobile broadband are services that are yet to be introduced fully in the country. These are opportunities that the company looks forward to capitalizing on in the near future. With e-commerce and banks going online, all industries have to depend on ICT as a business strategy and this would be a great opportunity for the company.

In addition, the company looks forward to:

- a. Making Bhutan the first fully IPv6 country in the region, and probably in the world;
- b. Expanding the 3G network to all important places to provide enhanced ICT services to the subscribers;
- c. Improve the competencies of the employees through appropriate trainings and other HRD events;



- d. Strengthen the overall processes and coordination among the divisions which will result in improved quality of services;
- e. Work towards creation of a call centre in the company and extend the service to other interested companies;
- f. Provide ICT services to all the remaining Gewogs which are yet to be reached.

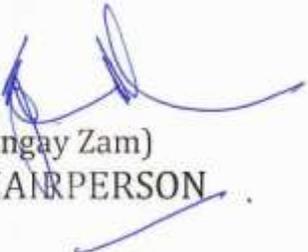
### **Acknowledgement**

The Board of Directors would like to thank the company's valued customers for their patronage and support which has culminated in company doing very well year after year. The Board would like to congratulate the management and the employees of the company for working hard as a dedicated team and taking the company forward. The commendable achievements made by the company are the fruits of hard-work put in by the management and the employees. The Board urges the management and the employees to continue to work hard as a strong, competitive and dedicated team to fulfill both the commercial and social mandates.

The Board of Directors would like to wish the company and its management and staffs good health and success in 2011.

Tashi Delek.

On behalf of the Board of Directors,



(Sangay Zam)  
CHAIRPERSON



## REPORT FROM THE MANAGING DIRECTOR

---

It is a matter of pride for me to report that Bhutan Telecom Limited saw 15% revenue growth in 2010 as compared to the year 2009. This is by far the most impressive growth as compared to revenues in the past years. B-Mobile recorded a substantial growth in the customer base from 262,052 in 2009 to 290,145 in 2010. A total of 35 new BTS and 3 GSM Repeater Stations were installed at a cost of Nu.377.50 million. With this, a total of 202 Gewogs out of 205 Gewogs are covered with cellular mobile services by the end of 2010. Similarly, there has been a steep increase in customer base for all IT services, as well. Broadband installations in 13 new locations and up gradation in 37 locations were carried out. These figures are indicative that Bhutan Telecom Limited has been doing a good job in terms of customer retention and acquisition.

In order to make our services more affordable to every Bhutanese, Bhutan Telecom Limited carried out several rounds of tariff revisions in 2010. Few new services like the phonebook backup, power voucher (on trial) were added to our service portfolio.

In addition to its commercial mandates, Bhutan Telecom Limited is entrusted with the universal service obligations to take its services to all parts of the country. The company always worked hard to take services to the un-served areas and ensure that our people have access to decent communication facilities.

As a socially responsible company, Bhutan Telecom Limited had always put forward its Corporate Social Responsibility (CSR) in the best interest of the community and the beneficiaries. It is more of a need-based activity than by mere choice from our end that has touched every section of our society. Some of the important CSR activities carried out by Bhutan Telecom Limited during the year are: free internet services to seven of the most remote schools, supported Design for Change contest with three laptops as prizes for the winners, construction of a basket ball court in Phuentsholing for the youth, laptops and data cards with SIM cards to some community schools, free bulk SMS to all the customers on important social events and provision of toll free Hotline numbers pertaining to important national causes.

Bhutan Telecom Limited has been awarded double awards – ‘Growth Engine for Mobile Telephony’ and ‘Growth Engine for Internet Services’ in Bhutan by Voice & Data, the leading magazine in India that traces the business, technology and regulatory aspect of telecom and networking.

In addition to the technical functions, other functional areas like marketing, public relations, customer care, sales etc. is deemed equally important for any service providing entity like ours, if we are to remain competitive in the market. Realizing the above, the marketing division of BTL was formed in May 2010. With full fledged marketing in place, BTL is expected to make its services and products more demand driven rather than supply driven. Specific requirements of customers will be studied and efforts will be made to meet them accordingly. In the long run BTL will focus on three critical areas namely, quality network, affordable tariff and good marketing supported by proper customer service.



The Board of Directors Report covers most of the activities undertaken by the company during the year. We are still committed to pursue our expansion plans to reach our services to the uncovered villages. The introduction of more value added services, the improvement on the network quality and customer care will remain our top priority in the near future. We are committed to be the leader in providing fairly accurate and up to date information on the choice of telecommunications technology that best suits the greater interest of the country as a whole.

As always, Bhutan Telecom Limited will continue to strive for excellence in the provision of the ICT services in the country. Your feedback to improve our services further and your continued belief in our ability to provide you with reliable ICT services are very important for Bhutan Telecom's growth. Therefore, hearing from customers and readers will definitely strengthen our trust in each other and will help in providing better services to our valued customers.

Thanking you for your continued support.

With best wishes

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Thinley Dorji', is written over a horizontal line.

(Thinley Dorji)

Managing Director



## MAJOR ACHIEVEMENTS DURING THE CURRENT MD'S TENURE

---

### 2005

1. International Relations and Business: Direct link established with CAT and NTC using Intelsat satellite thereby significantly reducing per minute cost of calls to Thailand and Nepal
2. Mobile services: The total mobile customer base increased to 37,842 from 19,138 which is an increase of 98% during the one year period.
3. Internet services: Hosted Pre SANOG and trained 30 system/network administrators from various organizations in the country. Also hosted the SANOG 6 attended by 106 participants from 16 countries. The top level domain .bt ccTLD was taken over from International Telecommunication Union on behalf of Royal Government of Bhutan

### 2006

1. Provided fixed prepaid and post paid services to 26 Gewogs which were earlier not connected to the national telecommunication network through rural telecommunication project.
2. Installed, tested and commissioned 15 BTS and 12 mini link hops providing mobile service coverage to 6 dzongkhag headquarters and 7 satellite towns.
3. Mobile subscribers doubled to 80,078 within one year. Mobile coverage was extended to 14 dzongkhags.

### 2007

1. One of the phenomenal growth areas in 2007 has been in mobile cellular sector where 80.53% customer growth was achieved. All the 20 dzongkhags were covered by mobile services; 25 new BTS were installed and Bilateral International roaming partners increased from 95 operators to 120 operators in 41 countries.
2. DS3 circuit was established on fiber from Bhutan to London for international IP backbone connectivity. This was one of the major achievements of the company.
3. BTL crossed Nu 1 billion marks with operating income of Nu. 1,278 million as compared to Nu. 995 million in the previous year which was an increase of 28.44% and earned profit after tax of Nu.405 million and paid 42 million as dividend to the government. This was a landmark achievement.

### 2008

1. Launched GPRS/EDGE services throughout country and 3G in Thimphu. Expanded core network and IN capacity to cater to 250,000 subscribers.
2. Commissioned another international DS3 optic fiber IPLC to Hongkong to provide redundancy, reliability and diversity in connection to the internet.
3. Introduced country's first ADSL broadband services in 15 locations and installed Virtual Private Network (IP VPN) for three organizations.
4. Despite entry of competition BTL generated 1,217 million towards operating revenue, earned profit after tax of Nu. 191 million and paid 100 million as dividend to Government.



**2009:**

1. BTL received double award “ Growth Engine for Mobile Telephony” and “Growth engine for Internet” from Voice & Data, leading magazine in India that traces the business, technology and regulatory aspect of Telecom and Networking at 8<sup>th</sup> SAARC CEO Conclave held in Dhaka, Bangladesh.
2. Increased the mobile customers by 39,000, expanded mobile coverage with 32 BTS and 5 repeaters stations. Providing mobile coverage to 173 Gewogs and 83% of national highway.
3. Provided the cheapest broadband tariff in the region. Increased the international bandwidth to London from DS-3 to STM-1 (45 Mbps to 155 Mbps)
4. In spite of competition in mobile and IT sector, BTL operating income increased to Nu. 1,314 million which is 8% more than previous year’s revenue. Profit before tax increased to Nu. 213 million and paid dividend of Nu. 47 million.

**2010**

1. The Next Generation Network (NGN) Fiber SDH network was installed in the western regions increasing the transmission capacity.
2. Hong Kong circuit was upgraded from DS-3 (45 Mbps) to STM-1 (155 Mbps) making the total international Internet bandwidth of 320 Mbps. The upgrade was carried out to cater to growing bandwidth from increased data traffic – both downstream and upstream.
3. Formed effective marketing structure with clear roles and responsibilities defined against each role to retain and acquire new customers.
4. Major achievement of the company in 2010 was provision of mobile services in very remote locations like Laya, Lingshi, Soe, Naro, Merak, Santen, Lauri and Minjiwoong.



## BOARD OF DIRECTORS

---



**Aum Sangay Zam**  
Secretary, Ministry of Education  
Chairperson



**Mr. Sonam P. Wangdi**  
Director, Department of Trade



**Mr. Kapil M. Sharma**  
Ministry of Finance



**Mr. Jigme Tobgyel**  
Druk-Care Engineering



**Mr. Thinley Dorji**  
Managing Director  
Bhutan Telecom Ltd.  
Member Secretary



**Mr. Pasang Dorji**  
Druk Holding and  
Investment



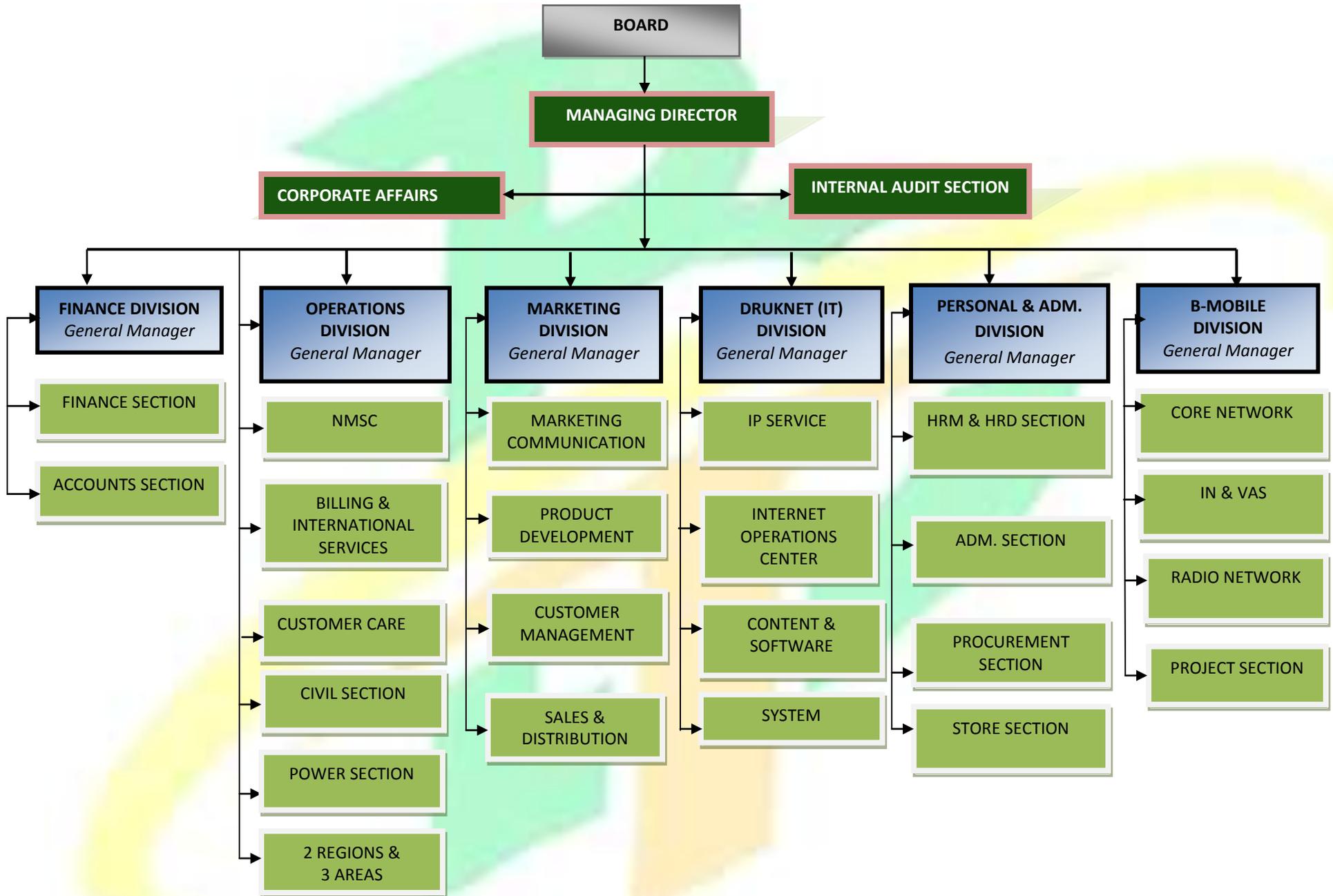
**Aum Sangay Zam with the Board Members, Lyonpo Om Pradhan, Chairman of DHI and Mr. Damber S. Kharka, Executive Director of DHI**



