# AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS

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**Independent Auditors' Report**
**To the shareholders of Grameenphone Ltd.**

We have audited the accompanying financial statements of Grameenphone Ltd., which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) and Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) and Bangladesh Standards on Auditing (BSA). 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

### Opinion

In our opinion, the financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the results of its operations and cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### Emphasis of Matter

Without qualifying our opinion as above, we draw attention to Note#44 to the financial statements, where management explains the circumstances of claim from Bangladesh Telecommunication Regulatory Commission (BTRC), claim from National Board of Revenue (NBR) for SIM tax on replacement SIMs and the uncertainties of getting rebate of input VAT paid on 2G licence renewal fee and management's position on the same.

### 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 purposes 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 these books;
c) The statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) dealt with by the report are in agreement with the books of account and returns; and
d) The expenditure incurred was for the purposes of the company's business.

ACNABIN
Chartered Accountants

Dhaka, February 10, 2014

# Grameenphone Ltd.
## Statement of Financial Position
## as at

| Assets | Notes | 31 December 2013 | 31 December 2012 | 1 January 2012 |
|---|---|---|---|---|
| | | Taka'000 | Taka'000 | Taka'000 |
| *Non-current assets* | | | | |
| Property, plant and equipment, net | 4 | 69,922,682 | 69,584,900 | 69,461,932 |
| Intangible assets, net | 5 | 47,734,203 | 34,075,143 | 7,021,941 |
| Investment in associate | 6 | 570,516 | - | - |
| Total non-current assets | | 118,227,401 | 103,660,043 | 76,483,873 |
| *Current assets* | | | | |
| Inventories | 7 | 560,034 | 416,896 | 354,023 |
| Trade and other receivables | 8 | 11,809,676 | 9,879,471 | 23,830,309 |
| Short-term investment | 9 | 78,276 | 143,712 | 181,857 |
| Cash and cash equivalents | 10 | 4,545,257 | 3,565,230 | 8,054,597 |
| Total current assets | | 16,993,243 | 14,005,310 | 32,420,787 |
| Total assets | | 135,220,644 | 117,665,353 | 108,904,660 |
| **Equity and liabilities** | | | | |
| Equity attributable to owners of the company | | | | |
| Share capital | 11 | 13,503,000 | 13,503,000 | 13,503,000 |
| Share premium | 12 | 7,840,226 | 7,840,226 | 7,840,226 |
| Capital reserve | 13 | 14,446 | 14,446 | 14,446 |
| Deposit from shareholders | 14 | 1,880 | 1,880 | 1,880 |
| General reserve | 15 | - | 2,139,729 | 2,139,729 |
| Retained earnings | | 9,781,017 | 11,958,727 | 15,383,608 |
| | | 31,140,570 | 35,458,009 | 38,882,890 |
| Non-controlling interest | 16 | - | 0.382 | 0.080 |
| *Total equity* | | 31,140,570 | 35,458,009 | 38,882,890 |
| *Non-current liabilities* | | | | |
| Finance lease obligation | 17 | 5,310,947 | 5,019,806 | 5,019,806 |
| Loans and borrowings | 18 | 11,665,214 | - | - |
| Deferred tax liabilities | 19 | 7,820,601 | 9,275,457 | 10,242,988 |
| Other non-current liabilities | 20 | 703,316 | 4,852,304 | 3,289,684 |
| Total non-current liabilities | | 25,500,078 | 19,147,567 | 18,552,478 |
| *Current liabilities* | | | | |
| Trade and other payables | 21 | 40,368,468 | 35,644,690 | 32,305,140 |
| Loans and borrowings | 18 | 7,700,000 | 8,195,000 | - |
| Current tax payable | 22 | 23,463,733 | 17,897,486 | 17,806,349 |
| Other current liabilities | 23 | 7,047,796 | 1,322,601 | 1,357,803 |
| Total current liabilities | | 78,579,997 | 63,059,777 | 51,469,292 |
| Total equity and liabilities | | 135,220,644 | 117,665,353 | 108,904,660 |

*The annexed notes 1 to 45 form an integral part of these financial statements.*

Director | Director | Chief Executive Officer | Company Secretary

As per our report of same date.

