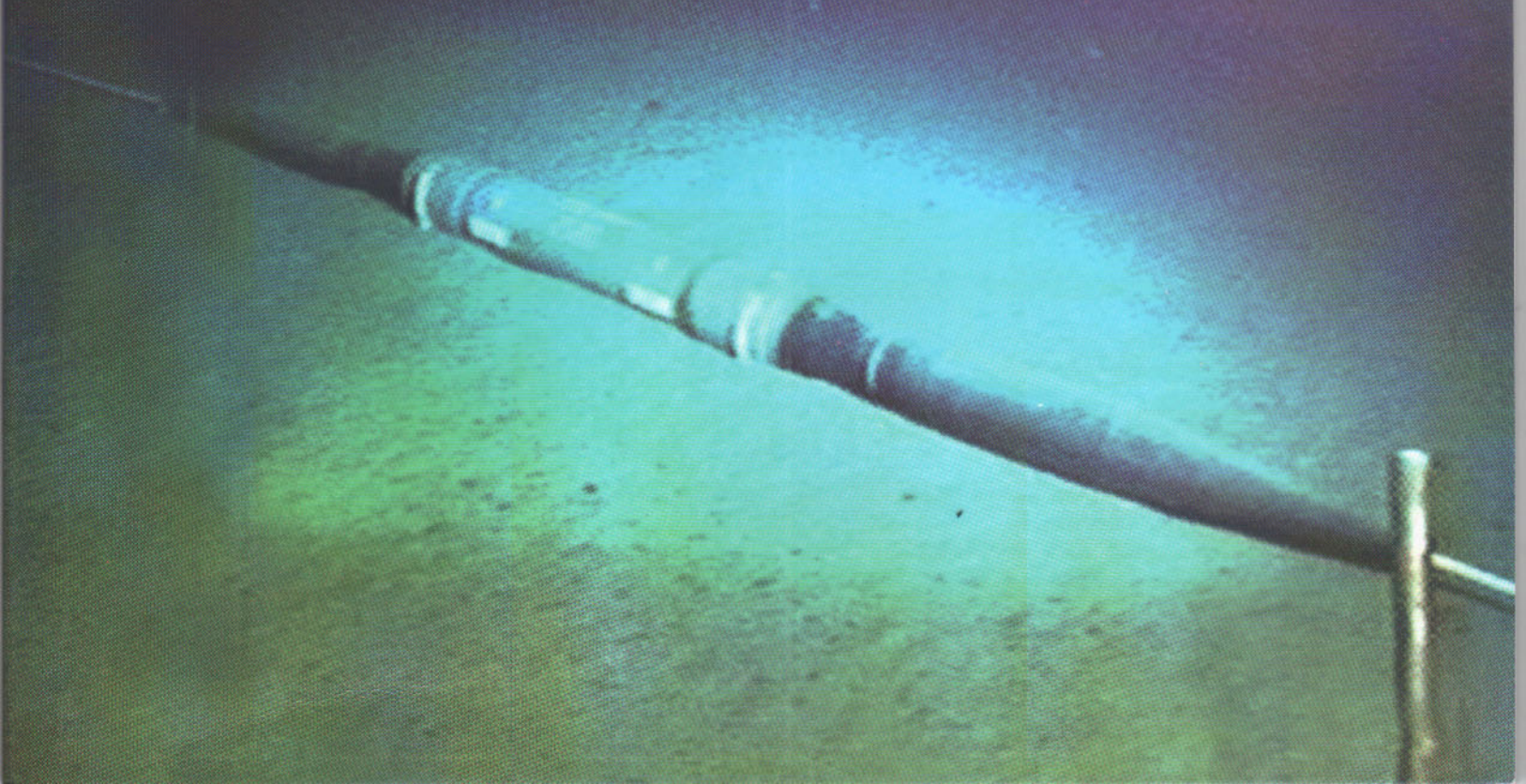


Bangladesh Submarine Cable Company Limited

Annual Report 2010-2011



ANNUAL REPORT 2010-2011



Bangladesh Submarine Cable Co. Ltd. (BSCCL)

Head Office :

Telejogajog Bhaban, (6th floor)
37/E, Eskaton Garden, Dhaka-1000
Phone : +880-2-9353885, Fax : +880-2-9333125
Web : www.bscccl.com.bd



Hon'ble Prime Minister Sheikh Hasina inaugurating the 3rd Upgrade Project of BSCCL using 40G Solution (New Technology) at Jhilongja Landing Station, Cox'sbazar on 3rd April 2011

C O N T E N T S

Serial no.	Headings of Contents	Page no.
01	Major Milestones	5
02	Our Services	6
03	Our Clients	6
04	Board of Directors	10
05	Management	11
06	Contact Points	12
07	Company Profile	13
08	Corporate Governance	15
09	Notice of the 1st Annual General Meeting	16
10	Directors' Report	17
11	Auditors' Report to the Shareholders	25
12	Balance Sheet	27
13	Profit and Loss Account	29
14	Statement of Changes in Equity	31
15	Cash Flow Statement	33
16	Notes to the Financial Statements	34

Our Services:

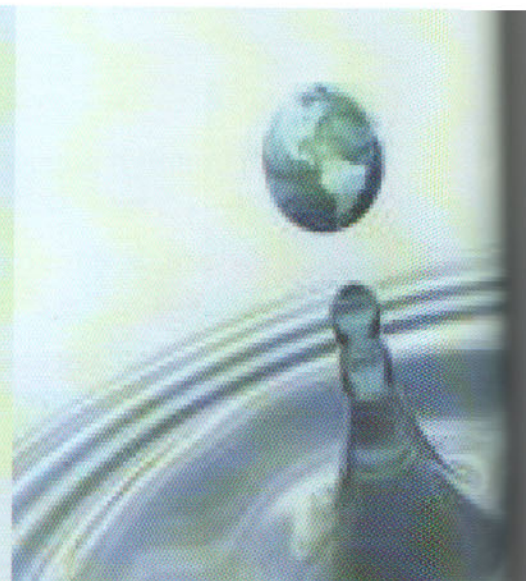
BSCCL is the root service provider of submarine cable bandwidth and handles country's lone submarine cable. Presently, BSCCL is providing the following services:

- " Bandwidth service for different routes and different levels such as, STM-1, STM-4, STM-16, etc. to the International Internet Gateway (IIG) companies through International Private Leased Circuits (IPLC).
- " Bandwidth service for different routes and different levels such as, STM-1, STM-4, STM-16, etc. to the International (Voice) Gateway (IGW) companies.

Our Clients:

Presently, as a root service provider of submarine cable bandwidth, BSCCL is serving the following types of clients:

- " All IIG Companies (Presently, BTCL & Mango Teleservices Ltd).
- " All IGW companies (Presently, BTCL, Bangla Trac Communication Ltd., Mir Telecom, & Novotel Ltd.).
- " Any other corporate end users interested in IPLC connections with substantially large bandwidth.