**From Left>> Mr. Damber S. Kharka, Executive Director, DHI. Mr. Jigme Tobgyel, Druk-Care Engineering. Mr. Kapil M. Sharma, Ministry of Finance. Mr. Sonam P. Wangdi, Director, Department of Trade. Aum Sangay Zam, Secretary, Ministry of Education. Lyonpo Om Pradhan, Chairman, DHI. Mr. Pasang Dorji, DHI Mr. Thinley Dorji, Managing Director, Bhutan Telecom Limited**



**ORGANIZATIONAL CHART FOR BHUTAN TELECOM LTD.**





## PORTFOLIO OF PRODUCTS AND SERVICES

Bhutan Telecom currently offers the following services:

### Fixed Line Telephone Services

1. Postpaid telephony services
2. IN prepaid service
3. Abbreviated dialing (Short Code)
4. Call forwarding
5. Call waiting
6. Call holding
7. 3-Way call conference
8. Wake up call
9. Don't disturb
10. Absentee subscriber
11. Cam on busy
12. Call barring
13. Reversal facility
14. Multi hunting
15. 6 digits easy to remember number
16. 3 digits premium easy to remember
17. Call details
18. GMPCS service (Thuraya)
19. GMPCS service (Iridium)
20. INMARSAT



### DrukNet (Internet) Services

1. Broadband
2. Internet leased line
3. Enterprise network (IPVPN)
4. Point to Point (P2P) leased line
5. Web hosting
6. Mail hosting
7. Web, Mail and Chat advertisement
8. Domain name registration
9. National Peering
10. IP Transit
11. VoIP telephony
12. WiFi
13. Dial-up Internet
14. Web designing service
15. International private lease line circuit (IPLC)





## B-Mobile Services

1. Prepaid voice service
2. Postpaid voice service
3. SMS service
4. International roaming
5. IMUP service
6. MCA
7. Call forwarding
8. Call waiting
9. Call hold
10. CLIR facility
11. E-Billing with itemized details
12. Charo-Charo (for prepaid service)
13. Choose-Ur-Group (CUG)
14. E-Load
15. Paper recharge vouchers
16. Data cards for mobile broadband
17. High speed internet (3G, GPRS & EDGE)
18. B-Tunes
19. Value Added Service like news, astrology, jokes, etc.  
(both IVR & SMS based)
20. Bulk SMS
21. Tele voting





## **AN OVERVIEW OF ACTIVITIES DURING 2010**

---

### **Thimphu Operational Area I:**

*(Covers Thimphu, Wangdue, Punakha and Gasa Dzongkhags)*

#### **Fixed line Activities**

- Migrated SingTel Voice Circuit to Optical Fiber in April 2010
- Expanded 1 additional E1 for Thailand, 1 DTIM & 2 Sub Highways on international switch. Expanded CCSC - No 7 Signaling by 1 CCSM Module.
- Replaced DRMASS Network at Lobesa by SAU with 256 lines capacity.
- Carried out Solar panel augmentation at Tsemela & Phobjikha
- Realigned 3 Km of optical fiber cable between Hesothangka – Gaselo route. Laid 3 Km of aerial cable (100p) from Pepekarp to Gaselo. Laid 1 Km of 100P & 50P aerial cable at HCC sites.
- Expanded 7.5 Km of OSP Network from Wangdi Exchange to Dam site with 100P aerial cable
- About 1 Km of aerial cable realignment works were carried out in Serbethang, Dodena & Ramtogto
- Fixed line service deployment at RTC - completed with installed capacity of 200 lines

#### **B-Mobile Activities**

- Equipment Shelter, Battery installation, Solar and Tower foundation work completed at Laya BTS site
- Completed Equipment Shelter at Laya Lapsa repeater and Chamsa Top
- Link up to Damji is upgraded to 4 E1
- Part up-gradation works were carried out at Pelela, Khabsesa, Limukha and Dawa BTS
- Commissioned new BTS at Bajo in Feb 2010
- Commissioned Laya BTS in the end of August 2010
- Commissioned Lingshi BTS in September 2010
- Commissioned low power BTS at Phobjikha in Nov 2010.

#### **Druknet (IT) Activities**

- Upgraded Broad Band capacity from 72 lines to 768 lines at Punakha in May end
- Provided 512 Kbps to Gammon (PHPA project site) in Jan
- Provided point to point leased line to BNB, Lobesa in June

### **Trongsa Operational Area II:**

*(Covers Trongsa, Bumthang and Zhemgang Dzongkhags)*

#### **B-Mobile Activities**

- Shifting of BTS from Dzong area to new site at Zhemgang;
- Arrangement of Commercial Power supply; Shifting of DG set to the new site from old location at Zhemgang.



- Installation and commissioning of new BTS at Remeya, Thajong and Phawa under Zhemgang dzongkhag.
- Installation and commissioning of new BTS at Thangbi for Chkhortoe & Dhur under Bumthang dzongkhag.
- Arrangement of commercial supply at new BTS site, Khoshala by extending about 600mtrs of AC cable from the nearest BPC distribution point.
- Installation and commissioning of Khoshala BTS under Langthel gewog under Trongsa Dzongkhag.
- Survey of BTS/Repeaters to cover mobile service in lower kheng,Zhemgang dzongkhag.
- Survey of mobile service to Nabji Korphu gewog under Trongsa dzongkhag.

### **Druknet (IT) Activities**

- Introduced Broadband service at Chumey-started with 24 port DSLAM
- Broadband capacity increased by 1 DSLAM at Trongsa.
- Broadband service introduced at Zhemgang with 1 DSLAM.
- Broadband service expansion at Chumey by 1 DSLAM
- Broadband service expansion at Zhemgang by 1 DSLAM
- Installing and commissioning of leased line service for Panbang dungkhag
- OSP network re-alignment work execution at Bathpalathang
- IP VPN leased line to Bank of Bhutan, Bumthang
- IP VPN leased line to Bank of Bhutan, Zhemgang
- IP VPN leased line to Bank of Bhutan, Trongsa

### **Operational Activities**

- Acquisition of land at Phawa under Zhemgang ;Thangbi & Tamzhing under Bumthang for new BTS at Phawa and Thangbi.
- Site development works for new BTS sites at Remeya, Thajong & Phawa under Zhemgang dzongkhag; Thangbi & Tamzhing under Bumthang dzongkhag and Khoshala under Trongsa dzongkhag.
- Construction of DG platform and Fuel Tank footings for new BTS site, Zhemgang.
- Chain link Wire Mesh fencing at Zhemgang BTS compound.
- Construction of 4 Unit staff quarters at Zhemgang.
- Barbed wire fencing at Tamzhing, Chain link wire mesh fencing at Thangbi.
- Chain Link Wire Mesh Fencing for BTS site at Phawa
- Barbed wire fencing at Remeya.
- Erection of monopole tower, Shifting of equipment shelter and re-building at Khoshala.
- Repair & maintenance of Revenue Counter at Jakar.
- Construction of DG shed/Fuel tank at Shelthangla.
- Barbed wire fencing at Khoshala-in progress



### **Gelephu Operational area V:**

*(Covers Gelephu, Dagana, Jakar and Tsirang Dzongkhags)*

#### **B-Mobile Activities**

Tower constructions and installation of BTSs including GSM Repeaters were carried out at the following locations:

- GSM Repeater at Alleydara(for Phuentenchu Geog coverage,
- GSM Repeater at Umling(Sarpang) for Umling Gewog coverage,
- GSM Repeater at Tanabji(Dagana) for Dagachu Hydroproject Dam site coverage,
- Low Power BTS at Dhupi(Tsirang) for Dhupi and Mendrelgang coverage,
- BTS at Teenjurey top(Sarpang) for Hilley, Singhi and Shompangkha Gewogs coverage,
- GSM FSR Repeater at Sershong for Sershong & Ai-Bridge Check post coverage,
- Repeater Station at Alleydara(Doban) and BTS at Deorali top(Rangtar) and built up two hops radio link from Samkhara-Alleydara-Rangtar for Doban and Jigmecholing Gewog coverage,
- Built up two hops radio link from Namchela-Dagana-Tanabji and Upgradation of Tanabji GSM Repeater to BTS for improving the mobile network to Dam site and Lhaling,
- Set up radio link for COW at Babithang to provide coverage to DNC project at Sunkosh,
- BTS at Tshangkha (Drujeygang) to provide coverage to parts of Tshangkha Gewog and Tsriang-Wangdi High way,
- Relocating Pemaling BTS to Umling construction of 40 meter tower for Umling and Taraythang Gewog coverage,
- BTS at Hawadara(Dolpani) to provide network coverage to uncovered places in Dekiling Gewog,
- BTS at Thamdara top (Dagapela) to provide coverage to Geserling, Kana and Dorona Gewogs.

#### **Druknet (IT) Activities**

- Upgradation of Gelephu POP bandwidth from 3 E1s to 5 E1s,
- Expanded Damphu MiniDSLAM also upgradated to two 48 Port DSLAM ,
- Expanded Sarpang Broadband by two more MiniDSLAM,
- Installed MiniDSLAM at Dagana Exchange and provided Broadband service,
- Installed POP and 48 port MiniDSLAM at Dagapela and provided broadband service,
- Built up two hops radio link Gelephu-Bhur top-Bhur BCD for the Lease Line,
- Built up one hop radio link Pongling to Panbang Dungkhag for the Lease Line, installed the Router/Switch and provided the Lease line service,
- Provided Lease Lines to BPC at Gelephu and Damphu,
- Upgradation of Lease lines to various organizations.

#### **Operational Activities**

- Installation of 15KVA DG (relocated from Yongla) at Surey Repeater Station,
- Modification work and reviving of Battery Banks at Setipokhari Station,



- Replaced 70W Solar Panels(24 numbers) of Tsihangtoe BTS by 80W Solar Panels from Dhajey top and further augmented with 4 Panels and 100A SCR after Dhajey top was connected to Commercial Power Supply,
- Damphu Exchange Power Supply was given from new Transformer point thereby solving the frequent Power interruption caused due to over Load of transformer,
- Major maintenance of Gelephu OSP network,
- Installation of Lightning Arrestor at Dzomlingthang BTS,
- Installation of Air Conditioner Equipment at Sarpang, Gelephu and Damphu Exchanges.
- Replaced DRMASS systems of Dagana, Dagapela and Drujeygang Exchanges by SAU System parented to Gelephu Exchange.