Auditor

Dhaka, February 10, 2014

# Grameenphone Ltd.
## Statement of Comprehensive Income
For the year ended 31 December 2013

| | Notes | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|---|
| **Revenue** | 24 | 96,624,227 | 91,920,446 |
| **Operating expenses** | | | |
| Cost of material and traffic charges | 25 | (7,755,850) | (6,106,670) |
| Salaries and personnel cost | 26 | (7,062,188) | (7,045,460) |
| Operation and maintenance | 27 | (5,023,411) | (3,549,700) |
| Sales, marketing and commissions | 28 | (14,446,477) | (13,352,537) |
| Revenue sharing, spectrum charges and licence fees | 29 | (8,210,803) | (7,571,550) |
| Other operating (expenses)/income, net | 30 | (5,587,529) | (5,442,564) |
| Depreciation and amortisation | 31 | (15,339,030) | (15,176,899) |
| | | (63,425,287) | (58,245,379) |
| **Operating profit** | | 33,198,940 | 33,675,066 |
| Share of profit of associate | 32 | (30,281) | - |
| Gain on sale of shares in GPIT | 33 | (1,024,929) | - |
| Finance expense/(income), net | 34 | 2,594,957 | 3,306,216 |
| Foreign exchange (gain)/loss | 35 | (1,192,879) | 175,433 |
| | | 346,867 | 3,481,649 |
| **Profit before tax** | | 32,852,073 | 30,193,417 |
| Income tax expense | 36 | (18,150,498) | (12,688,647) |
| **Profit after tax** | | 14,701,574 | 17,504,770 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year** | | 14,701,574 | 17,504,770 |
| **Profit for the year attributable to:** | | | |
| Owners of the company | | 14,701,574 | 17,504,769 |
| Non-controlling interest | | - | 0.302 |
| | | 14,701,574 | 17,504,770 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the company | | 14,701,574 | 17,504,769 |
| Non-controlling interest | | - | 0.302 |
| | | 14,701,574 | 17,504,770 |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (par value Tk. 10 each in Taka) | 37 | 10.89 | 12.96 |

*The annexed notes 1 to 45 form an integral part of these financial statements.*

Director | Director | Chief Executive Officer | Company Secretary

As per our report of same date.

Auditor

Dhaka, February 10, 2014





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## Grameenphone Ltd.
## Statement of Changes in Equity
For the year ended 31 December 2013

| | Share capital | Share premium | Capital reserve | Deposit from shareholders | General reserve | Retained earnings | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| **Balance as at 1 January 2012** | 13,503,000 | 7,840,226 | 14,446 | 1,880 | 2,139,729 | 15,383,608 | 0.080 | 38,882,890 |
| Transactions with the equity holders: | | | | | | | | |
| Final dividend for 2011 | - | - | - | - | - | (8,776,950) | - | (8,776,950) |
| Interim dividend for 2012 | - | - | - | - | - | (12,152,700) | - | (12,152,700) |
| Total comprehensive income for 2012: | | | | | | | | |
| Profit for the year | - | - | - | - | - | 17,504,769 | 0.302 | 17,504,770 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| **Balance as at 31 December 2012** | **13,503,000** | **7,840,226** | **14,446** | **1,880** | **2,139,729** | **11,958,727** | **0.382** | **35,458,009** |
| **Balance as at 1 January 2013** | 13,503,000 | 7,840,226 | 14,446 | 1,880 | 2,139,729 | 11,843,913 | - | 35,343,195 |
| General reserve transferred to retained earnings | - | - | - | - | (2,139,729) | 2,139,729 | - | - |
| Transactions with the equity holders: | | | | | | | | |
| Final dividend for 2012 | - | - | - | - | - | (6,751,500) | - | (6,751,500) |
| Interim dividend for 2013 | - | - | - | - | - | (12,152,700) | - | (12,152,700) |
| Total comprehensive income for 2013: | | | | | | | | |
| Profit for the year | - | - | - | - | - | 14,701,574 | - | 14,701,574 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| **Balance as at 31 December 2013** | **13,503,000** | **7,840,226** | **14,446** | **1,880** | **-** | **9,781,017** | **-** | **31,140,570** |