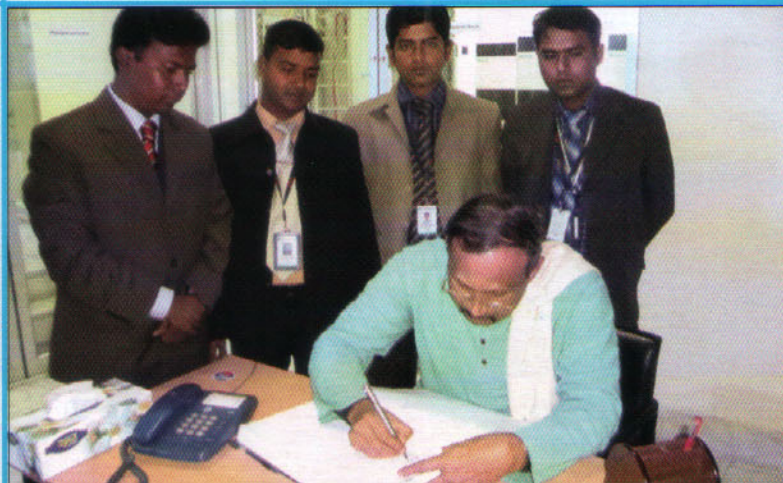




Hon'ble Prime Minister writing comments in visitors Register



Hon'ble Minister for Post & Telecommunications writing comments in visitors Register



Hon'ble State Minister for Science of ICT visiting the Landing station



Officers' & Staff of Head Office, Dhaka



Officers' & Staff of BSCCL Landing Station, Cox'sbazar



2nd Annual General Meeting of BSCCL

Board of Directors

Chairman

Sunil Kanti Bose

Secretary,

Ministry of Post & Telecommunications

Directors

Name	Designation
Syed Monjurul Islam	Additional Secretary, Ministry of Finance.
Mr. Rabindra Nath Roy Chowdhury	Joint Secretary, Ministry of Science & ICT.
Col. Shahriar Ahmed	Colonel (Admin), DSCSC, Mirpur Cantonment, Dhaka.
Mr. Asif Ibrahim	President, Dhaka Chamber of Commerce & Industry.
Dr. Raqibul Mostafa	Associate Professor, United International University.
Mr. Md. Monwar Hossain	Managing Director, Bangladesh Submarine Cable Co. Ltd.

Management of BSCCL



Md. Monwar Hossain
Managing Director



Md. Abdus Salam Khan
Company Secretary



Parvez M. Ashraf
DGM (Customer Care)



Md. Jahangir Alam
DGM (Operation)



Mohammad Zakirul Alam
DGM (Bandwidth Planning)



Md. Shakawat Hussain
Manager (Maintenance)



Nazia Hassan
Manager (Sales)



Muhammed Tajul Islam
Manager (Accounts)



Muhammed Shoeb Ali
Manager (Development & Purchase)

Auditor :

M/S Hoda Vasi Chowdhury & Co.
Chartered Accountants
BTMC Building (8th)Level
7-9 Kawran Bazar Commercial Area, Dhaka-1215.

Registered & Corporate office :
Telejogajog Bhaban (6th floor)
37/E, Eskaton Garden Road
Dhaka- 1000.

Bankers :

Sonali Bank Limited
Dhaka Sheraton Branch
Dhaka-1000.

Landing Station :

Submarine Cable Landing Station
Jhilongja, Cox'sbazar.

Website : www.bscccl.com.bd

Contact Points :

Contact Points	Address	Phone	E-mail
Company Secretary	37/E Eskaton Garden, Dhaka-1000	+880-2-9362764	salam_bscccl@yahoo.com salam@bscccl.com.bd
DGM (Operations)	37/E Eskaton Garden, Dhaka-1000	+880-2-8318809	jahangirugc@gmail.com
DGM (Customer Care)	Jhilongja, Cox's Bazar Landing Station	+880-341-62167	parvez.engr@gmail.com
DGM (BW. Planning)	37/E Eskaton Garden, Dhaka-1000	+880-2-9362748	zakir_bscccl@yahoo.com

Company Profile

Background :

The Bangladesh Submarine Cable Company Limited (BSCCL) was originated and incorporated after separating from erstwhile BTTB with only assets situated at Jhilongja, Cox'sbazar named the Landing Station and the equipments thereon. Before the separation, the project namely "Establishment of International Telecommunication System through Submarine Cable" was undertaken by BTTB participating in an International agreement with an International Consortium namely **SEA-ME-WE-4** (South East Asia Middle East Western Europe 4). Initially the project was funded by GOB and later on a long term sale or lease back facilities for **USD 60 Million** was taken from **Islamic Development Bank (IDB)** for further financing to complete the whole project smoothly.

A Vendor's Agreement was signed between the representatives of **GOB** and the **BSCCL** on 30th June 2008 incorporating a statement showing a net worth of the company subtracting the liabilities from the assets. The balance is treated as Net worth payable to the Govt. in share capital.

A Memorandum of Understanding (MOU) was signed on 4th day of September 2002 between representatives of **BTTB** and the **SEA-ME-WE-4** consortium for establishing the framework of the whole Submarine Cable Project. 16 Telecom Operators of 14 countries had signed the MOU grafting the design of the submarine cable laying plan starting from Singapore to Marseilles, France. The concept illustrated that 2 (Two) pairs of submarine cable would be laid, one would be called Express line and the other would be Branch line. There would be two types of stations, one full landing stations and the other would be branch landing stations. The Cox'sbazar connectivity was landing station branching out from the Express Cable at a distance of 1260 km in deep sea.

A Construction and Maintenance Agreement had been signed on 27th day of March 2004 between representatives of **BTTB** and the **SEA-ME-WE-4** for the whole project including establishment of Express line, Branch line and Landing Station also maintenance of these for 20 years with regular upgradation as and when required. The whole cost was borne by the 16 participant members in the consortium proportionately.

A Lease Agreement was signed between representative of **GOB** and the representative of **Islamic Development Bank (IDB)** on 12th February 2005 where the Govt. of Bangladesh had requested the Bank to purchase the Equipment set forth in the project named "Establishment of International Telecommunication System through Submarine Cable" from where only the establishment of Landing Station cost and the associated assets were to be handed over to the BSCCL Company later on. There were other projects related to these which were also funded by IDB under the said Lease Agreement but our scope was limited to the cost involved for establishing only the landing station and the Fiber optic link between the landing station and the Beach Man-hole (4.5 km).

A Pertinent Purchase Agreement was signed on the same date between the same parties having almost same contents to complete the facility program.

Incorporation of Submarine Cable :

With the view described above, Bangladesh Submarine Cable Company Limited (the "Company"), being the government sponsored telecommunication company in the country, was incorporated on 24 June, 2008 as a public limited company under the Companies Act, 1994 with an authorized capital of Tk. 10,000,000,000 (1000 cr Taka). On the same day, the Company obtained Certificate of Commencement of Business.

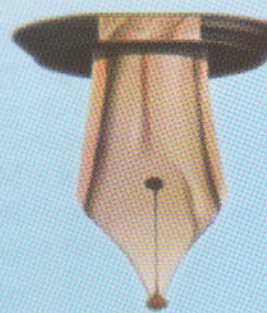
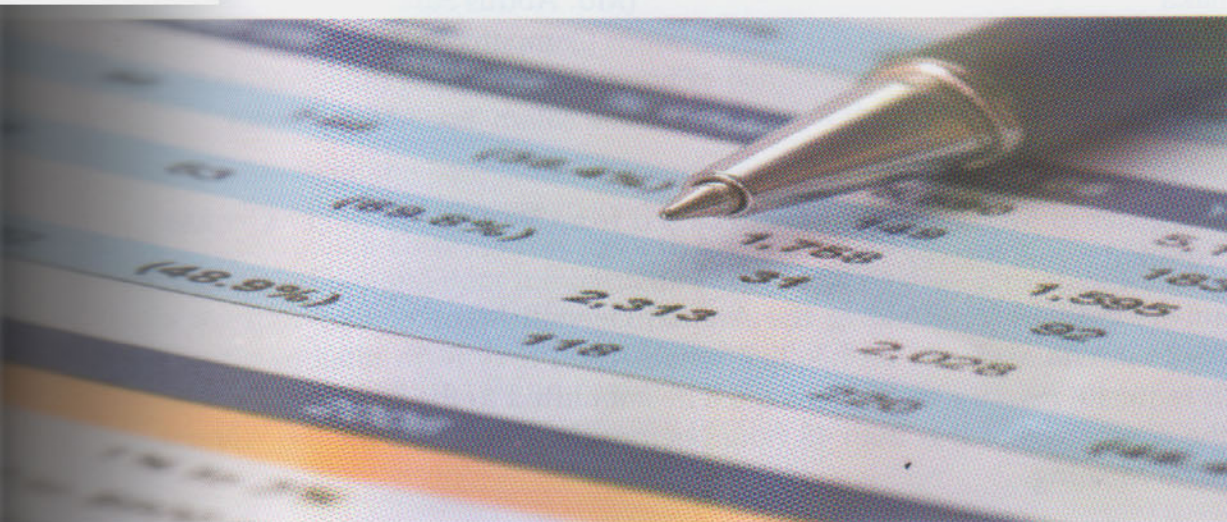
Corporate Governance :

The philosophy of good governance is mainly aimed at assisting the top management in efficient conduct of the affairs of an organization as well as in meeting the obligations to all the shareholders, thereby ensuring transparency, accountability and utmost integrity. The corporate governance is thus a system, which influences how the objectives are set and achieved and how the performance is maximized.