### Phuentsholing Operational Area VI:

#### B-Mobile Activities

- Installation of 40 meter Tower at Gomtu, Samtse Dzongkhag to increase BMobile coverage.
- Installation of BTS at Jamricot Sipsu, and at Malbase Samste Dzongkhag
- Decommissioning of WLL system at Ugyentse and Yoeseltse, Samtse Dzongkhag
- Installation of BTS at Rinchening and Pemaling, Phuentsholing, Chukha Dzongkhag
  
- Relocation of lower Damdara BTS to YDF, Phuentsholing, Chukha Dzongkhag
- Installation of Micro BTS at THP power house, Chukha Dzongkhag

#### Druknet (IT) Activities

- Installation of 48 Port IPDSLAM for DSL Broadband at Sipsu, Samste Dzongkhag.
- Installation of 48 Port IPDSLAM for DSL Broadband, at Rinchentse, Chukha Dzongkhag

#### Operational Activities

- Relocation of Indo-Bhutan Microwave Link

### Paro Operational Area VII:

*(Cover Paro and Haa Dzongkhags)*

#### B-Mobile Activities

- Ngoba (Tsendona) BTS commissioned (25/10/2010)
- SOE BTS (rural project) commissioned (7/10/2010)
- Added 1 sector at Dorikha BTS (23/6/2010)
- Wangkha BTS repeater shifted to Chukha (10/10/2010)



### **Druknet (IT) Activities**

- IPVPN Lease line installed for BDFC & BoB Paro(15/9/10)
- Internet Lease line installed at DrukAir office(11/10/10)
- Additional DSLAM (48caps) installed at HAA-(20/8/2010)

### **Operational Activities**

- Installed Earthing kits & lightning arrester device at Tegola. Resulting earth resistance at 9ohms(9/9/10)
- Power Backup battery replaced by High rated Battery at Tegola Top. (13/6/2010)
- CAN expansion done towards Tshimasham community school to DAM point with 10pr AC, 2km-(25/7/2010).
- CAN expansion done towards Dop Shari (Haven Resort) with 20pr AC, 0.5km – (18/10/2010).
- AC cables of 100prs & 50prs of HAA shifted–(9/6/2010)
- CAN Expansion towards Khangkhu Resort with 10pr AC, 0.2km – (20/10/2010)

### **Samdrupjongkhar Region I:**

*(Covers Samdrupjongkhar, Tashigang, Mongar, Pemagatshel, Lhuentse and Tsahiyangtse dzongkhag)*

### **Fixed Line Activities**

- Provision of fixed line services to Wamrong, Rangjung and Dungsum Cement Project at Nganglam

### **B-Mobile Activities**

- Deorali top (BTS + WLL), Augurthang (Repeater), Jomotsangkha (BTS), Jampani Top (Repeater), Manmola (BTS), Meringchenma (BTS), Namtheng (Repeater), Repuensum (BTS), Ganglapong (BTS), Barkhobzor (BTS) and Awangjephu (BTS) under Rural GSM project were completed.
- Installation of low power BTSs at Dungphu, Thonphu and Reydingla including addition of sector antenna at Reydingla for better coverage
- Yadi BTS upgraded from 4 + 2 to 8 + 4
- Shifted BTS Equipment from old office building to new equipment building at SJK
- BTS expansion carried out at Dzongthung, SJK and Kanglung

### **Druknet (IT) Activities**

- Setting up POPs at G/zhing, Khaling, Nganglam, Rangjung and Wamrong
- Broadband capacity expanded at Mongar and Lhuentse
- A number of lease lines and IP VPN circuits were provisioned/upgraded
- Lease lines for Ethernet connectivity for Samdrupchoeling Dungkhag Office

### **Operational Activities**

- Link setup in Khaling (AIR-MUX) from Kharungla for installation of POP
- Replacement of DRMASS stations by FWP/FWT at Bartsham, Khaling, Dremetse and Rangjung
- Replaced the transmission link(AIRMUX) with MN-E between Deorali and Agurthang

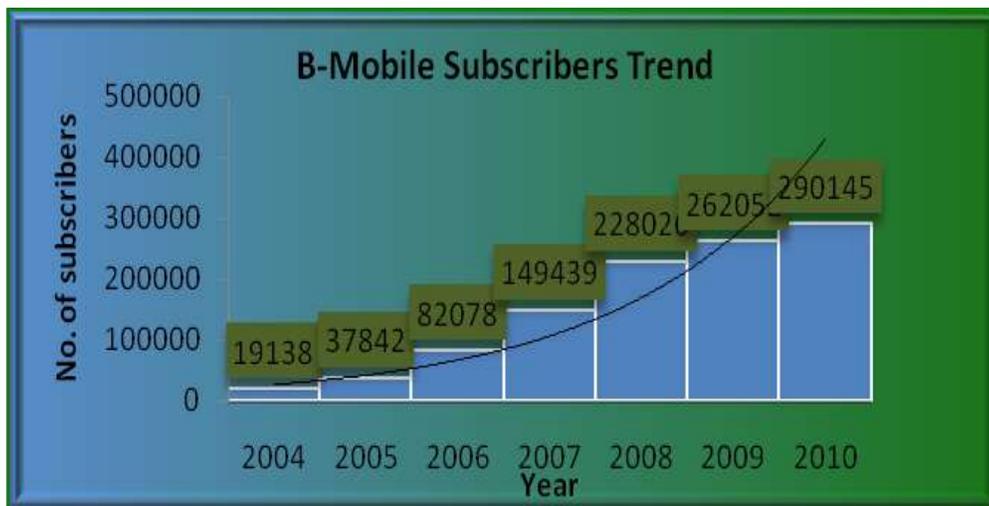


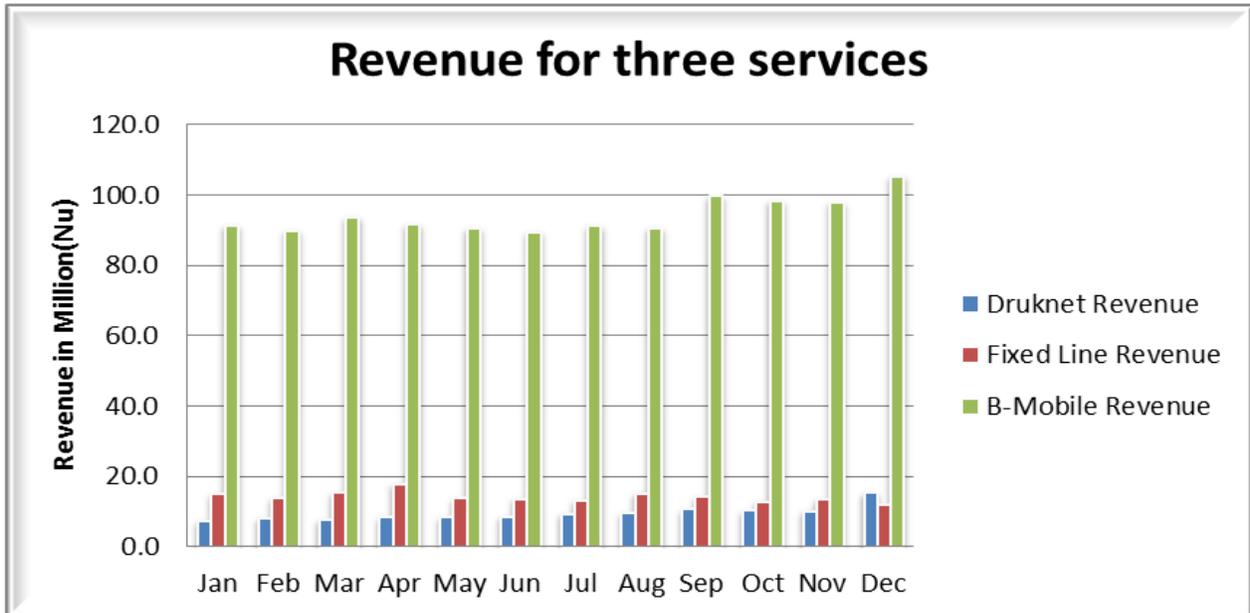
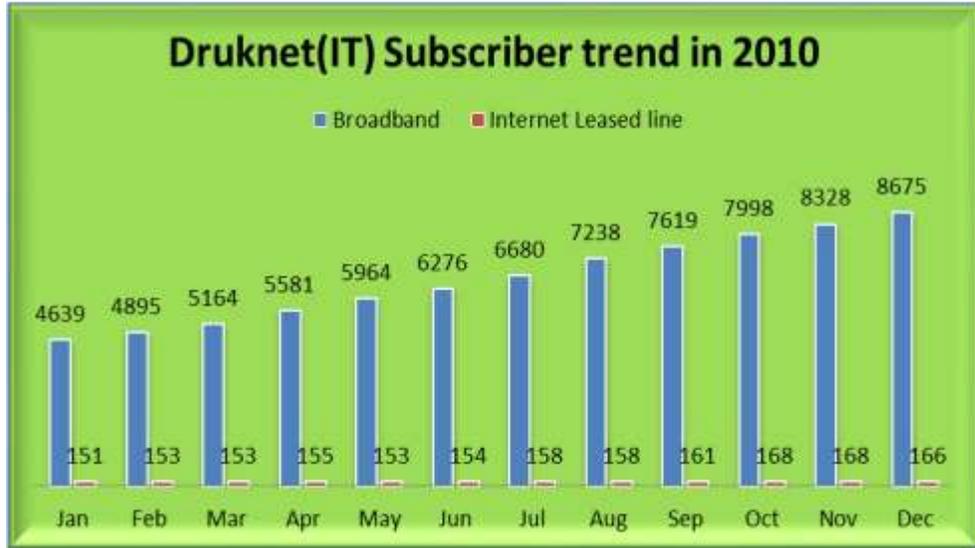
- Installed one HOP Minilink-TN radio hop between Martshala and Deorali
- Site development, Civil works & fencing for chailink wire mesh carried at Deorali top, Augurthang, Jomotsangkha, Jampani Top Repeater (Barbed wire), Manmola BTS, Meringchenma BTS, Namtheng Repeater, Repuensum, Ganglapong, Barkhobzor and Awangjephu.
- Reconstruction of D.G room at Trashigang and Maintenance of colony at Trashigang X-Change.
- Maintenance of Office and residential buildings at Kanglung
- Refencing of Deorali Repeater with concertina wire to protect from wild elephants
- Khaling DRMASS equipments
- NEC supplied RLUs at Gyelpozhing, Mongar, Pemagatshel and NEAX switches at Trashigang and SJK
- OSP cables and telephone poles at Bartsham
- Security barrack at Yongphula, Deothang, rooftop shelter at SJK and old wireless buildings at Wamrong and Bhangtar
- New batteries installed at Drupchu top
- SMPS rectifier installation at Samdrup Jongkhar Exchange
- Installation of Lightning Arrester at Martshala station
- Power supply Augmentation at Deorali station





### SUBSCRIBER GROWTH CHART & REVENUES 2010







## **AUDITORS' REPORT & FINANCIAL STATEMENTS**

**(1<sup>st</sup> JANUARY 2010 – 31<sup>st</sup> DECEMBER 2010)**

---

Sl.No	Page No.
1. Auditors' Report	26
2. Annexure as referred to in our report of even date	28
3. Balance Sheet	34
4. Profit and Loss Account	35
5. Cash Flow Statement	36
6. Note Forming part of Cash Flow Statement	37
7. Schedule Forming part of the Accounts	38
8. Statement of Significant Accounting Policies	45
9. Note on Accounts	47
10. Ratio Analysis	50
11. Chart and diagram	52



**AUDITOR'S REPORT TO THE MEMBERS OF  
BHUTAN TELECOM LIMITED**

---

We have audited the attached Balance Sheet of **Bhutan Telecom Limited, Thimphu** as at 31<sup>st</sup> December 2010 and the Profit & Loss account and the Cash Flow Statement of the Company for the year ended on that date in which are incorporated General Ledger balances and transactions of Samdrup Jongkhar, and Thimphu Areas visited by us and returns of other Areas and Exchanges, not visited by us. The returns of unaudited Areas and Exchanges have been considered for the purpose of consolidation. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by section 75 of The Companies Act of the Kingdom of Bhutan, 2000 read with part II of Schedule XIV thereto (Minimum Audit Examination and Reporting requirements), we enclose in the annexure a statement on the matters specified therein to the extent applicable.