# Grameenphone Ltd.
## Statement of Cash Flows
For the year ended 31 December 2013

| | 2013<br>Taka'000 | 2012<br>Taka'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 96,720,248 | 91,340,092 |
| Payroll and other payments to employees | (5,384,782) | (5,752,106) |
| Payments to suppliers, contractors and others | (37,613,269) | (39,327,831) |
| Interest received | 336,394 | 681,060 |
| Interest paid | (2,939,431) | (3,353,583) |
| Income tax paid | (14,038,057) | (13,565,042) |
| | (59,639,146) | (61,317,502) |
| ***Net cash generated by operating activities*** | **37,081,103** | **30,022,590** |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of shares in GPIT | 730,971 | - |
| Payment for acquisition of property, plant and equipment | (12,201,560) | (13,859,593) |
| Proceeds on sale of property, plant and equipment | 50,032 | 215,049 |
| Payment for Telecom licence and spectrum | (16,534,433) | (7,755,396) |
| Payment for acquisition of other intangible assets | (221,089) | (448,112) |
| Proceeds from sale of short-term investments | 65,436 | 38,145 |
| ***Net cash used in investing activities*** | **(28,110,643)** | **(21,809,907)** |
| **Cash flows from financing activities** | | |
| Payment of short-term bank loan | (495,000) | 8,195,000 |
| Proceeds from long-term bank loan | 11,665,214 | - |
| Payment of dividend | (18,896,923) | (20,896,517) |
| Amount refunded to IPO share applicants | (346) | (532) |
| ***Net cash used in financing activities*** | **(7,727,055)** | **(12,702,049)** |
| ***Net change in cash and cash equivalents*** | 1,243,405 | (4,489,367) |
| **Cash and cash equivalents as at 1 January** | 3,301,852 | 8,054,597 |
| **Cash and cash equivalents as at 31 December** | **4,545,257** | **3,565,230** |

# Grameenphone Ltd.
# Notes to the Financial Statements
# as at and for the year ended 31 December 2013

## /01/ Corporate information

Grameenphone Ltd (hereinafter referred to as "GP"/"Grameenphone"/"the company") is a public limited company incorporated in Bangladesh in 1996 under the Companies Act 1994 and has its registered address at GPHOUSE, Bashundhara, Baridhara, Dhaka 1229. GP was initially registered as a private limited company and subsequently converted into a public limited company on 25 June 2007. During November 2009, GP listed its shares with both Dhaka and Chittagong Stock Exchanges. The immediate parent of GP is Telenor Mobile Communications AS and the ultimate parent is Telenor ASA; both the companies are incorporated in Norway.

The company is primarily involved in providing mobile telecommunication services (voice, data and other related services) in Bangladesh. The company also provides international roaming services through international roaming agreements with various operators of different countries across the world.

## /02/ Basis of preparation

Grameenphone disposed of 51% of its stake in its only subsidiary (GPIT) on 1 September 2013. Grameenphone has lost control, but retains significant influence over GPIT because of this sale transaction. Consolidated financial statements are not required to be presented as Grameenphone is no longer a parent at the end of this reporting period.

These financial statements are not the separate financial statements of Grameenphone. These financial statements are unconsolidated financial statements (also known as individual financial statements) of Grameenphone as at and for the year ended 31 December 2013. These unconsolidated financial statements present the financial position and performance of Grameenphone and Grameenphone's investment in GPIT being accounted for under the equity method in accordance with IAS 28 Investment in Associates and Joint Ventures. These financial statements provide comparative information in respect of the previous period based on consolidation basis as Grameenphone was a parent at the end of that period. In addition, these financial statements present an additional statement of financial position as at the beginning of the previous period due to reclassification of items in the financial statements. The reclassification includes changes in classification of expenses in the statement of comprehensive income. International Financial Reporting Standards (IFRS) permit classification of expenses either by nature or by function. In these financial statements, the expenses have been classified on the basis of their nature. IFRS give emphasis on classification of expenses by nature, because information on the nature of expenses is useful in predicting future cash flows. Management believes that these financial statements after reclassification become more informative and better suited to the nature of the business.

For understanding of Grameenphone's standalone financial performance, a separate statement of comprehensive income has been appended to these financial statements as supplementary information.

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws in Bangladesh.

The Articles of Association of Grameenphone require that the financial statements to be prepared in accordance with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS). The requirements of IFRS and BFRS, to the extent relevant to these financial statements, do not vary from each other.

#### Authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the company on 10 February 2014.

### 2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except for the following items in the statement of financial position:

a) Defined post-employment benefit plan is measured on the basis of projected unit credit method.
b) Finance lease obligation is measured at present value of minimum lease payments.
c) Asset retirement obligations (ARO) are measured at present value of expected future expenditure.
d) Investment in associate is measured at fair value.