The Managing Director of Bangladesh Submarine Cable Company Limited, under certain specific directions, acts as the Chief Executive Officer and is empowered to run the affairs of the Company. For smooth performances, the Managing Director delegates authorities to the Company Secretary and other Senior Managers to render his responsibilities most efficiently and effectively.

The Board of Directors of Bangladesh Submarine Cable Company Limited always acts in the firm belief that effectiveness results from teamwork and adoption of the best practices. The Directors always support good corporate governance based on a generally accepted framework and are committed to attain the highest standards of disclosures to perform its obligations of accountability to the stakeholders in order to achieve their fullest confidence in the Company.

During the period of one fiscal year, almost 15 meetings of the Board of Directors are held.



Subject: NOTICE of the 3rd Annual General Meeting.

NOTICE is hereby given that the 3rd Annual General Meeting of the Shareholders of the **BANGLADESH SUBMARINE CABLE COMPANY LIMITED (BSCCL)** to be held at the Conference Room of the company at 37/E, Eskaton Garden (6th floor), Dhaka-1000 Tuesday, 11 October 2011 at 6.00 P.M. to transact the following business:

- Agenda # 1 To receive and adopt the Directors Report and the audited financial statements for the year ended on 30 June 2011 together with Auditors Report thereon.
- Agenda # 2 To declare dividend for the year ended on 30 June 2011.
- Agenda # 3 To elect Directors as per Article # 120, 121 and 122 of the Articles of Association of the company.
- Agenda # 4 To appoint auditors for the FY 2011-2012 and fix their remuneration.

All the Shareholders are requested to kindly make it convenient to attend the AGM.

BY ORDER OF THE BOARD

Dated : Dhaka
15th September, 2011

(Md. Abdus Salam Khan)
Company Secretary
Phone: 9362764, Cell: 01552369905
E-mail: salam_bsccl@yahoo.com

Note :

- The Register of Members will remain closed from 5th October to 11th October 2011(both days inclusive).
- Members entitled to attend at the Annual General Meeting may appoint a Proxy to attend and vote on his/her behalf. The Proxy form must be affixed with requisite revenue stamp and must be submitted to the Registered Office of the company not less than 48 hours before the time fixed for the Annual General Meeting.
- Proxy must be a Member of the Company.

Directors' Report Under Section 184 of the Companies Act, 1994.

Dear Shareholders :

The Board of Directors of Bangladesh Submarine Cable Co. Ltd. (the "Company") welcomes the shareholders at the 3rd Annual General Meeting of the Company. We also take pleasure in presenting the operational activities and the audited financial statements for the year ended on 30 June 2011 together with the report of the auditors thereon.

Economic scenario and prospect of the industry :

The economy of Bangladesh has grown at the rate of 6% p.a. over the past few years. The Country remains over-populated with high level of poverty. While more than half of the GDP belongs to the service sector, nearly two-third of Bangladeshies are employed in the agriculture sector, with rice as the single most important produce. Remittances from Bangladeshies working overseas, mainly in the Middle East and East Asia as well as exports of garments are the main source of foreign exchange earning. Economic growth is rather indigenous with slow growth in foreign direct investment.

Bangladesh's predominantly agricultural economy depends heavily on an erratic monsoonal cycle, with periodic flooding and drought. Although improving at a very fast rate, infrastructure to support transportation, communication, power supply and water distribution is yet to be developed. Bangladesh is poor in its reserves of oil, but recently there was huge development in coal mining. While the service sector has expanded rapidly during last two decades, country's industrial base remains narrow. The country's main endowments include its vast human resource base, rich agricultural land, relatively abundant water and substantial reserves of natural gas which are depleting quickly and may expire in the next 8-10 years.

In the era of globalization, communication has become the most significant factor. In a densely populated country like Bangladesh, telecommunication can play a vital role to boost the economy and social level of the people.

However, the Bangladesh telecommunication industry is rapidly growing but it is still far behind in comparison to telecommunication industries of some South Asian neighbors. Unfavorable growth conditions due to weak marketing strategies in rural areas and poor infrastructure are hampering the growth of telecommunication industry in the country. However, the growth of mobile telephone is quite significant. Broadband internet services are spreading in slow pace although Government is taking remarkable steps to bring internet service cost to an affordable range for the common people.

Competitive condition in business

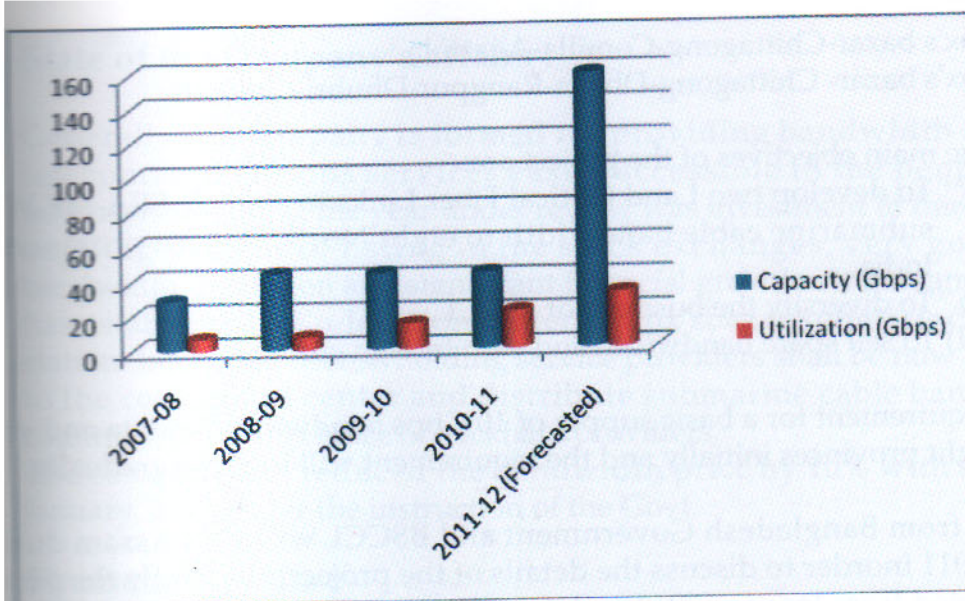
Bangladesh Submarine Cable Company Limited (BSCCL) is a core Telecommunications service provider through the international Submarine (fiber optic) Cable. The service provided by BSCCL represents the Ultra High Bandwidth International long-haul communications between Bangladesh and the rest of the world. BSCCL presently handles Bangladesh's only submarine cable called the SEA-ME-WE-4 (South East Asia-Middle East-Western Europe-4) and represents our country in the SEA-ME-WE-4 international submarine cable consortium. By providing submarine cable Bandwidth BSCCL is contributing to the revenue earning of the Government of Bangladesh. BSCCL is one of the growing companies in the Telecom sector and company's submarine cable network is the main telecommunications infrastructure of the country.