Further, to our comments in the annexure as referred above, we report that:

1. Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.
2. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
3. In our opinion, proper books of account as required by the law have been kept by the Company, so far as it appears from our examination of those books.
4. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.





5. We draw attention to the following:

- a. *The balances of Sundry Debtors, Advances, Depository Works and Foreign Receivables are subject to confirmation by the parties. Hence we are unable to express an opinion on the same.*
- b. *Due to non-availability of details, classification of Sundry Debtors outstanding for a period exceeding six months and other debts has not been disclosed in the accounts which is required under Schedule - XIII A of The Companies Act of The Kingdom of Bhutan 2000.*

6 In our opinion and to the best of our information and according to the explanations given to us, subject to para 5 of above, the said accounts give the information required by The Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and the said accounts give a true and fair view:

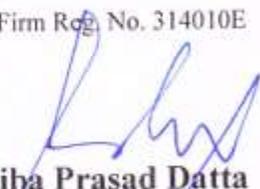
- I) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December 2010,
- II) In the case of Profit & Loss account, of the profit of the Company for the year ended on that date;
- III) In the case of Cash Flow Statement, of the cash flows during the year ended on that date.

Place: Kolkata

Date: 18.03.2011



For J.Gupta & Co.  
Chartered Accountants  
Firm Reg. No. 314010E

  
Siba Prasad Datta  
(Partner)

Membership No.13852



**BHUTAN TELECOM LIMITED**  
**(ANNEXURE AS REFERRED TO IN OUR REPORT OR EVENT DATE)**

---

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT (Part-II of schedule XIV to The Companies Act of the Kingdom of Bhutan, 2000)**

1. The Company is maintaining records showing full particulars including quantitative details of fixed assets. Situation of fixed assets and descriptions thereof are maintained by Finance & Accounts department. As informed to us, no material discrepancies were noticed on the physical verification.
2. None of the fixed assets has been re-valued during the year.
3. It was explained to us that the physical verification of inventories has been conducted by the management at quarterly intervals during the year at the central store in Thimphu only. Each area/exchange conducts physical verification at the year-end only.
4. Discrepancies noticed on physical verification of inventories as compared to book records have been adjusted in the books and records of the Company.
5. On the basis of our examination of stock records, we are of the opinion that the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of inventories is same as in the preceding year.
6. The Company has availed an interest free loan from Danish Ministry of Foreign Affairs, Danish International Development Assistance (DANIDA) for Rural Telecommunication Network Project. The terms of the said loans are *prima facie* not prejudicial to the interest of the Company. As per the sanction terms of the said loan, Nu.574, 672,373.38 (Euro 9,655,113.80) is outstanding as on 31.12.10.
7. The company has not granted any loans, secured or unsecured to other companies, firm or other parties, and/or to the companies under the same management except advance to staff.
8. Loans and advances are not given by the Company to any party.





9. The advances granted to officers/staffs are in keeping with the provision of service rule and no excessive and frequent advances are given.
10. The Company has generally established a system of internal control to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules & regulations, systems and procedures subject to the fact that there is no insurance for cash in safe, cash in transit, fidelity guarantee of employees and also against inventories lying in different warehouses etc. The Company is considering the option of creating a separate fund that will provide for self-insurance instead of relying on external insurance coverage as the insurance coverage offered by insurance companies in Bhutan are not adequate to cover risks against damage caused by lightning etc. to which the telecommunication sector is exposed to.

In order to commensurate with the size and intricacies of the business, the internal control system should be strengthened and reviewed from time to time in respect of billing for International incoming and outgoing calls, treatment of International receipts and payments, compliance of Accounting Policy for correct treatment of Foreign Exchange transactions and correct accounting of Depreciation on certain Assets.

11. As informed to us, there is a reasonable system of obtaining competitive bids/quotations from the vendors in respect of purchase of stores, plant & machinery, equipments and other assets commensurate with the size of the Company and nature of its business.
12. (a) As informed to us, there is no transaction for purchase and sale of goods and services made in pursuance of contracts on agreements entered into with the directors or any other parties related to directors or with the Company or firms in which the directors are directly or indirectly interested.  
  
(b) The examination of records of the Company does not reveal any transaction entered into by the Company wherein the directors are directly or indirectly interested.
13. As explained to us, the unserviceable or damaged stock of inventories is disposed off as and when ascertained and taken in accounts.
14. It has been explained that the Company has reasonable system of ascertaining and identifying point of occurrence of breakage/damages of stores, spares and capital goods while in transit, during loading/unloading in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.





15. The Company is a service oriented organization and not a manufacturing concern. Hence maintenance of records of production etc. is not applicable.
16. Reasonable records are maintained for disposal of realizable scraps.
17. According to the records, the Company is regular in depositing rates and taxes, duties etc. and other statutory dues with the appropriate authorities during the year 2010. Provision for Corporate Income Tax is adequate and necessary adjustments have been made to compute the amount of tax required to be paid under The Rules on the Income Tax Act of the Kingdom of Bhutan, 2001.
18. There are no undisputed amounts payable in respect of rates, taxes, duties, provident funds and other statutory deductions payable at the last day of the financial year 31.12.2010.
19. According to the information and explanations given to us, no personal expenses have been debited to the Profit and Loss Account excepting those payable under contractual obligations.
20. The Company is a service oriented organization and not a manufacturing concern. Hence recording consumption of materials and stores etc. is not applicable.
21. Quantitative reconciliation has been carried out during the year in respect of items of sim cards; recharge vouchers etc at each Area.
22. Inventory has not been written off on account of material loss/discrepancies between physical and book balances during the year under review.
23. The Company is a service oriented organization and not a manufacturing concern and there is no system of allocating man hours utilized to the respective jobs etc.
24. System of authorization and internal control regarding issue of stores and allocation of materials and labor is not applicable for a service oriented Company.
25. System of price fixation taking into account the cost of production and market conditions is not applicable for a service oriented Company.





26. The credit sales policy is reasonable and credit rating of customers is not applicable for the Company.
27. The Company has engaged some agents in connection with mobile service through appropriate screening. The agency commission structure is in keeping with the industry norms / market conditions.
28. The system of follow-up with debtors and other parties for recovery of outstanding amounts should be strengthened. The age-wise analysis of receivables should be prepared at reasonable intervals as a part of MIS and be reviewed by the management. Vigorous follow-up is necessary to realize the old debts, which may become doubtful of recovery.
29. The management of liquid resources particularly cash / bank is reasonably adequate considering the nature and size of the business. Fund is not lying idle in non-interest bearing account. Loan has been availed on account of genuine fund requirement for carrying out operational activities.
30. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion lawful and intravires the Articles of Incorporation of the Company.
31. According to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decision and investments in new projects.
32. The Company has established an effective budgetary control system.
33. System of standard costing, variance analysis etc. is not applicable for a service oriented Company.
34. The details of remuneration to the Managing Director have been indicated in the Notes to the Accounts (Note No.13 (a), Schedule No.17).
35. According to the information and explanation given to us the directives of the Board have been complied with.
36. According to the information and explanations given to us, the officials of the Company have not



transmitted any price sensitive information, which is not made publicly available, unauthorized to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.

### **In Case Of Other Service Sector Companies**

1. The Company does not have a costing system to ascertain cost of its services.
2. Proper records are kept for inter unit transactions. Arrangements for services made with other agencies engaged in similar activities are not applicable for this Company.
3. The Company has not taken on lease or leased out to others any machinery / equipments during the year under review.

### **Computerized Accounting environment**

1. The Company has a Computerized accounting system and the internal control system seems to be adequate taking into account the size and nature of its computer installations.
2. There seems to be more room for improving the safeguard measures and back up facilities because we suggest that back up –data of each exchange be kept in another exchange and that of one Area in another Area.
3. The Company keeps a back-up data for the entire Company in a different location other than Head Office.
4. Operational controls are adequate to ensure correctness and validity of input data and output information.
5. There are adequate preventive measures to prevent unauthorized access over the computer installation and files.





## General

### 1. Going Concern Problem

Based on the Company's financial statements for the year ended 31<sup>st</sup> December, 2010 audited by us, the Company has earned sufficient profit during the audit and we have no reason to believe that the Company is not a going concern.

### 2. Ratio Analysis

Financial and operational ratio in respect of the Company is given in the statement of Ratio Analysis.

### 3. Compliance of Companies Act of Kingdom of Bhutan:

The Company has complied with the Requirement of The Companies Act of the Kingdom of Bhutan, 2000 except non classification of Sundry Debtors.

**Our observations in detail have been furnished vide our Letters dated 16<sup>th</sup> Feb and 18<sup>th</sup> Feb 2011.**

### 4. Adherence of Laws Rules & Regulations:

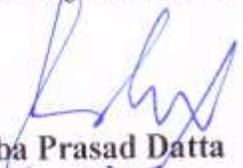
Audit of the Corporation is governed by The Companies Act of the Kingdom of Bhutan, 2000 and the scope of audit is limited to examination and reviews of the financial statement as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and its Article of Incorporation. The Company does not have a comprehensive Compliance Reporting and Recording System as regards adherence to all laws, rules and regulations, systems, procedures and practices. Under the circumstances we are unable to comment on the compliance of the same by the Company during the year under 2010.

Place: Kolkata

Date: 18.03.2011



For J.Gupta & Co.  
Chartered Accountants  
Firm Reg. No. 314010E

  
Siba Prasad Datta  
(Partner)  
Membership No.13852



**BHUTAN TELECOM LIMITED**  
**BALANCE SHEET AS AT 31<sup>st</sup> DECEMBER 2010**

PARTICULARS		2010	2009
<b>SOURCES OF FUNDS</b>			
Capital Fund	1	854,082,000.00	854,082,000.00
Reserves & Surplus	2	1,632,684,080.67	1,422,685,402.06
Secured Loan	3	574,672,373.36	734,816,183.56
<b>TOTAL</b>		<b>3,061,438,454.03</b>	<b>3,011,583,585.62</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block	4	4,471,059,415.97	4,264,643,677.59
Less Depreciation		1,859,895,134.69	1,643,447,227.16
<b>Net Block</b>		<b>2,611,164,281.28</b>	<b>2,621,196,450.43</b>
Capital Work In Progress	5	8,328,607.82	557,305.00
Investments			
Current Assets, Loans & Advances	6	847,772,725.52	688,424,799.21
Less Current Liabilities & Provisions	7	405,827,160.59	298,594,969.02
<b>NET CURRENT ASSETS</b>		<b>450,274,172.75</b>	<b>389,829,830.19</b>
<b>TOTAL</b>		<b>3,061,438,454.03</b>	<b>3,011,583,585.62</b>

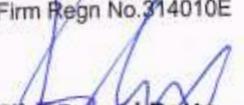
Significant Accounting Policies 16

Notes On Accounts 17

The Schedules referred to above form an integral part of the Balance Sheet.

  
Chairman  
Managing Director

This is the Balance Sheet referred to in our report of even date.