### 2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Bangladesh Taka (Taka/Tk./BDT) which is also the functional currency of the company. The amounts in these financial statements have been rounded off to the nearest Taka in thousand (Taka'000).

### 2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of accounting estimates is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 3.8: Income tax expense (corporate tax rate)
Note 6: Investment in GPIT (fair value)
Note 17: Finance lease obligation (classification and measurement)
Note 19: Deferred tax liabilities (manner of recovery of temporary differences for determination of deferred tax liabilities)
Note 20.2: Defined benefit plans (demographic and financial assumptions)

## /03/ Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements. Comparative information has been rearranged wherever considered necessary to conform to the current year's presentation.

### 3.1 Property, plant and equipment

*(a) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and capitalised borrowing costs. The obligations for costs of dismantling and removing the item and restoring the site (generally called 'asset retirement obligation') are recognised and measured in accordance with IAS/BAS 37 Provisions, Contingent Liabilities and Contingent Assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When major parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(b) *Subsequent costs*

The cost of replacing or upgradation of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the company and its costs can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(c) *Depreciation*

No depreciation is charged on land and capital work in progress (CWIP) as the land has unlimited useful life and CWIP has not yet been placed in service.

Depreciation on other items of property, plant and equipment is recognised on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. For addition to property, plant and equipment, depreciation is charged from the date of capitalisation up to the month immediately preceding the month of disposal. Depreciation method, useful lives and residual values are reviewed at each year-end and adjusted if appropriate. The estimated useful lives of the items of property, plant and equipment for the current and comparative periods are as follows:

| | 2013 | 2012 |
|---|---|---|
| Own assets | Years | Years |
| Building | 10 -50 | 10 -50 |
| Base station - equipments | 3-10 | 3-10 |
| Base station - tower, fibre optic network and related assets | 7- 20 | 7- 20 |
| Transmission equipment | 5-10 | 5-10 |
| Computers and other IT equipment | 4 | 4 |
| Furniture and fixtures (including office equipment) | 3-5 | 3-5 |
| Vehicles | 4 | 4 |
| Leased asset | | |
| Fibre Optic Network (FON) | 22.5 | 22.5 |

(d) *Gains or losses on disposal*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) *Capital work in progress*

Capital work in progress consists of unfinished work at sites and capital inventory. Spare parts expected to be used for more than one year are treated as capital work in progress. In case of import of components, capital work in progress is recognised when risks and rewards associated with such assets are transferred to the company.

(f) *Capitalisation of borrowing costs*

As per the requirements of IAS/BAS 23 Borrowing Costs, directly attributable borrowing costs are capitalised during construction period for all qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 3.2 Intangible assets

*(a) Recognition and measurement*

Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment loss, if any. Intangible assets are recognised when all the conditions for recognition as per IAS/BAS 38 Intangible Assets are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as incurred.

Development activities involve a plan or design for the production of new and substantially improved products and processes. Development expenditures, on an individual project, are recognised as an intangible asset when the company can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditure is recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is placed in service. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

*(b) Subsequent costs*

Subsequent costs are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other costs are recognised in profit or loss as incurred.

*(c) Amortisation*

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are as follows:

| | 2013<br>Years | 2012<br>Years |
|---|---|---|
| Software and others | | |
| Pulse Code Modulation (PCM) | 5 | 5 |
| Billing software | 5 | 5 |
| Other operational software | 3-7 | 3-7 |
| Network management software | 7 | 7 |
| Telecom licence and spectrum | | |
| Spectrum-2008 | 18 | 18 |
| Telecom licence and spectrum -2011 | 15 | 15 |
| 3G licence and spectrum | 15 | - |

Amortisation methods, useful lives and residual values are reviewed at each year-end and adjusted, if appropriate.

(d) *Derecognition*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognised in profit or loss.

### 3.3 Investment in associate

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the investor's share of net assets of the associate since the acquisition date. The statement of comprehensive income reflects the investor's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of the investee is presented as part of the investor's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the investor recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the investor and the associate are eliminated to the extent of the interest in the associate.

The financial statements of associate are prepared for the same reporting period by following the same accounting policies for like transactions and events as the investor.