Currently BSCCL has no competitor in the Submarine Cable Telecommunications sector and is the sole supplier of bulk bandwidth. It has secured the permit/license from the Government of Bangladesh for providing service through the submarine cable. All the IIG and IGW companies would require taking lease of bandwidth from BSCCL according to the tariff system approved by the Govt. and based on the license guidelines, terms & conditions, and regulations of the Govt.

Capacity, Utilization and Participation in Upgrade # 3

While considering the future capacity and demand it has been found that at present BSCCL has the Bandwidth capacity of 44.60 Gbps and utilization of 21.86 Gbps. The demand for Bandwidth has been increasing due to expansion of business in Bangladesh. Considering the increasing demand of bandwidth of the country, BSCCL has participated in Upgrade#3 of SEA-ME-WE-4 consortium to achieve additional around 4.6 million MIU*km capacity by investing 50 crore taka from its own fund. By February 2012, total bandwidth capacity of BSCCL will be 160 Gbps and in FY 2011-2012 forecasted demand would be 32.57 Gbps.

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12 (Forecasted)
Capacity (Gbps)	29.32	44.6	44.6	44.6	160
Utilization (Gbps)	7.13	7.60	15.20	21.86	32.57
Growth of Utilization	-	6.59%	100%	43.81%	50%



Joining SEA-ME-WE 5 Submarine Cable System

For international communication, presently Bangladesh has only one submarine cable system and if the cable is cut, the country would suffer in terms of data and voice communication for at least 7-10 days. Therefore, an alternate submarine cable is required to add redundancy to our existing submarine cable network.

It has been planned to form SEA-ME-WE-5 Consortium Cable. It would be another submarine cable connecting South East Asia with Western Europe through Middle East and India. Presently the main initiative of planning the project has been taken by Singtel of Singapore. BSCCL had a correspondence with Singtel and they have shown interest to include BSCCL as a party of the new consortium. As existing member of SEA-ME-WE-4, it would be a very good opportunity for BSCCL to take part in SEA-ME-WE-5 submarine cable. It would be the best solution for the country to join in a second consortium Submarine cable.

Export of Bandwidth to Neighboring Countries:

BSCCL has received a proposal from the Assam Govt. regarding provision of bandwidth in eight North-Eastern provinces of India. The provinces are Assam, Meghalaya, Tripura, Mizoram, Monipur, Nagaland, Arunachal Pradesh and Sikkim. There was a high power delegation from India who discussed with the Bangladesh Govt. (MoPT) regarding connectivity through Cox's bazaar Landing Station with the following two Land Optical Fiber Links to those eight provinces of India.

- " Cox's bazar-Chittagong-Comilla-Agartola
- " Cox's bazar- Chittagong-Dhaka-Rangpur-Dhubri-Gawhati.

The main objectives of the project are:

- (i) To develop two Land Optical Fiber Links to provide SEA-ME-WE-4 submarine cable bandwidth to eight North Eastern provinces of India.
- (ii) To diversify the business of BSCCL.
- (III) To sell spare bandwidth and earn foreign currency

There is requirement for a basic supply of 10 Gbps bandwidth for data and voice to these eight provinces initially and the requirement will increase gradually.

Delegates from Bangladesh Government and BSCCL will visit Assam during October, 2011 in order to discuss the details of the project. Hopefully the project will be started from January 2012 and it might take 12 months to implement the project.

Nevertheless, the growth in telecommunications in Bangladesh has been phenomenal. Export of bandwidth to our neighbor country will enable BSCCL to earn a sizable foreign currency in the near future.

Capital Structure:

The Company is incorporated with an authorized capital of Tk. 1,000 crore divided into 100 crore ordinary shares of Tk.10/- each out of which the paid up capital is Tk.87.51 crore divided into 8,75,09,170 ordinary shares of Tk.10/- each. The company declares 10% cash dividend for the Financial year 2008-2009 and 30% stock dividend for the financial year 2009-2010 respectively.

IPO of Company's share :

After acquiring the assets and upon increasing the paid up capital by that extent, the Board of Directors of the Company has decided to go for Initial Public Offering (IPO) of its shares in the capital market with the permission of the Govt. The company has already submitted prospectus to The Securities and Exchange Commission (SEC) for IPO of shares of the company to the extent of Tk.31 crore face value. This will generate Tk. 108 crore from the IPO which will be used to repay IDB Loan Installment and Business Expansion of the company.

State of the Company's affairs :

Generally the company is formed for providing bandwidth and to get the telecommunications services easily accessible to the people. The main achievement during the year under review was investment in third upgradation, ongoing process of listing in the stock exchanges, very good growth in bandwidth utilization and significant financial growth. At the same time, BSCCL has established a Co-location center at Cox'sbazar submarine cable landing station. Interested license holding service providers shall be now able to connect to the co-location center and distribute submarine cable bandwidth to the country with multi-choice of backhaul providers.

The company has reduced the bandwidth price by 10% with effect from 1st January, 2011 under the instruction of the Govt.

Financial Results :

During the year ended on 30 June 2011 the company has earned a net profit of Tk.305.11 million from its operating activities. A brief result is shown as under:

Particulars	Figures are in Million (Tk.) 30 June 2011
IPLC Rent	<u>837.79</u>
Operating Expenses	224.08
Financial Expenses	28.48
Other Expenses	<u>292.53</u>
Total Expenses	<u>545.09</u>
Operating Profit	292.70
Other Income	<u>12.41</u>
Net Profit after tax	305.11
Tax Holiday Reserve	80.83
Proposed Dividend (20%)	<u>175.02</u>
Retained Earnings	49.26

Dividend :

The net profit of the company stands at Tk.305.11 million as on 30 June 2011. The Board of Directors recommends 20% cash dividend for the year ended on 30 June 2011. Accordingly there will remain an amount of Taka 49.26 million in the form of retained Earnings.

Fairness of the financial statements and accounting policies :

It is the responsibility of the directors as per the provisions of the Companies Act, 1994 to prepare financial statements for each year. The financial statements and other financial information included in this report fairly present all material respects, the financial conditions, results of operations, cash flow statements and the changes in equity of the company for the year under review.

The company has used appropriate accounting policies in preparation of these financial statements supported by reasonable and prudent judgments and estimates as necessary. International Accounting Standards, as applicable in Bangladesh have been followed in preparation of these financial statements in compliance with the relevant accounting policies.

Directors :

Pursuant to the provision of article 120,121 and 122 of the Articles of Association of the Company read in conjunction with those of the Companies Act, 1994 at the 3rd Annual General Meeting one third of the directors of Bangladesh Submarine Cable Co. Ltd. shall retire from office. Accordingly two directors namely Syed Monjurul Islam, Director and Mr. Rabindra Nath Roy Chowdhury, Director shall retire at the 3rd Annual General Meeting. Being eligible, the retiring Directors offer themselves for re-election.

Auditors :

Pursuant to Section 210 of the Companies Act, 1994, the existing auditors of the Company M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants, expressed their willingness to be re appointed. As proposed, a resolution to re-appoint M/S. Hoda Vasi Chowdhury & Co. as auditors will be placed at the forthcoming Annual General Meeting.

Business Expansion :

According to the 5 (five) years Bandwidth forecasting for the country made by BSCCL, our existing capacity may get used up by 2014. Thus, BSCCL is going to participate in upgradation # 3 to enhance its capacity for the future. After upgradation#3, Bangladesh is expected to attain a large capacity to meet the demands from the growth of users in areas of new technologies and applications. Also, the internet bandwidth price will come within the reach of mass people to help building the Digital Bangladesh by 2021. We have already committed to invest for 7 (seven) million USD in the upgrade # 3 of the SMW-4 consortium.

Conclusion :

The Board of Directors would like to place on record its deep gratitude to all the shareholders for their cooperation and support towards development of the company.