For J.Gupta & Co.  
Chartered Accountants  
Firm Regn No.314010E  
Siba Prasad Datta  
(Partner)  
Membership No.13852

Place: Kolkata

Date: 18.03.2011





**BHUTAN TELECOM LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

PARTICULARS	Schedule	2010	2009
Revenue	8	1,437,627,084.50	1,250,317,820.06
International Receipt	9	5,687,031.05	31,110,671.09
Other Income	10	17,263,182.75	19,514,836.09
Gain On Forex Flux		82,915,826.72	13,370,127.93
<b>Gross Operating Income</b>		<b>1,563,493,125.02</b>	<b>1,314,313,455.17</b>
Stores And Spares Parts	11	28,531,468.20	27,043,390.52
Employee Cost	12	156,408,096.60	188,491,545.09
Repairs & Maintenance	13	122,949,978.02	98,230,805.95
Admin & Gen. Expenses	14	119,914,939.18	127,411,787.64
International Payment	15	106,194,821.94	74,886,292.43
Loss On Forex Flux		321,134.70	-
<b>Operating Expenses</b>		<b>534,320,438.64</b>	<b>516,063,821.63</b>
<b>Profit Before Depreciation, Interest And Tax</b>		<b>1,029,172,686.38</b>	<b>798,249,633.54</b>
Depreciation	4	486,005,418.34	471,614,344.17
Less: Transfer to Capital Reserve		43,866,918.23	
<b>Profit Before Interest And Tax</b>		<b>543,167,268.04</b>	<b>326,635,289.37</b>
<b>Interest</b>			
<b>Profit Before Tax, Prior Period Adjustments And Provisions</b>		<b>543,167,268.04</b>	<b>326,635,289.37</b>
Prior Period Adjustments		6,990,173.01	2,087,786.50
Provision for Bad Debt		1,528,887.58	1,435,495.73
<b>Profit Before Tax</b>		<b>534,648,207.45</b>	<b>323,112,007.14</b>
Provision for Taxation		198,112,633.78	110,115,893.48
Profit after Tax		336,535,573.67	212,996,113.66
<b>Dividend paid</b>		<b>168,267,786.84</b>	<b>147,734,355.00</b>
<b>Transfer To Reserves &amp; Surplus</b>		<b>168,267,786.83</b>	<b>65,261,758.66</b>

Significant Accounting Policies  
Notes on Account

The Schedule referred to above from an integral part of the Profit and Loss Account

  
Chairman

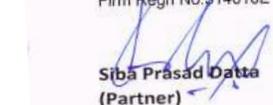
This is the Profit and Loss Account referred to in our report of even date  
Place: Kolkata

Date: 18.03.2011



  
Managing Director

For J. Gupta & Co.  
Chartered Accountants  
Firm Regn No. 314010E

  
Siba Prasad Datta  
(Partner)  
Membership No. 13852



**BHUTAN TELECOM LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

	Notes	2010
Net Cash Flow from Operating Activities	1	621,512,150.82
Cash Flows from Investing Activities	2	(370,758,479.69)
Cash Flow from Financing Activities	3	(107,349,437.63)
<b>Increase/(Decrease) in Cash</b>		<b>143,404,233.30</b>
Cash & Bank Balance(Opening)		365,116,586.30
Cash & Bank Balance(Closing)		508,520,819.60
<b>Increase/(Decrease) in Cash</b>		<b>143,404,233.30</b>

Notes 1 to 3 forms part of the Cash Flow Statement

  
Chairman

  
Managing Director

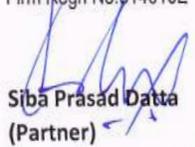
This is the Cash Flow Statement referred to in our report of even date

Place: Kolkata

Date: 18.03.2011



For J.Gupta & Co.  
Chartered Accountants  
Firm Regn No.314010E

  
Siba Prasad Datta  
(Partner)

Membership No.13852



**BHUTAN TELECOM LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2010**

<b>Note.1</b>	<b><u>Cash Flow from Operating Activities</u></b>	<b>2010</b>
	Net profit before tax, prior period adjustment and provision	543,167,268.04
	Less: Provision for Bad Debt	1,528,887.58
	Less: Prior Period Adjustment	6,990,173.01
	Net profit before tax and prior period adjustment	534,648,207.45
	<b>Add back:</b>	
	Depreciation during the year	486,005,418.34
	Less: Adjustment made	313,424,429.04
	<b>Less:</b>	
	Profit on sale of Fixed Assets	3,572,371.71
	Interest Received	5,165,386.15
	<b>Net Profit from Operating Activities</b>	<b>698,491,438.89</b>
	Increase in Current Assets (other than Cash & Bank)	(15,943,692.80)
	Decrease in Current Liabilities	107,232,191.50
	<b>Net cash from Operating Activities</b>	<b>789,779,937.59</b>
<b>Note. 2</b>	<b><u>Cash Flow from Investing Activities</u></b>	
	Addition to Fixed Assets	(564,278,676.02)
	Less: Adjustment including profit on sale made during the year	(361,435,309.35)
	Increase in Capital WIP	(7,771,302.82)
	Increase/Decrease in Secured Loan	(160,143,810.20)
	<b>Net cash from Investing Activities</b>	<b>(370,758,479.69)</b>
<b>Note. 3</b>	<b><u>Cash Flow from Financing Activities</u></b>	
	Interest Received	5,165,386.15
	Receipt of Capital Grant from BICMA	85,597,810.00
	Taxation	(198,112,633.78)
	Dividend	(168,267,786.84)
	<b>Net cash from Financing Activities</b>	<b>(275,617,224.47)</b>
	<b>Increase/(Decrease) in Cash</b>	<b>143,404,233.30</b>
	Cash & Bank Balance (Opening)	365,116,586.30
	Cash & Bank Balance (Closing)	508,520,819.60
	<b>Increase/(Decrease) in Cash</b>	<b>143,404,233.30</b>





**BHUTAN TELECOM LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

**SCHEDULE:1**

	2010 Amount (Nu.)	2009 Amount (Nu.)
<b>Capital Fund</b>		
<b>AUTHORISED:</b>		
1,500,000 Equity Shares of Nu.1000 each	1,500,000,000.00	1,500,000,000.00
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
854082 Equity Shares of Nu.1,000 each	854,082,000.00	854,082,000.00

**SCHEDULE:2****Reserves and Surplus****Capital Reserve :-**

	-	-
<b>Grant from Royal Government Of Bhutan</b>		
Office Buildings		
As per last account	3,209,665.26	3,374,665.26
Less: Transferred to Profit and Loss account	(165,000.00)	(165,000.00)
	<b>3,044,665.26</b>	<b>3,209,665.26</b>
<b>Grant from Government of India for B Mobile</b>		
As per last account	12,466,613.10	15,880,573.10
Less: Transferred to Profit and Loss account	(2,264,742.95)	(3,413,960.00)
	<b>10,201,870.15</b>	<b>12,466,613.10</b>
<b>Grant from Danida</b>		
As per last account	65,204,561.28	89,656,271.76
Less: Transferred to Profit and Loss account	(24,451,710.48)	(24,451,710.48)
	<b>40,752,850.80</b>	<b>65,204,561.28</b>
<b>Grant from Government of India for VSAT</b>		
As per last account	5,109,252.40	6,204,092.20
Less: Transferred to Profit and Loss account	(1,094,839.80)	(1,094,839.80)
	<b>4,014,412.60</b>	<b>5,109,252.40</b>
<b>Grant from BICMA For Rural GSM Project</b>		
As per last Account	105,937,500.00	
Add: Addition during the year	85,597,810.00	105,937,500.00
Less: Transferred to Profit and Loss account	(15,890,625.00)	
	<b>175,644,685.00</b>	<b>105,937,500.00</b>
<b>Profit &amp; Loss A/c</b>		
As per last account	1,230,757,810.02	1,165,496,051.36
Add: Addition During the Year	168,267,786.83	65,261,758.66
	<b>1,399,025,596.85</b>	<b>1,230,757,810.02</b>
	<b>1,632,684,080.66</b>	<b>1,422,685,402.06</b>

**Schedule: 3****Secured Loan****For Rural Telecom**

(From Danida at interest free rate, Guaranteed by Royal Government of Bhutan)

	-	-
	574,672,373.36	734,816,183.56
<b>Total</b>	<b>574,672,373.36</b>	<b>734,816,183.56</b>





**BHUTAN TELECOM LIMITED: SCHEDULE 4 FIXED ASSET**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	01.01.2010	ADDITION	ADJUSTMENT	31.12.2010	01.01.2010	ADDITION	ADJUSTMENT	31.12.2010	31.12.2010	01.01.2010
Land	36,592,204.12	189,342.84	-	36,781,546.96	-	-	-	-	36,781,546.96	36,592,204.12
				-				-	-	
Building	263,948,290.50	9,200,138.12	2,575,513.06	270,572,915.56	47,041,094.62	9,624,213.62	2,575,513.06	54,089,795.18	216,483,120.38	216,907,195.88
				-				-	-	
Plant & Machinery	3,272,483,363.40	419,197,271.76	314,919,136.28	3,376,761,498.88	1,427,852,132.23	480,099,661.00	307,495,363.27	1,600,456,429.96	1,776,305,068.92	1,844,631,231.17
Cables and Power System	648,231,602.01	124,977,803.10	36,919,201.30	736,290,203.81	152,456,495.57	33,107,193.50	-	185,563,689.07	550,726,514.74	495,775,106.44
				-				-	-	
Furniture	7,114,746.88	1,388,355.00	719,731.00	7,783,370.88	3,400,515.27	1,096,453.15	719,731.00	3,777,237.41	4,006,133.47	3,714,231.61
				-				-	-	
Vehicles	36,273,470.68	9,325,765.20	2,729,356.00	42,869,879.88	12,696,989.47	5,944,815.30	2,633,821.71	16,007,983.07	26,861,896.81	23,576,481.21
				-				-	-	
<b>Total</b>	<b>4,264,643,677.59</b>	<b>564,278,676.02</b>	<b>357,862,937.64</b>	<b>4,471,059,415.97</b>	<b>1,643,447,227.16</b>	<b>529,872,336.57</b>	<b>313,424,429.04</b>	<b>1,859,895,134.69</b>	<b>2,611,164,281.28</b>	<b>2,621,196,450.43</b>
Previous Year	3,952,440,342.56	385,657,929.47	73,454,594.44	4,264,643,677.59	1,215,599,171.43	500,739,854.46	72,891,798.72	1,643,447,227.16	2,621,196,450.43	

**Depreciation Rates:**

The Depreciation Rate applied are as follows:

1	Land	0%
2	Building	
	a. Permanent Structure	3%
	b. Semi-Permanent Structure	20%
3	Plant & Machinery	15%
	a. Cables and Power Equipment	5%
4	Furniture	15%
5	Vehicle	15%





**BHUTAN TELECOM LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

<b>Schedule: 5</b>	<b>2010</b>	<b>2009</b>
<b><u>Capital Work-in-Progress</u></b>	<b>Amount (Nu.)</b>	<b>Amount (Nu.)</b>
<u>Civil Works</u>	8,328,607.82	557,305.00
<b>Total</b>	<b>8,328,607.82</b>	<b>557,305.00</b>
<b>Schedule : 6</b>		
<b><u>Current Assets, Loans and Advances</u></b>		
<u>Inventories at Cost</u>	17,365,565.55	10,637,475.47
<u>Sundry Debtors</u>		
Domestic	50,722,387.89	46,531,369.51
International Receivables	1,204,994.45	3,577,027.79
<u>Cash &amp; Bank Balances at Head Office</u>		
Disbursement A/c Bhutan National Bank	29,805,813.79	76,102,822.27
Main Revenue A/C Bank of Bhutan	7,979,741.45	10,484,408.22
Foreign Currency A/C Bhutan National Bank	8,879,986.67	4,819,191.15
Disbursement A/c B-Mobile Bhutan National Bank	28,297,265.07	9,195,719.76
Depository Works A/c Bhutan National Bank	14,775,606.85	17,987,577.68
Telecom Insurance Fund A/c	120,842.16	17,171.31
Fixed Deposits	383,800,000.00	218,700,000.00
<u>Cash &amp; Bank Balances at Branches</u>	34,861,563.79	27,809,695.91
<u>Other Loans &amp; Advances</u>		
Advance to Staff	860,489.32	503,118.56
Advance to Staff Impress	2,328,403.68	1,928,979.13
Advance to Suppliers	136,907,899.82	84,440,122.67
Advance to Suppliers (Petrol ,Oil and Lubricant)	965,245.16	884,671.00
Advance Tax	-	35,503,416.70
Advance to Others	316,882.00	221,313.00
Advance for Office Expenses	3,277,590.70	2,658,435.33
Advance to Contractor	7,824,900.00	6,541,178.00
<u>Prepaid Expenses</u>	117,305,676.34	129,375,173.99
<u>Interest Accrued on Bank Deposits</u>	121,353.43	391,993.16
<u>Tax Deducted at Source on Investment</u>	-	63,447.40
<u>Other Deposits</u>	50,517.40	50,491.20
<b>Total</b>	<b>847,772,725.52</b>	<b>688,424,799.21</b>
<b>Schedule : 7</b>		
<b><u>Current Liabilities &amp; Provisions</u></b>		
<b><u>A. Current Liabilities</u></b>		
Liability for Expenses	32,901,006.15	15,473,378.34