### 3.4 Financial instruments

### 3.4.1 Financial assets

The company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date at which the company becomes a party to the contractual provisions of the transaction.

The company derecognises a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate financial asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

### i. Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. A financial asset is designated as fair value through profit or loss if the company manages such investments and make purchase and sale decisions based on their fair value in accordance with company's documented risk management or investment strategy. Attributable transaction costs are recognised in the profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes there in, which takes into account any dividend income, are recognised in the profit or loss.

As at the balance sheet date the company had no financial assets at fair value through profit or loss which is either classified as held-for-trading or designated.

### ii. Held-to-maturity financial assets

If the company has positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity financial assets. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Short-term investments are classified as held-to-maturity financial assets. Short term investments comprise investment in Fixed Deposit Receipts (FDR) with original maturity of more than three months.

iii. Loans and receivables

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in the active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

*(a) Trade receivables*

Accounts receivable represent the amounts due from subscribers for telecom services, other operators for interconnection services and infrastructure sharing, customers for FON connectivity. Accounts receivable with no stated interest rate are measured at the original invoice amount. Accounts receivables are stated net of allowance for doubtful debts.

*(b) Other receivables*

Other receivables comprise other non-mobile receivables and interest receivables. Other receivables are stated net of provision for doubtful debts, if any.

iv. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short term commitments. Bank overdraft that are repayable on demand and form an integral part of company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

v. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes there in, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

### 3.4.2 Financial liabilities

The company initially recognises financial liabilities on the transaction date at which the company becomes a party to the contractual provisions of the liability.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities include finance lease obligation, loans and borrowings, trade and other payables and other current liabilities.

*(a) Finance lease obligation*

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used.

(b) *Accounts payable and other financial liabilities*

Accounts payable and other financial liabilities (loans and borrowings, trade and other payables and other current liabilities) are recognised when there is a present obligation arising from past event, it is probable that resources embodying economic benefit will be required to settle the obligation and the obligation can be measured reliably.

### 3.4.3 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of ordinary shares are recognised as deduction from equity, net of any tax effect.

## 3.5 Impairment

### *(a) Financial assets*

A financial asset, not classified as fair value through profit or loss, is assessed at each reporting date to determine whether there is a objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets, and the loss event(s) had an impact on the estimated future cash flows of that assets that can be estimated reliably.

### i. Financial assets measured at amortised cost

The company considers evidence of impairment for financial assets (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective asset level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the company uses a historical trend of probability of default, timing of recoveries and amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit or loss and reflected in the allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

As per the existing credit policy, 100% impairment allowance is recognised on receivables from permanently disconnected post-paid subscribers. Post-paid subscribers are permanently disconnected if they fail to make any payment within 90 days of temporary disconnection. Any post-paid receivables remaining uncollected after one year of allowance creation are written-off. Other accounts receivable are written-off when there is no reasonable expectation of future recovery.

### ii. Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of reversal recognised in profit or loss.

*(b) Non-financial assets*

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to determine the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, the company considers GP and GPIT as the smallest identifiable groups of assets (CGU).

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.6 Inventories

Inventories consisting of scratch cards, SIM cards, mobile handsets, data cards, other devices and IT accessories are valued at lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of inventories is determined by using the weighted average cost formula. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 3.7 Employee benefits

The company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds. Both of the plans are funded and are registered under Income Tax Ordinance 1984.

*(a) Defined contribution plan (provident fund)*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as an employee benefit expense in profit or loss in the period during which related services are rendered by employees. Advance contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which employee render the services are discounted to the present value.

GP has a separate recognised provident fund scheme. All permanent employees of GP contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognises contribution to defined contribution plan as an expense when an employee has rendered related services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

*(b) Defined benefit plan (gratuity)*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The employee gratuity plan is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to current and former employees as per condition of the fund.

The net defined benefit liability (asset) in respect of a defined benefit plan is recognised in the statement of financial position. The net defined benefit liability (asset) is made up of:

i) the present value of defined benefit obligation; less
ii) the fair value of plan assets; adjusted for
iii) any effect of limiting a net defined benefit asset to the asset ceiling.

Present value of defined benefit obligation is determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost by using mutually compatible actuarial assumptions about demographic and financial variables.