The Board of Directors would like to express its grateful appreciation for the assistance and cooperation received from the ministries of Posts & Telecommunications, Finance, Commerce, Science & ICT, Bangladesh Telecommunication Regulatory Commission, Bangladesh Telecommunications Co. Ltd. and other government organizations.

The Directors also wish to express their thanks for BSCCL Management for good team spirit, hard work, and dedicated services towards the growth and progress of the company.

For and on behalf of the Board of Directors

Sunil Kanti Bose
Chairman

Md Monwar Hossain
Managing Director

Financial Statement 2010-2011

Auditors' Report

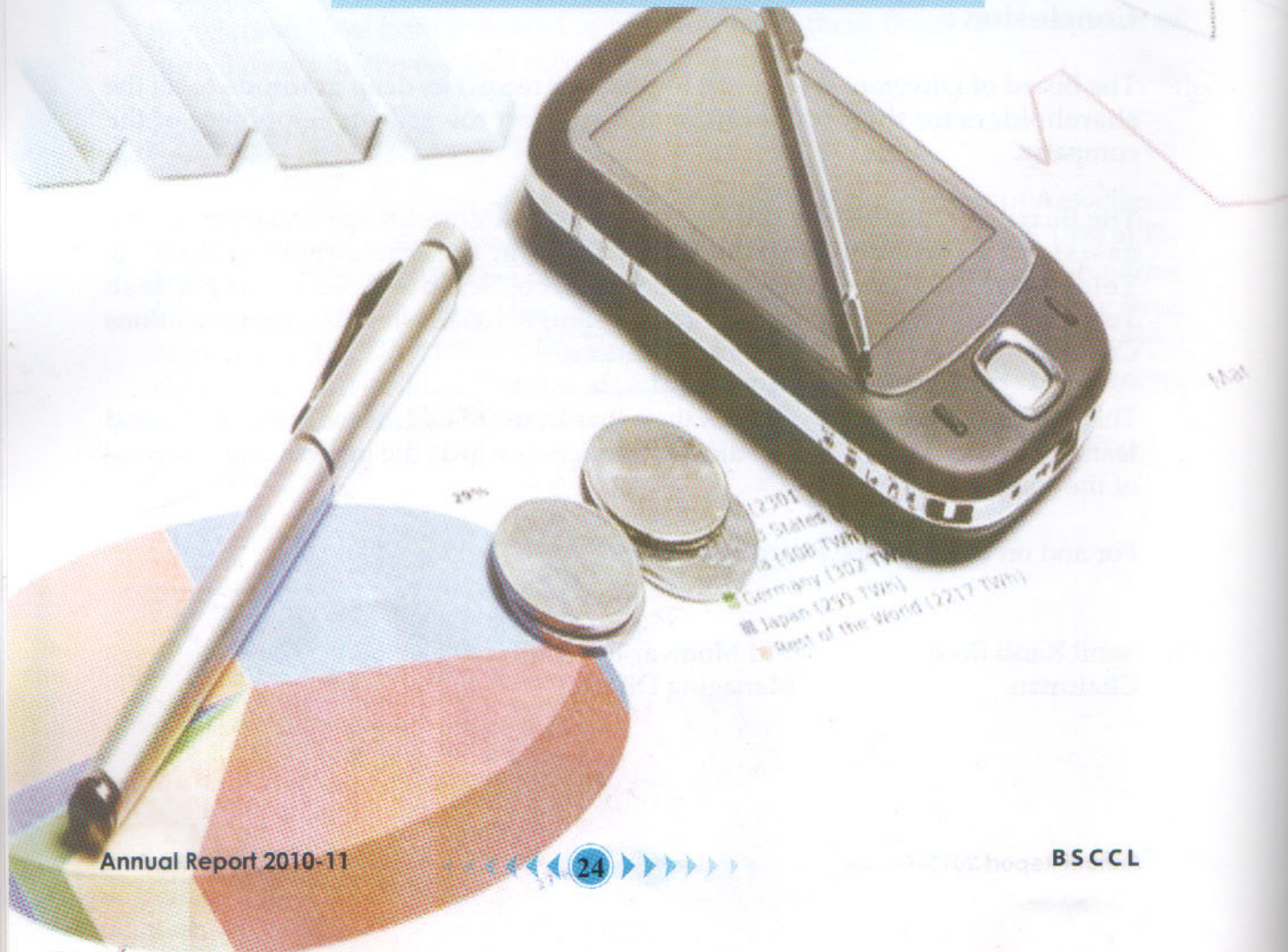
Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the financial statements



Auditors' Report to the Shareholders of Bangladesh Submarine Cable Company Limited

We have audited the accompanying financial statements of Bangladesh Submarine Cable Company Limited which comprise the balance sheet as at 30 June 2011, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

- a) Trade receivable from Mango Teleservices Limited amounting Taka 32.3 million has been remained unrealized for a period from six months to two and half years and no provision has been made for the same in the accompanying financial statements and accordingly the net profit for the year has been overstated to that extent; and
- b) One hundred and forty (140) shares of Taka 10 each for Taka 1,400 have been issued to individuals who seem to be representatives of the respective organizations as mentioned in note - 4.2 and being transferred subsequently to other individuals instead of organizations or Government of Bangladesh and as a results, the actual ownership of the shares is in question.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2011, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS), and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that,

- a) 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 and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the Company's balance sheet and profit and loss account together with notes 1 to 26 thereto dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made were the purposes of the Company's business for the year.

We have issued our independent audit opinion on 16 August 2011 on the same set of financial statements qualifying our report on fixed assets and other points. Management has subsequently provided us the list of fixed assets and documents related to the mutation of land which have been verified by us satisfactorily except the allocation of cost as mentioned in accompanying note-3.3.

Dhaka, 4 October,2011

S/d.
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Bangladesh Submarine Cable Company Limited

Balance Sheet

As at 30 June 2011

Sources of fund	Notes	2011 Taka	2010 Taka
Shareholders' equity			
Share capital	4	875,091,700	673,147,800
Tax holiday reserve		235,490,031	154,661,914
Revaluation reserve	5	164,654,032	164,654,032
Retained earnings		262,487,328	240,154,654
		<u>1,537,723,091</u>	<u>1,232,618,400</u>
Long term liabilities:			
Lease obligation - net of current portion	6	562,419,691	746,883,158
Deferred tax liabilities	7	200,684,585	-
Security deposits received from clients	8	18,571,376	16,876,446
Employees' pension fund	9	15,158,836	15,158,836
		<u>796,834,488</u>	<u>778,918,440</u>
		<u>2,334,557,579</u>	<u>2,011,536,840</u>
Application of fund			
Property, plant and equipment	10		
Cost		2,588,985,740	2,588,280,601
Less: Accumulated depreciation		806,048,167	668,005,651
		1,782,937,573	1,920,274,950
Preliminary expenses	11	1,809,690	2,714,535
Work in progress	12	487,551,230	-
Current assets:			
Trade debtors	13	181,733,838	189,222,704
Advances and deposit	14	5,710,405	219,688
Investment in shares	15	12,479,676	5,653,568
Cash and cash equivalents	16	191,836,691	174,708,953
		391,760,610	369,804,912
Current liabilities :			
Lease obligation - current portion	6	224,968,689	213,395,750
Payable to BTCL		-	35,848,029
Provision for income tax		39,372,121	2,029,024
VAT payable		44,839,104	26,884,367
Provision for decrease in value of investment in shares		2,523,270	234,063
Provision for expenses	17	17,798,339	2,866,326

	<u>329,501,523</u>	<u>281,257,559</u>
Net current assets	<u>62,259,087</u>	<u>88,547,353</u>
Net assets	<u>2,334,557,579</u>	<u>2,011,536,840</u>