**BHUTAN TELECOM LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

International payables	13,683,796.48	6,505,409.33
Liability for Depository work	14,775,606.85	17,987,577.68
Stale Cheque Liability	75,840.00	32,734.54
Salary Tax	-	5,959.00
Health Contribution	-	1,490.00
TDS on House Rent	-	69,327.00
TDS Suppliers	394,720.65	427,149.38
TDS Contractors	-	5,769.00
<b>Deposits</b>		
Security	4,027,960.45	3,096,636.82
Other Deductions	38,846,022.00	1,653,845.00
Other Deposit	1,600.00	
<b>B. Provisions</b>		
Against Bad & Doubtful Debts	25,597,714.46	26,163,034.45
Against Stores & Spares	1,000,000.00	1,000,000.00
For Audit Fees	70,000.00	65,000.00
For Taxation	100,029,331.71	110,115,893.48
For Leave Encashment	6,155,775.00	6,132,355.00
For Gratuity	-	9,859,410.00
For Dividend	168,267,786.84	100,000,000.00
<b>Total</b>	<b>405,827,160.59</b>	<b>298,594,969.02</b>

**SCHEDULE: 8****Revenue**

Telephone services	157,511,264.48	188,916,411.86
Druknet	111,506,305.77	77,887,031.90
Other Services	27,679,087.95	20,615,701.07
Sale of Prepaid SIM Cards	9,957,570.00	11,660,952.00
Sale of Vouchers	1,030,603,005.75	893,226,391.10
Post paid Mobile Service	81,736,965.23	54,480,898.38
E-Load	18,632,885.32	3,530,433.75
<b>Total</b>	<b>1,437,627,084.50</b>	<b>1,250,317,820.06</b>

**SCHEDULE: 9**

<b>International Receipts</b>	25,687,031.05	31,110,671.09
<b>Total</b>	<b>25,687,031.05</b>	<b>31,110,671.09</b>





**BHUTAN TELECOM LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

**SCHEDULE: 10****Other Income**

Income from Domain name registration	18,180.00	-
Income from Ethernet to Home	-	25,510.00
Income from IN & VAS	399,627.87	143,853.82
Thuraya	240,249.33	280,132.75
Profit on Sale of Fixed Assets	3,572,371.71	2,626,168.46
Miscellaneous Income	2,420,061.20	1,097,950.01
Sale of Tender Document	174,300.00	1,500.00
Income by Imposing Fines	930,740.20	1,129,386.39
Income from Hire Charges	2,003,837.35	370,685.00
Interest from Fixed Deposit	5,165,386.15	2,702,585.13
Income from House Rent (Staff)	1,281,625.00	1,290,712.86
Income from Deposit Works	876,278.00	9,549,847.27
Income from sale of Yellow Pages	-	270,572.00
Audit Recoveries	180,525.94	25,932.40
<b>Total</b>	<b>17,263,182.75</b>	<b>19,345,472.27</b>

**SCHEDULE: 11****Stores & Spare Parts**

Thuraya Handsets	6,377.28	29,049.74
Iridium Handsets	-	172,024.57
Telephone instruments	59,767.00	312,400.00
Drop wires	1,286,192.86	1,115,991.00
Operation and Maintenance stores	1,669,200.43	6,638,110.52
SIM cards	2,798,275.39	3,001,743.88
Recharge Vouchers	14,194,242.41	11,634,772.22
Mobile handsets	142,135.53	112,589.00
Modem(3G USB, Broadband etc)	8,375,277.30	4,026,709.59
<b>Total</b>	<b>28,531,468.20</b>	<b>27,043,390.52</b>

**SCHEDULE: 12****Employee Costs**

Salaries and Wages-Permanent Employees	100,896,808.00	111,711,701.34
Salaries and Wages-Temporary Employees	11,404,749.00	10,304,900.00
Bonus	12,018,926.00	33,108,035.00
Medical Expenses Reimbursement	122,479.22	128,512.93
Leave Travel Concession	6,441,105.00	7,265,430.00
Leave Encashment	13,622,485.90	7,532,427.82





**BHUTAN TELECOM LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

Uniform & Livery Expense	807,480.58	566,732.00
Staff Welfare Expenses	41,060.00	
Employers contribution to Provident Fund	8,713,632.00	7,716,489.00
Terminal Benefit :- Gratuity	2,339,370.90	10,157,317.00
<b>Total</b>	<b>156,408,096.60</b>	<b>188,491,545.09</b>

**SCHEDULE: 13**

**Repair and Maintenance**

Switching & Routing	1,138,222.31	1,795,914.95
Building	1,437,472.56	1,741,729.98
Transmission	26,272,814.57	23,802,088.79
Power Supply Equipment	4,626,704.45	1,244,649.82
Civil Works	19,914.00	121,991.00
OSP lines, cables & Network	138,240.18	113,722.25
Vehicles	2,653,797.40	2,131,661.81
Furniture & Fixtures	7,660.00	5,660.00
Office Equipment	2,659,382.50	3,064,382.28
Annual Maintenance Charge	83,511,500.18	63,800,521.59
Generator Set	142,885.84	26,740.72
LAN/WAN	-	299.00
WLL	7,000.00	-
VSAT	-	38,605.00
Broadband Equipment	15,311.00	4,039.42
Optical Fiber	319,073.03	338,799.43
<b>Total</b>	<b>122,949,978.02</b>	<b>98,230,806.04</b>

**SCHEDULE:14**

**Administration & General Expenses**

Rent	3,769,867.36	2,818,223.86
Rates & Taxes	1,442,212.13	1,736,077.45
Insurance	105,940.10	88,824.00
Communication	866,939.88	791,771.50
Professional Charges	2,503,322.91	171,838.55
Travelling Expenses	9,155,532.06	13,468,159.74
Foreign Travelling Expenses	3,061,877.95	5,739,833.12
Car Hire Charges	700.00	
Electricity	7,712,070.55	6,721,244.68
Vehicle Running Expenses (Petrol, Oil and Lubricant.)	4,752,633.48	4,591,834.37
Vehicle License & Registration Fee	161,200.25	136,525.58





**BHUTAN TELECOM LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

Printing & Stationery	4,848,934.75	4,550,672.85
Advertisement Expenses	840,168.43	759,790.60
Fees & Subscription	52,463,365.04	54,280,821.34
Carriage outward	803,189.59	447,524.83
Office Maintenance	538,575.98	700,822.90
Books & Magazines	43,211.00	75,049.35
Entertainment	1,706,713.09	1,611,057.21
Staff Training	9,308,298.89	19,362,624.00
Miscellaneous Expenses	187,965.85	225,371.04
Audit Fees	72,000.00	65,000.00
Land Registration Fee/Filing Fees	7,141.00	8,540.00
Directors Fees	366,000.00	304,000.00
Customs Clearing Charges	1,649.00	828.00
G-Set Running Expenses	3,078,017.56	2,940,963.93
Bank Charges	1,270,794.17	1,767,707.13
Water & Sewerages	67,544.72	81,453.49
Corporate Social Responsibility	1,794,658.87	2,010,000.00
Insurance For Building	20,153.00	
Audit Expenses	252,145.50	218,588.20
Education Allowances	25,000.00	20,000.00
Business Promotion	892,138.72	228,364.00
Meeting & Seminar	1,050,136.06	231,410.02
Revenue Sharing (National)	6,727,013.95	1,256,865.90
Insurance for Cash In Transit	17,827.34	
<b>Total</b>	<b>119,914,939.18</b>	<b>127,411,787.64</b>

**SCHEDULE: 15****International Payment**

Satellite Utilization Charges	712,960.00	5,343,655.57
Service fee for Internet Backbone Service	6,098,487.08	13,754,391.15
Service Fee for Internet & Global Telex Service	8,199,563.82	7,259,204.36
Int. Sett. for Voice/Traffic Settlement	27,999,793.66	22,558,332.73
Internet Port Charges	18,666,323.98	6,121,466.45
Fees/Subscription International	972,942.22	3,416,207.03
Revenue Sharing (International)	-	9,220,116.50
International Roaming	43,536,730.38	7,212,918.64
GMPCS Service charges	8,020.80	
<b>Total</b>	<b>106,194,821.94</b>	<b>74,886,292.43</b>





## **SCHEDULE 16: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are as follows:

### **1. BASIS OF ACCOUNTING:**

The accounts have been prepared on historical cost convention as a going concern based on the generally accepted accounting principles and mercantile system has been generally followed except as otherwise stated.

### **2. REVENUE RECOGNITION:**

- 2.1. Telephone calls are recognized on the basis of metered calls in monthly cycles as generated through central billing system except for 635 BT office connection all over the country, 188 VVIP connections in Thimphu and Phuentsholing, 335 employees' residential connections with certain ceiling as per Service Rule w.e.f. 1<sup>st</sup> March 2006.
- 2.2. Druknet bills are booked monthly on the basis of usage times and include revenue on account of startup kits.
- 2.3. All fixed network leased lines (international, local and domestic) are billed.
- 2.4. Income from sale of recharge voucher is recognized on the basis of usage by subscribers.
- 2.5. Sale of instruments including satellite phones are billed on delivery basis.
- 2.6. All other miscellaneous incomes are booked in the accounts only when collection is made.

### **3. FIXED ASSETS**

- 3.1. Fixed Assets are stated at cost plus other charges for bringing the assets to the location and includes installation charges, less accumulated depreciation.
- 3.2. Depreciation is provided at the rates specified in the Annexure II of Rules on the Income Tax Act of the Kingdom of Bhutan 2001, and is computed under straight line method (on Pro-rata basis, from the date of purchase).
- 3.3. Work, which is still in progress relating to civil construction, is accounted for under capital work-in-progress after considering 1<sup>st</sup> running bill from the contractor.
- 3.4. Capitalization of work-in-progress has been done on the basis of completion certificate issued by the concerned authority.

### **4. OTHER CURRENT ASSETS:**

- 4.1 Debtors booked in accounts are based on the returns of billing and collection from Areas/Exchanges as recorded in the TIIMS database pertaining to the bill claim and the collection of revenue.
- 4.2 The inventories include value of stocks lying at Central stores at Thimphu and at various stores at Areas and Exchanges. Stocks issued to operational persons eg. Lineman and other workers have been treated as consumption as per past practice.





**5. GRANTS:**

- 5.1. Grants relating to the period prior to 30<sup>th</sup> June 2000 are not identifiable and as such merged with the Capital Fund.
- 5.2. In accordance with the guidelines (issued by the Ministry of Finance, Royal Government of Bhutan), grants received after 30<sup>th</sup> June, 2000 for purchase of fixed assets have been treated as Capital Reserve, and those received for other purposes have been treated as income.
- 5.3. Amount of Depreciation on fixed Assets acquired through grant has been credited to Profit and Loss Account by way of transfer from Capital Reserve.

**6. CURRENT LIABILITIES AND PROVISION:**

- 6.1. All known liabilities upto 25th Jan. 2011 have been booked in the accounts.
- 6.2. Provision for corporate taxes has been based on the reported profit.

**7. FOREIGN EXCHANGE:**

- 7.1. Foreign exchange transactions are converted into local currency by using daily exchange rates prevailing on the date of transaction as published by Royal Monetary Authority of Bhutan.
- 7.2. Monetary assets and liabilities (denominated in foreign currencies) are converted at rates prevailing at the year-end, and gain or loss of fluctuation (on such conversion) is transferred to Profit and Loss Account.