Current service cost, past service cost and gain/loss on settlement and net interest on the net defined benefit liability (asset) are recognised in profit or loss. Service cost and gain/loss on settlement are classified as personnel expense and net interest on the net defined benefit liability (asset) is classified as interest expense.

Remeasurements of the net defined liability (asset) are recognised in other comprehensive income, comprising:

i) actuarial gains and losses;
ii) return on plan asset, excluding amounts included in net interest on the net defined benefit liability (asset); and
iii) any change in the affect of the asset ceiling excluding amounts included in net interest on the net defined benefit liability (asset).

The above changes to accounting policies have been applied for the reporting period beginning on 1 January 2013 and applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, Grameenphone had net defined benefit asset as at 31 December 2012 and the amount of asset was insignificant; hence no adjustment was given in the financial statements.

*(c) Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Provision is created for the amount of annual leave encashment based on the latest basic salary.

### 3.8 Income tax

Income tax expenses comprise current and deferred taxes. Income tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

*(a) Current tax*

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. The tax rate used for the reporting periods is as follows:

| Year | Tax rate |
|---|---|
| 2012 | 35% |
| 2013 | 40% |

Being a private limited company, applicable tax rate for GPIT is 37.5%. However IT enabled services provided by GPIT are exempted from income taxes until 30 June 2015 as per Finance Act 2013.

*(b) Deferred tax*

Deferred tax is recognised in compliance with IAS/BAS 12 Income Taxes, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the date of statement of financial position. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. Deferred tax assets are reviewed at each year-end and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.9 Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*Asset retirement obligations (ARO)*

Asset retirement obligations (ARO) are recognised when there is a legal or constructive obligation as a result of past event for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated expected cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment. The company recognises ARO in respect of roof-top base station and office space. The periodic unwinding of the discount is recognised in profit or loss as a finance cost as it occurs.

### 3.10 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

Contingent liabilities and assets are not recognised in the statement of financial position of the company.

### 3.11 Revenue recognition, measurement and presentation

Revenues are recognised when goods are delivered or services rendered, to the extent that it is probable that the economic benefits from the transactions will flow to the company and the revenues can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes. These taxes are regarded as collected on behalf of the authorities.

Revenues primarily comprise sale of:

- Services: subscription and traffic fees, connection fees, interconnection fees, roaming charges, fees for leased lines and leased networks.
- Customer equipment is primarily mobile devices/phones and data card.

*(a) Subscription and traffic fees*

Revenues from subscription fees are recognised over the subscription period while revenues from voice and non-voice services are recognised upon actual use. Consideration from the sale of prepaid cards to customers where services have not been rendered at the reporting date is deferred until actual usage or when the cards are expired or forfeited.

*(b) Connection fees*

Connection fees that are charged and not allocated to the other elements of an arrangement are deferred and recognised over the periods in which the fees are expected to be earned. The earning period is the expected period of the customer relationship and is based on past history of churn.

*(c) Customer equipment*

Revenues from sales of customer equipment are normally recognised when the equipment, including the related significant risks and rewards of ownership, is transferred to the buyer and the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

*(d) Discounts*

Discounts are often provided in the form of cash discounts or free products and services delivered by the company or by external parties. Discounts are recognised on a systematic basis over the period the discount is earned. Cash discounts or free products and services given as part of sales transactions are recognised as a reduction of revenue. Free products or services provided that are not related to sales transactions are recognised as expenses.

*(e) Multiple element arrangements*

When the company delivers multiple services and/or equipment as part of one contract or arrangement, the consideration is allocated to the separate identifiable components if the delivered item has value to the customer on a standalone basis and there is objective and reliable evidence of the fair value of undelivered items. The consideration is allocated between the elements based on their relative fair values, and recognition of the revenue allocated to the delivered item is limited to the amount that is not contingent on the delivery of additional items or other specified performance criteria.

*(f) Interest and dividend*

Interest income is accrued on a time proportion basis that reflects an effective yield on the financial asset. Dividend income from an investment is recognised when the company's rights to receive payment is established (declared by the Annual General Meeting of the investee or otherwise).

#### Presentation

The determination of whether the company is acting as a principal or as an agent in a transaction is based on an evaluation of the substance of the transaction, the responsibility for providing the goods or services and setting prices and the underlying financial risks and rewards. Where the company acts as a principal, the revenues are recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customers, after trade discounts, with any related expenses charged as operating costs. Where the company acts as an agent, the expenses are offset against the revenues and the resulting net revenues represent the margins or commissions earned for providing services in the capacity of an agent.