These financial statements should be read in conjunction with the annexed notes

Sd/-
Company Secretary

Sd/-
Managing Director

Sd/-
Chairman

See annexed report of date

Dhaka, 4 October, 2011

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Earnings Per Share (EPS)

22

3.49

3.96

These financial statements should be read in conjunction with the annexed notes

Sd/-
Company Secretary

Sd/-
Managing Director
See annexed report of date

Sd/-
Chairman

Dhaka, 4 October, 2011

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Bangladesh Submarine Cable Company Limited
Statement of Changes in Equity
For the year ended 30 June 2011

<u>Particulars</u>	Share capital	Government	Tax holiday	Revaluation	Retained	Total
	<u>Taka</u>	equity	reserve	reserve	earnings	<u>Taka</u>
			<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 24 June 2008	-	-	-	-	-	-
Share capital	1,400	-	-	-	-	1,400
Government equity	-	673,146,412	-	-	-	673,146,412
Tax holiday reserve	-	-	16,027,883	-	-	16,027,883
Revaluation reserve	-	-	-	164,654,032	-	164,654,032
Net profit after tax holiday reserve for the year	-	-	-	-	99,518,387	99,518,387
Balance as at 30 June 2009	1,400	673,146,412	16,027,883	164,654,032	99,518,387	953,348,114
Share capital	673,146,400	-	-	-	-	673,146,400
Government equity	-	(673,146,412)	-	-	-	(673,146,412)
Tax holiday reserve	-	-	138,634,031	-	-	138,634,031
Dividend paid	-	-	-	-	(67,314,780)	(67,314,780)
Net profit after tax holiday reserve for the year	-	-	-	-	207,951,047	207,951,047

Balance as at 30 June 2010	-	154,661,914	164,654,032	240,154,654	1,232,618,400
Bonus shares issued	201,943,900	-	-	(201,943,900)	-
Tax holiday reserve	-	80,828,117	-	-	80,828,117
Net profit after tax holiday reserve for the year	-	-	-	224,276,574	224,276,574
Balance as at 30 June 2011	875,091,700	235,490,031	164,654,032	262,487,328	1,537,723,091

Sd/-

Company Secretary

Sd/-

Managing Director

Sd/-

Chairman

See annexed report of date

Bangladesh Submarine Cable Company Limited
Cash Flow Statement
For the year ended 30 June 2011

	2011 Taka	2010 Taka
Cash Flows from operating activities		
Cash received from clients	847,611,348	527,982,758
Payment for cost and expenses	(87,575,359)	(74,629,627)
Payment to employees	(16,823,255)	(12,849,631)
Financial charge on lease payments	(14,824,830)	(37,266,421)
Tax paid	(4,539,396)	(5,000)
Other receipts	10,074,126	4,107,329
	<u>733,922,634</u>	<u>407,339,408</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(705,139)	(9,900,885)
Work in progress	(487,551,230)	-
Investment in shares	(6,826,108)	(5,653,568)
	<u>(495,082,477)</u>	<u>(15,554,453)</u>
Cash flows from financing activities		
Dividend paid	-	(67,314,781)
Lease obligation	(223,407,350)	(213,398,084)
Security deposit from clients	1,694,931	12,456,491
	<u>(221,712,419)</u>	<u>(268,256,374)</u>
Net cash flow for the year	17,127,738	123,528,581
Cash and cash equivalents at the beginning of the year	<u>174,708,953</u>	<u>51,180,372</u>
Cash and cash equivalents at the end of the year	<u>191,836,691</u>	<u>174,708,953</u>

Sd/-
Company Secretary

Sd/-
Managing Director

Sd/-
Chairman

Bangladesh Submarine Cable Company Limited

Notes to the financial statements

For the year ended 30 June 2011

1. Background of the Company

Bangladesh Submarine Cable Company Limited (BSCCL) (hereinafter referred to as the "Company") was incorporated in Bangladesh as a public limited company on 24 June 2008 under the Companies Act 1994 with an authorized capital of Taka 10,000,000,000 divided into 100,000,000 ordinary shares of Taka 100 each. During the year, the company converted denomination of its shares from Taka 100 to Taka 10 and accordingly, present authorized capital is Taka 10,000,000,000 divided into 1,000,000,000 ordinary shares of Taka 10 each. The Company obtained the Certificate of Commencement of Business from the Registrar of Joint Stock Companies and Firms on 24 June 2008. The Company is substantially owned by the Government of the Peoples' Republic of Bangladesh and represented by various Ministries of the Government.

The Company was originated after separating from Bangladesh Telecommunications Company Limited (BTCL) (previously BTTB) with all assets situated at Zilonjha Cox's-Bazar, the Landing Station. Before separation a project namely "Establishment of International Telecommunication System through Submarine Cable" was undertaken by BTCL participating in an international agreement with an International Consortium namely SEA-ME-WE 4 (South East Asia Middle East Western Europe).

A Vendor Agreement was executed between the representatives of the Government of Bangladesh (GOB) and the Company on 30 June 2008 incorporating a statement of certain assets and liabilities as of 30 June 2008.

Two separate agreements namely Purchase and Lease Agreements were executed on 12 February 2005 between Government of Bangladesh (GOB) and Islamic Development Bank (IDB) for sale and lease back under the project namely "Establishment of International Telecommunication System through Submarine Cable." These agreements were executed in favor of BTCL by GOB in the absence of existence of BSCCL at that time. However, these two agreements have not yet been revalidated in favor of Company. Lease payments are still being made by the Company through BTCL.

2. Nature of business

The principal activities of the Company are to provide high capacity voice and data bandwidth to all-important places in Bangladesh to get benefit of all the IT related services.

3. Significant accounting policies

3.1 Basis of accounting

The financial statements have been prepared on going concern basis under the historical cost convention in accordance with the Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS), the Companies Act 1994 and other applicable laws and regulations in Bangladesh.

3.2 Foreign currency transactions

Transactions in foreign currencies are converted into equivalent Bangladeshi Taka (Tk/BDT) applying the ruling rate on the date of such transactions. Assets and liabilities outstanding at 30 June 2010 denominated in foreign currencies have been shown in Taka at the rate in terms of foreign currencies ruling on the Balance Sheet date.

3.3 Property, plant & equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the assets. All repairs and maintenance expenses are charged to the profit and loss account during the period when these are incurred.

The cost of core equipment represents the invoice price and other directly attributable expenditures which have been allocated proportionately to individual items.

3.4 Depreciation of property, plant and equipment

Depreciation on all property, plant and equipment has been charged on reducing balance method considering the economic and useful lives of such assets. Full year depreciation is charged on assets during the year of acquisition irrespective of their date of acquisition and no depreciation will be charged on assets in the year of disposal.

3.5 Lease

Lease of property, plant and equipment are classified as finance lease because the Company (lessee) substantially enjoys all the risks and rewards of ownership. Each lease payment is allocated between the lease liability and finance charge. The property, plant and equipment acquired under finance leases are depreciated over their estimated useful lives.

3.6 Preliminary expenses

Preliminary expenses represents the expenses relating to company formation and legal expenses incurred thereon and these are being amortized over a period of five years starting from the year in which the Company has commenced its commercial operation. During the year, an amount of Taka 904,845 has been amortized.