**8. EMPLOYEES' BENEFITS:**

- 8.1. Actuarial valuation of gratuity liability has been made and equivalent amount has been transferred to the gratuity trust.
- 8.2. Bonus is accounted for on cash basis and is dependent on the reported profit subject to approval of the Board of Directors.
- 8.3. Leave encashment liability is accounted for on the basis of actuarial valuation.

**9. NET PROFIT OR LOSS:**

The result declared (in the Profit and Loss Account) is after considering:

- a) Provision for depreciation on company's property, and
- b) Other usual or necessary provisions.





## SCHEDULE 16: NOTES ON ACCOUNTS

1. Bhutan Telecom was formed as a Public Corporation by virtue of Bhutan Telecommunications Act, 1999 as approved by the 77<sup>th</sup> session of the National Assembly with effect from close of business as on 30<sup>th</sup> June, 2000 as a body corporate with perpetual succession under a Chairman and other members to operate under the direction of the Minister of Communications. On 25<sup>th</sup> April 2002 the said Corporation was incorporated as Bhutan Telecom Limited under the Companies Act of the Kingdom of Bhutan, 2000.
2. The properties, rights and liabilities of the erstwhile Telecom Department vesting with Bhutan Telecom Limited at the close of business of 30<sup>th</sup> June 2000 have been assessed with the help of an outside consultant, Internal Valuation Committee and other departmental staffs and the difference between the assets and liabilities had been taken as Capital Fund for which 854,082 equity shares of Nu 1,000/= each has been issued to the Ministry of Finance, Royal Govt. of Bhutan.
3. Land vested in the company are subject to verification and confirmation by National Land Commission. In respect of land purchased during the year and some land purchased in earlier years, the registration is under progress.
4. Confirmations of balances being not available from various parties, amount of Sundry Debtors, Receivables, Liabilities, Creditors, Advances, and Depository Works are stated as per their respective book balances.
5. Provision for bad and doubtful debt is made @ 0.5% of domestic land line, DrukNet and post-paid mobile revenue.
6. Assets fully depreciated amounting to Nu.310, 790,607.33 have been adjusted from the gross block and the provision for depreciation held as on 31.12.2010.
7. GSM License fee payable to BICMA for 15 years is Nu. 777.00 million of which Nu. 271.95 million has been paid up to 31.12.2010.
1. Depreciation on fixed assets acquired through grants amounting to Nu.43, 866,918.23 has been adjusted by way of transfer of equal amount from Capital Reserve.
9. Income Tax assessment of the company has been computed by the Revenue Authority up to the year 2008, and an additional tax of Nu.45, 746,127.38 was paid in 2010.
10. During the year the company has net gain of Nu.82,594,692.02 on account of favorable fluctuation of foreign exchange rates on its foreign exchange transactions, monetary assets and liabilities.
11. During the year under review the company has received additional Nu.85,597,810 (Nu.105,937,500.00 received in 2009) from Bhutan Information and Communication & Media Authority (BICMA) as grant towards Rural GSM Project on which the work has started in 2011.



12. Consumption of service connection given to various offices and employees of the company in Bhutan amounting to Nu. 2,844,302.64 have not been considered as income or expenditure.

13. Profit and Loss account includes the following remunerations & other expenses:-

a) Managing Director's remunerations:	Current Year Amount (Nu.)	Previous Year Amount (Nu.)
Salary	1,020,000.00	916,265.00
Leave Travel Concession	15,000.00	15,000.00
Contribution to superannuation fund	70,128.00	57,675.00
Foreign travel expenses	646,608.75	839,835.13
<b>Total</b>	<b>1,751,736.75</b>	<b>1,828,774.13</b>
b) Directors Fees	366,000.00	304,000.00

14. The company has carried out certain jobs on 'no profit – no loss basis' for various parties from whom fund is received from time to time. Separate bank account is maintained for defraying the cost of these jobs. The yearend balance of this bank account Nu. 14,775,606.85 are shown under Current Assets and Current Liabilities respectively (Previous year Nu. 17,987,577.68).

15. Actuarial valuation of gratuity liability has been made during the year and the liability of Nu. 2,339,370.90 have been transferred to the gratuity trust fund (Previous year Nu. 359,197.00).

16. Leave Encashment liability has been provided during the year on the basis of actuarial valuation amounting to Nu. 6,155,775.00 in line with Section 67 of the Companies Act of the Kingdom of Bhutan 2000(Previous year Nu. 6,132,355.00).

17. The company has Capital commitment to the tune of Nu. 140,619,601.06 against which an advance of Nu.136,907,899.82 has been given(Previous year Nu.115,994,890.64).

18. Provision for Taxation:-

	2010	2009
Tax on current year's profit :	152,366,506.40	110,115,893.48
Less: Tax paid :	52,119,180.00	35,503,416.79
Less: TDS :	217,994.69	63,447.40
<b>Payable</b> :	<b>100,029,331.71</b>	<b>74,549,029.38</b>

19. Previous year's figures have been rearranged and regrouped, wherever necessary.

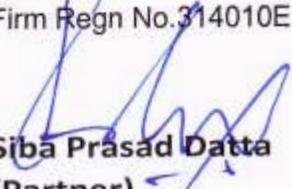




  
**Chairman**

  
**Managing Director**

**For J.Gupta & Co.  
Chartered Accountants  
Firm Regn No.314010E**

  
**Siba Prasad Datta  
(Partner)  
Membership No.13852**

These are the Notes on Accounts referred to in our report of even date.

Place: Kolkata

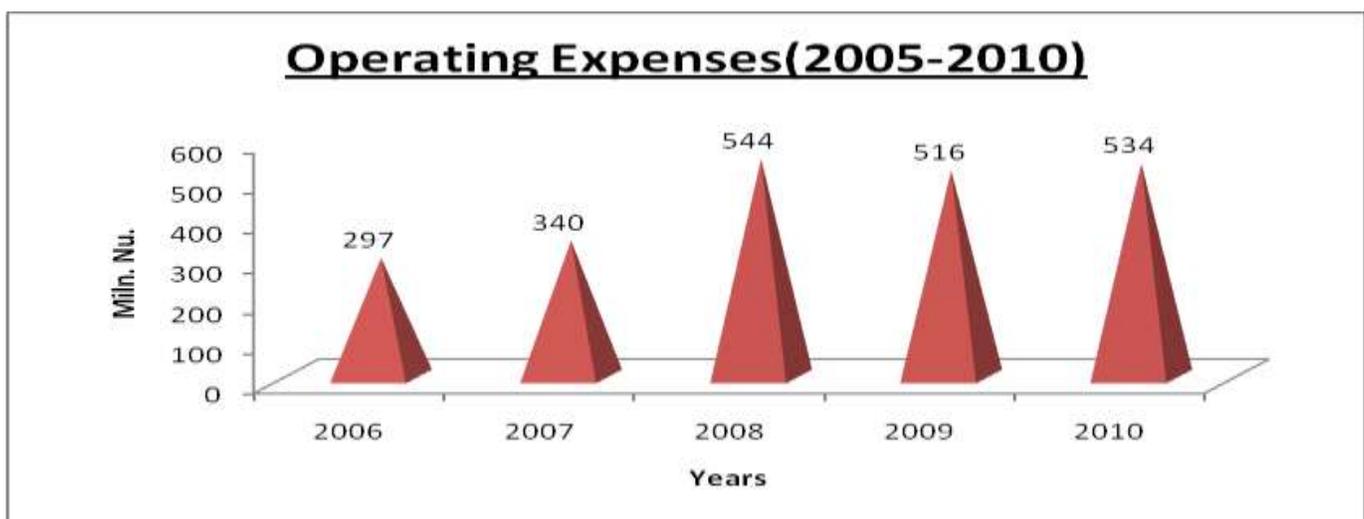
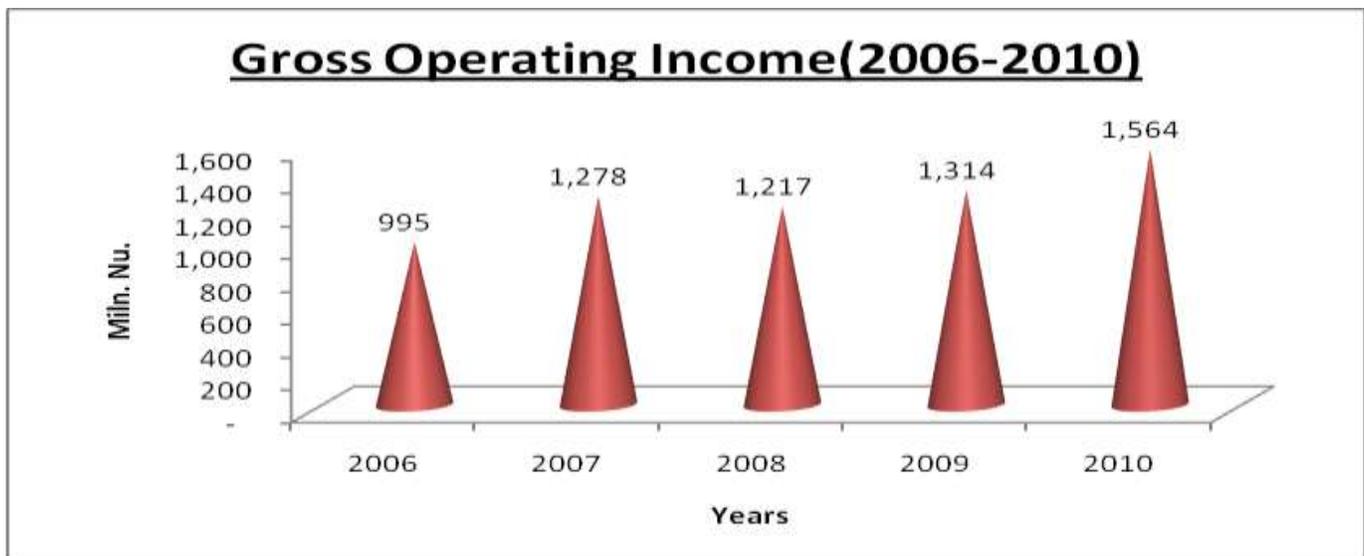
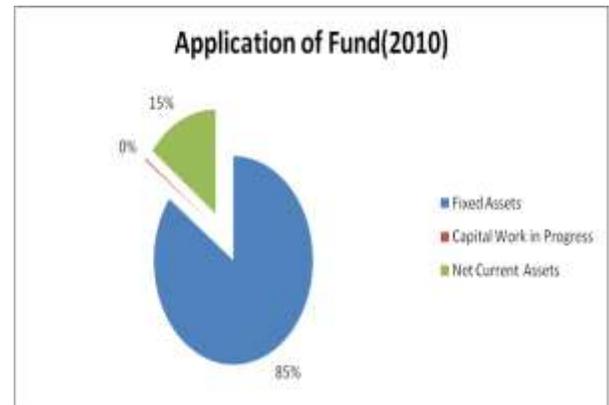
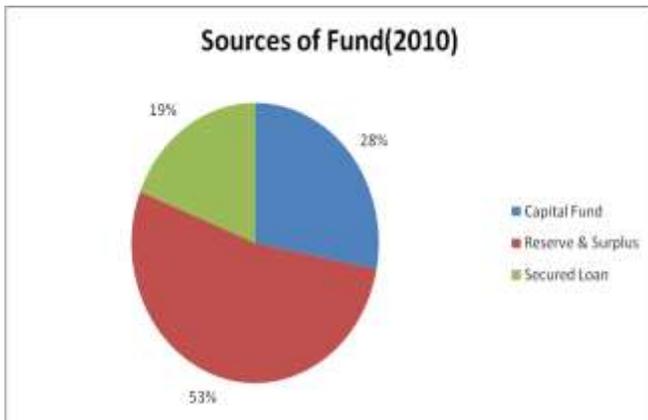
Date: 18.03.2011