3.7 Tax holiday reserve

Tax holiday reserve has been created using applicable rate of income as determined by the Income Tax Ordinance 1984. The Company has been granted tax holiday by the National Board of Revenue (NBR) (Ref: 11(64) Anu-1/2009 Dhaka dated 04 August 2009) for a period of 5 years effective from 01 January 2009 in the following manner:

Period	Tax Exemption Rate
First two years (1 January 2009 to 31 December 2010)	100%
Next two years (1 January 2011 to 31 December 2012)	50%
Remaining one year (1 January 2013 to 31 December 2013)	25%

4.1 Composition of shareholdings as at 30 June 2011

<u>Name of shareholders & respective Ministries/Agencies</u>	<u>Represented by</u>	<u>2011</u>	
		<u>No. of shares</u>	<u>Value in Taka</u>
Ministry of Posts & Telecommunications, GOB	Mr. Sunil Kanti Bose	87,509,030	875,090,300
Ministry of SICT, GOB	Mr. Rabindra Nath Roy Chowdhury	20	200
Ministry of Finance, GOB	Mr. Syed Monjurul Islam	20	200
D S C S C, Dhaka Cantonment	Col. Shahriar Ahmed	20	200
Dhaka Chamber of Commerce & Industries	Mr. Asif Ibrahim	20	200
United International University	Dr. Raqibul Mostafa	20	200
Mr. Sunil Kanti Bose		20	200
Mr. Md. Monwar Hossain		20	200
		<u>87,509,170</u>	<u>875,091,700</u>

Composition of shareholdings as at 30 June 2010

<u>Name of shareholders & respective Ministries/Agencies</u>	<u>Represented by</u>	<u>2010</u>	
		<u>No. of shares</u>	<u>Value in Taka</u>
Ministry of Posts & Telecommunications, GOB	Mr. Sunil Kanti Bose	6,731,464	673,146,400
Ministry of SICT, GOB	Mr. Rabindra Nath Roy Chowdhury	2	200
Ministry of Finance, GOB	Mr. Syed Monjurul Islam	2	200
D S C S C, Dhaka Cantonment	Col. Shahriar Ahmed	2	200
Dhaka Chamber of Commerce & Industries	Mr. Abul kasem khan	2	200
United International University	Dr. Raqibul Mostafa	2	200
Mr. Sunil Kanti Bose		2	200
Mr. Md. Monwar Hossain		2	200
		<u>6,731,478</u>	<u>67,314,780</u>

A distribution schedule of the shares as at 30 June 2011 is given below as required by listing regulations:

<u>Slabs by number of shares</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Holdings %</u>
Less than 500	7	140	0.00016%
Above 1,000,000	1	87,509,030	99.99984%
	<u>8</u>	<u>87,509,170</u>	<u>100.00000%</u>

4.2 The entire amount of Taka 1,400 of the above paid up capital has been paid by the Government of Bangladesh.

4.3 Basis to issue of 6,731,464 ordinary shares to the Ministry of Post & Telecommunications, GOB

As contained in note - 1, a Vendor agreement was executed between the representatives of the Government of Bangladesh (GOB) and the Company on 30 June 2008 incorporating certain assets and liabilities inherited from Bangladesh Telecommunication Company Limited (BTCL)

(formerly Bangladesh Telephone and Telegraph Board - BTTB). The balance of net worth was agreed to settle by issuing shares to the Government. In the year 2009 - 2010, out of the balance available in this account, the Company has issued 6,731,464 ordinary shares of Taka 100 each totaling share capital amounting to Taka 673,146,400 in favor of the Ministry of Post and Telecommunications, Government of the Peoples Republic of Bangladesh in consideration of the same amount of Government equity after obtaining consent from the Securities and Exchange Commission (SEC).

Further, the aforesaid amount of Taka 673,146,412 being difference between assets and liabilities as taken over through Vendor agreement for issuing of shares to the Government. The Company has acquired certain assets and liabilities procured / emanated between 01 October 2007 to 30 June 2008.

- 4.4** During the year, the Company has issued 20,194,390 bonus shares of Taka 10 each totaling share capital amounting to Taka 201,943,900 in favor of the Ministry of Post and Telecommunications, Government of the Peoples Republic of Bangladesh and consent has been obtained from the Securities and Exchange Commission (SEC).

	2011	2010
	Taka	Taka
5 Revaluation reserve	<u>164,654,032</u>	<u>164,654,032</u>

Land measuring 5.49 acres owned by the Company and situated at Cox's Bazar has been revalued and the difference between cost and estimated fair value has been treated as revaluation reserve by an independent firm.

6 Lease obligation - net of current portion	<u>562,419,6917</u>	<u>46,883,158</u>
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The Government of Bangladesh (GOB) entered into a lease agreement with Islamic Development Bank (IDB) on 12 February 2005. The Company has classified this lease as finance lease and accordingly, accounted for liabilities for lease obligations and corresponding lease assets in the financial statements. The principal amount payable after the balance sheet date are as follows:

Finance lease liabilities - minimum lease payments

Payable not later than one year	224,968,689	213,395,750
Payable later than one year but not later than 5 years	562,419,691	746,883,158
	<u>787,388,380</u>	<u>960,278,908</u>

Interest rate for the above lease is of 6 months LIBOR + 2.4%. As applicable present LIBOR is 0.635%, present interest rate is 3.035%.

7 Deferred tax liabilities

Deferred tax liabilities has been recognized in accordance with the provision of BAS 12 based on the taxable temporary difference in carrying amount of assets / liabilities and its tax base. Related deferred tax expense has been recognized in profit and loss account.

Deferred tax liabilities is arrived at as follows:

	Carrying amount on balance sheet date	Tax base	Taxable temporary difference
<u>Year ended 30 June 2011</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Property, plant and equipments excluding land	1,618,237,573	1,083,078,680	535,158,893
Applicable tax rate			37.5%
Deferred tax liability as on 30 June 2011 and expense for the year 2010-1011			<u>200,684,585</u>

	2011 Taka	2010 Taka
8 Security deposits received from clients		
Novotel Limited	4,438,931	4,718,931
Mir Telecom Limited	4,191,908	3,229,954
Mango Teleservices Ltd.	1,001,383	1,001,383
Bangla Trac Communication Limited	2,025,954	1,012,978
Bangladesh Telecommunications Company Limited	6,913,200	6,913,200
	<u>18,571,376</u>	<u>16,876,446</u>

In addition to above security deposits, Bank guarantees for an amount of Taka 4,248,644 has been received from Mango Teleservices Limited as security.

9 Employees' pension fund

15,158,836 **15,158,836**

This represents amount payable to BTCL employees working on deputation and the amount incorporated in the vendor agreement. All except two of these employees have already returned to their original work place. The above noted amount is adequate to take care of the liabilities on account of the employees currently working for the Company as deputed from BTCL and therefore no additional provision has been made in the accompanying financial statements. The Company however, does not have any pension fund.

10 Property, plant and equipment - at cost less accumulated depreciation

Amount in Taka

Name of assets	Cost			Accumulated depreciation			WDV as on 30 June 2011
	At 1st July 2010	Additions during the year 2010	At 30 June 2011	At 1st July 2010	Charged during the year	At 30 June 2011	
Land	164,700,000	-	164,700,000	-	-	-	164,700,000
Core equipment	2,255,155,638	-	2,255,155,638	631,927,403	129,858,259	761,785,662	1,493,369,976
Landing station earth filling	9,646,000	-	9,646,000	3,322,143	632,386	3,954,529	5,691,471
Building	58,488,364	-	58,488,364	4,518,224	1,079,403	5,597,627	52,890,737
Floor development	2,654,065	-	2,654,065	870,258	178,381	1,048,639	1,605,426
Security barak & security wall	7,827,297	-	7,827,297	607,836	144,389	752,225	7,075,072
Deep Tube-Well & Pump House	2,343,837	-	2,343,837	807,232	153,660	960,893	1,382,944
500 KV sub-station	3,284,000	-	3,284,000	1,573,068	256,640	1,829,708	1,454,292
Power system	34,737,942	-	34,737,942	11,963,964	2,277,398	14,241,362	20,496,580
Boundary wall	8,255,575	-	8,255,575	641,094	152,290	793,383	7,462,192
Ducting from Beach Manhole	18,088,759	-	18,088,759	3,357,902	736,543	4,094,445	13,994,314
Vehicles	17,092,000	-	17,092,000	6,748,048	2,068,790	8,816,838	8,275,162
Office equipment and furniture	5,835,570	705,139	6,540,709	1,635,883	490,483	2,126,366	4,414,343
Co-Location point	171,554	-	171,554	32,595	13,896	46,491	125,063
Total	2,588,280,601	705,139	2,588,985,740	668,005,650	138,042,517	806,048,167	1,782,937,573
Previous year balance	2,578,379,716	9,900,885	2,588,280,601	517,703,879	150,301,771	668,005,650	1,920,274,951

11 Preliminary expenses	2011	2010
	<u>Taka</u>	<u>Taka</u>
Opening balance	2,714,535	3,619,380
Less: Amortization made during the year	<u>904,845</u>	<u>904,845</u>
	<u>1,809,690</u>	<u>2,714,535</u>
12 Work in progress	<u>487,551,230</u>	<u>-</u>

This represents amount paid in full to Consortium (SEA-ME-WE 4) for the project "Cable System Upgrade 3" participated by member companies and awaiting capitalization after completion of the project. This will enhance the Bandwidth capacity of the Company by 100 Gbps.

13 Trade debtors		
Bangladesh Telecommunications Company Limited (BTCL)	68,665,323	129,558,420
Novotel Limited	14,875,840	1,777,604
Mir Telecom Limited	6,382,350	-
Bangla Trac Communication Limited	9,898,988	11,355,319
Mango Teleservices Limited	78,180,302	39,005,718
Other receivables (note 13.1)	<u>3,731,035</u>	<u>7,525,643</u>
	<u>181,733,838</u>	<u>189,222,704</u>

Trade debtors having unrealized for a period more than 6 (six) months is Taka 34,103,014. The Company has considered this receivable as good and no provision has been made accordingly.

13.1 Other receivables includes accrued interest on FDRs amounting Taka 2,906,747.

14 Advance and deposit		
Advance given to employees for foreign traveling	-	160,000
Advance to employees against expenses	402,000	-
Advance against IPO and other related expenses	2,491,535	-
Security deposit - Duncan Products Ltd.	5,000	5,000
Advance Income Tax (AIT)	<u>2,811,870</u>	<u>54,688</u>
	<u>5,710,405</u>	<u>219,688</u>
15 Investment in Shares	<u>12,479,676</u>	<u>5,653,568</u>

The Company has invested the above-noted amount to fulfill the requirement of availing Tax Holiday. The market value of the above-noted investment as on 30 June 2011 is Taka 11,302,632. Provision for diminishing value of shares as required, has been made in the accompanying financial statements.

	2011	2010
	Taka	Taka
16 Cash and cash equivalents		
Cash in hand	199,016	37,971
Head office - Dhaka	227,507	62,216
Landing station - Cox's Bazar	426,523	100,187
Cash at bank on current & STD account with Sonali Bank Limited		
Sheraton Hotel Branch - Current Account	14,520,042	16,153,165
Sheraton Hotel Branch - STD Account	2,381,270	8,000,000
Cox's Bazar Branch	401,356	455,601
	<u>17,302,668</u>	<u>24,608,766</u>
Short term deposits (FDRs) with		
National Bank Limited, Motijheel Branch	51,350,000	75,000,000
Trust Bank Limited, Dilkusha Corporate Branch	-	75,000,000
Basic Bank Limited	31,142,500	-
Standard Bank Limited	30,000,000	-
IFIC Bank Limited	61,615,000	-
	<u>174,107,500</u>	<u>150,000,000</u>
	<u>191,836,691</u>	<u>174,708,953</u>
17 Provision for expenses		
Office rent (note - 17.1)	3,600,000	2,400,000
Accrued interest on IDB Loan	13,655,605	-
Audit and others fee including VAT	312,500	172,500
Vehicle fuel expense	-	6,758
Govt. employees' beneficiary and joint insurance fund	870	870
Vehicle maintenance	-	6,040
Electricity expense	200,000	190,000
Business development expenses	20,000	40,000
Donation payable	9,364	-
Withholding tax payable	-	50,158
	<u>17,798,339</u>	<u>2,866,326</u>
17.1 Provision for office rent payable to Bangladesh Telecommunication Company Limited (BTCL) has been made for office space occupied by the Company at Telejogajog Bhaban owned by BTCL on the lump sum basis in the absence of any agreement. This has been arrived as follows:		
Opening Balance	2,400,000	1,200,000
Add: Provision made during the year	<u>1,200,000</u>	<u>1,200,000</u>
Closing Balance	<u>3,600,000</u>	<u>2,400,000</u>
18 Circuit Activation Charge	<u>9,980,000</u>	<u>1,480,000</u>

This represents charges imposed to clients for activation of new circuits. During the year this has increased significantly because of charging installation expenses of new circuit starting from the year under review.

	2011 <u>Taka</u>	2010 <u>Taka</u>
19 Operation and maintenance expenses	56,196,580	37,081,242
This represents amount paid to SEA-ME-WE 4 during the period for expenses of cable operation and maintenance purpose after netting reimbursement of expenses, if any, from Consortium incurred by the Company.		
20 General and administrative expenses		
Salary and allowances	14,364,299	12,849,631
Managing Director's remuneration	2,458,956	1,714,125
Office rent	1,200,000	1,200,000
Repair and maintenance	2,667,787	2,174,802
Board and other meetings fees	555,264	466,826
Audit and other fees including VAT	312,500	172,500
Consultancy fees	260,685	133,000
Advertisement and publicity expenses	167,564	120,680
Vehicles running expenses	970,413	672,991
Insurance premium	-	4,460,571
Traveling & conveyance	1,257,881	888,219
Printing and stationery	379,887	305,967
Postage and courier expenses	16,677	14,283
Entertainment expenses	317,882	177,749
Bank charges and commission	78,432	21,724
	25,008,227	25,373,068
21 Other income		
Rest House rent	324,451	149,919
Income from investment in shares	-	861,970
Interest on FDR and others	12,086,109	2,848,444
Compensation from Consortium on account of foreign traveling	-	892,237
	12,410,560	4,752,570
22 Earnings Per Share		
22.1 Basic earnings per share		
Profit attributable to the ordinary shareholders - A	305,104,691	346,585,078
Weighted average number of shares outstanding - B	87,509,170	87,509,170
Basic earnings per share - A / B	3.49	3.96

Weighted average number of shares outstanding and EPS for the year 2010 have been restated by the issuance of 20,194,390 bonus shares.

22.2 Diluted earning per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review.

in%

in%

	2011		2010	
	<u>Gbps</u>	<u>Utilization</u> in%	<u>Gbps</u>	<u>Utilization</u> in%
23 Bandwidth Capacity				
Present capacity	44.60		44.6	
Capacity utilized (rented)	21.86	49%	15.20	34%
24 Remittance of foreign currency			2011	2010
			<u>US\$</u>	<u>US\$</u>
Purpose of payments				
Operation and maintenance expenses			872,031	678,853
Financial charge on lease			207,514	535,063
Lease principals			3,061,632	3,061,665
Capital equipments			7,000,000	-
			<u>11,141,177</u>	<u>4,275,581</u>
25 Particulars of employees				
The number of permanent employees during this period part thereof who received a total salary of BDT 36,000 per annum and above was 40 (30 June 2010: 40).				
26 Contingent liabilities and commitments			2011	2010
			<u>Taka</u>	<u>Taka</u>
i) Outstanding letter of credit			<u>Nil</u>	<u>Nil</u>
ii) Capital expenditure commitments			<u>Nil</u>	<u>Nil</u>
iii) Bank Guarantees given to Customs Authority			<u>128,800</u>	<u>128,800</u>

Sd/-
Company Secretary

Sd/-
Managing Director

Sd/-
Chairman