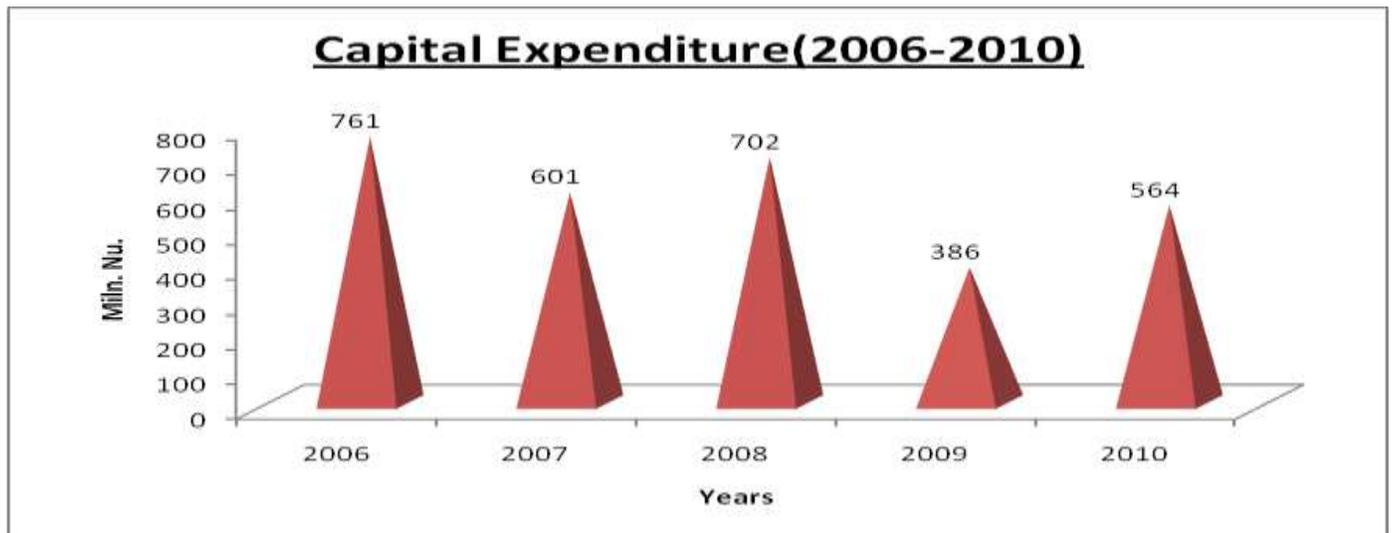
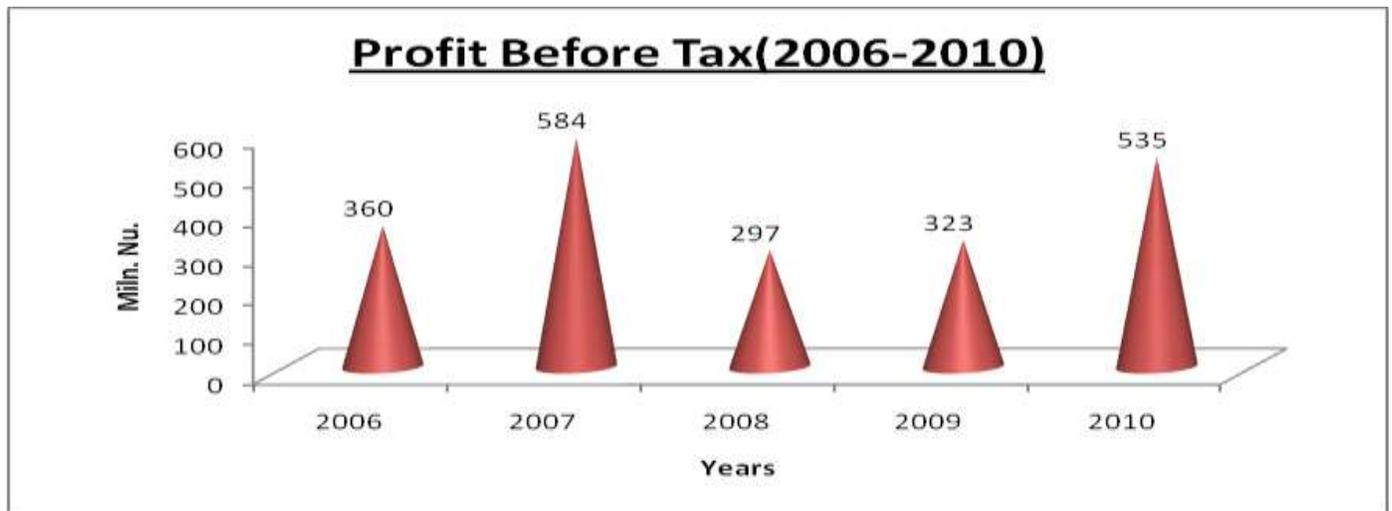
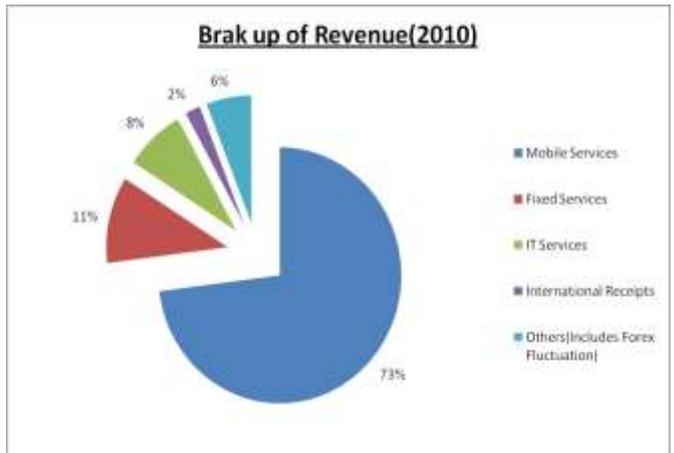
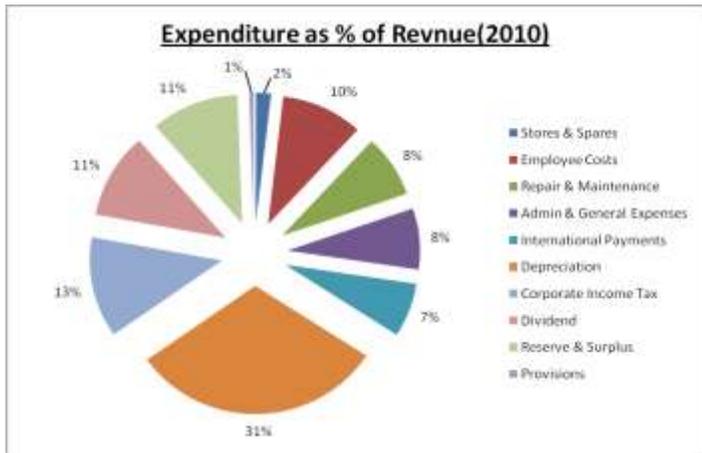




**BHUTAN TELECOM LIMITED**  
**RATIO ANALYSIS FOR THE PERIOD ENDED 31<sup>st</sup> DECEMBER 2010**

	2007	2008	2009	2010
<b>1. LIQUIDITY</b>				
<b>A. Current Ratio</b>	2.45:1	1.91 : 1	2.31 : 1	2.09 : 1
Current assets, Loans and advances/Current Liabilities & provisions				
<b>B. Quick Ratio:</b>	2.42: 1	1.85 : 1	2.27 : 1	2.05 : 1
Quick Assets/Quick Liabilities				
Quick Assets=Current Assets-Stock				
Quick Liabilities= Current Liabilities-Bank Loan				
<b>C. Accounts Receivable Period</b>	24 days	19.36 days	14.07 days	12.12 days
365*Accounts receivable/operating Income				
<b>D. Working Capital to Sales</b>	31.30%	16.18%	37.68%	28.27%
Current Assets-Current Liabilities/Operating Income				
<b>2. SOLVENCY</b>				
<b>A. Term Debt to Total Fixed Assets</b>	26.96%	29.23%	28.03%	22.01%
Long term Debt/Total Fixed Asset-Net				
<b>B. Debt Equity Ratio:</b>	36.91%	37.48%	32.27%	23.11%
Debt/(Capital Fund+Reserve & Surplus)				
<b>3. PROFITABILITY</b>				
<b>A. Return on Capital Employed:</b>				
a) PBT/Capital Employed	20.59%	10.13%	10.73%	16.55%
b) PAT/Capital Employed	14.30%	6.51%	7.31%	10.42%
Capital Employed=Equity Capital + Loan Fund				
<b>B. Return on Equity:</b>	28.20%	8.90%	9.31%	13.53%
Profit After Tax/Total Equity				
Total Equity= Capital + Reserve & Surplus				
<b>C. Return on Sales</b>	45.72%	24.42%	24.58%	34.17%
PBT/Operating Income				
<b>D. Employee Cost to Gross Income</b>	11.61%	12.25%	14.34%	10.00%
Total Employee Expenses/Operating Income				
<b>E. Profit per Employee:</b>	0.702 mill	.239 mill	.319 mill	.502 mill







SOME ESSENTIAL CONTACT NUMBERS

www.bt.bt

CORPORATE HEAD OFFICE, THIMPHU

PABX – 322678/322850/320149/320151/320152/320153/320154, FAX – 324312

<b>MANAGING DIRECTOR.....322026</b>	<b>DRUKNET (IT) DIVISION</b>
<b>PERSONAL &amp; ADMINISTRATION DIVISION</b>	General Manager.....320118
General manager.....323068/Fax-324312	Manager, IP Service.....320166
Manager, HRD.....326646/Fax-336803	Manager, Internet Operations.....320145
Manager, Adm. Section.....335466	Manager, Content & Software.....326919
Manager, procurement Section.....335509	Manager, System.....320145
<b>FINANCE DIVISION</b>	<b>AREA OFFICES:</b>
General Manager.....320139	<b>AREA I (THIMPHU) Code No. 02</b>
Manager, Finance.....336058	Area Manager.....322999/Fax-320102
Manager, Accounts.....336058	Wangdue Exchange .....480010/Fax-480009
<b>OPERATIONS DISVISION</b>	Punakha Exchange .....584003/Fax-584004
General Manager.....324385/Fax-324312	Gasa Exchange .....688000/Fax-688001
Sr. Manager, NMSC.....320123	<b>AREA VI (PHUNTSOLING) Code No. 05</b>
Manager, Billing.....322963/Fax-323041	Area Manager.....252923/Fax-252125
Manager, Customer Care.....338083	Samtse Exchange .....365100/Fax-365014
Manager, Civil.....321911	<b>AREA VII (PARO) Code No. 08</b>
<b>CORPORATE AFFAIRS DIVISION</b>	Area Manager.....270018/Fax-252125
Company Secretariat.....336778	Haa Manager.....375044/Fax-375015
Legal Officer.....336787	<b>REGIONAL OFFICES:</b>
Manager, Corporate Affairs.....336778	<b>REGION I (SAMDRUPJONGKHAR)</b>
<b>MARKETING DIVISION</b>	Regional Manager.....250335
General Manager.....335736/Fax-337988	<b>REGION II (GELEPHU)</b>
Manager, Marketing Communication..... 322414	Regional Manager.....250101
Manager, Product Development.....333355	Jakar Manager.....630100
Manager, Customer Management.....324027	Trongsa Manager.....520100
Manager, Sales & Distribution.....335927	Dagana Exchange.....480030
<b>B-MOBILE DIVISION</b>	Damphu Exchange.....470030
General Manager.....320194/Fax-320193	
Manager, Core Network.....337029	
Manager, Radio Network.....337031	
Manager, IN & VAS.....332731	
Project Manager.....327030	