Revenues from roaming are recognised gross in line with generally accepted accounting principles within the telecommunications industry.

Licence fees payable to Bangladesh Telecommunication Regulatory Commission (BTRC) that are calculated on the basis of revenue share arrangements are not offset against the revenues. Instead, they are recognised as operating costs because the company is considered to be the primary obligor.

### 3.12 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

*(a) The company as lessee*

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of liability. Finance expenses are immediately recognised in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the period in which they incur.

Operating lease payments are recognised as an expense on straight line basis over the lease term, except where another systemic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

*(b) The company as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of company's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating lease is recognised on straight line basis over the term of relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to carrying amount of leased assets and recognised on a straight line basis over the lease term.

### 3.13 Foreign currency transactions

The financial statements are presented in Taka/Tk./BDT, which is the company's functional currency. Transactions in foreign currencies are recorded in the books at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies at the date of statement of financial position are translated into taka at the exchange rate prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss as per IAS/BAS 21 The Effects of Changes in Foreign Exchange Rates.

### 3.14 Earnings per share

The company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for the effect of change in number of shares for bonus issue, share split and reverse split. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant periods.

### 3.15 Events after the reporting period

Amounts recognised in the financial statements are adjusted for events after the reporting period that provide evidence of conditions that existed at the end of the reporting period. No adjustment is given in the financial statements for events after the reporting period that are indicative of conditions that arose after the reporting period. Material non-adjusting events are disclosed in the financial statements.

## /04/ Property, plant and equipment, net

Year 2013

| Name of assets | Cost | | | | Depreciation | | | | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | As at 1 January 2013 | Addition during the year | Disposal/ Adjustment during the year | As at 31 December 2013 | As at 1 January 2013 | Charged during the year | Disposal/ Adjustment during the year | As at 31 December 2013 | As at 31 December 2013 |
| | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| Land (Note 4.1) | 806,976 | 550 | (29) | 807,497 | - | - | - | - | 807,497 |
| Building | 4,058,116 | - | - | 4,058,116 | 476,451 | 198,324 | - | 674,775 | 3,383,341 |
| Base station (Note 4.2) | 74,313,898 | 6,115,972 | (1,516,033) | 78,913,836 | 36,131,502 | 7,929,786 | (1,497,854) | 42,563,435 | 36,350,402 |
| Transmission equipment | 24,144,326 | 2,070,556 | - | 26,214,882 | 10,931,827 | 2,917,792 | - | 13,849,619 | 12,365,264 |
| Computers and other IT equipment | 3,641,296 | 151,474 | (92,322) | 3,700,448 | 3,002,454 | 267,716 | (91,565) | 3,178,605 | 521,843 |
| Furniture and fixtures (including office equipment) | 2,332,883 | 72,532 | (39,685) | 2,365,730 | 1,992,505 | 184,006 | (39,540) | 2,136,971 | 228,759 |
| Vehicles | 1,213,580 | 214,035 | (10,502) | 1,417,113 | 747,968 | 126,704 | (5,286) | 869,385 | 547,728 |
| | 110,511,074 | 8,625,119 | (1,658,572) | 117,477,622 | 53,282,707 | 11,624,328 | (1,634,246) | 63,272,789 | 54,204,833 |
| Capital work in progress (Note 4.3) | 6,998,290 | 12,901,542 | (8,659,062) | 11,240,771 | - | - | - | - | 11,240,771 |
| | 117,509,365 | 21,526,661 | (10,317,633) | 128,718,393 | 53,282,707 | 11,624,328 | (1,634,246) | 63,272,789 | 65,445,604 |
| Fibre Optic Network under finance lease (Note 4.4) | 7,678,322 | - | - | 7,678,322 | 2,856,828 | 344,416 | - | 3,201,243 | 4,477,078 |
| | **125,187,686** | **21,526,661** | **(10,317,633)** | **136,396,714** | **56,139,534** | **11,968,744** | **(1,634,246)** | **66,474,032** | **69,922,682** |



grameenphone

## /04/ Property, plant and equipment (contd..)

Year 2012

| Name of assets | Cost | | | | Depreciation | | | | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | As at 1 January 2012 | Addition during the year | Disposal/ Adjustment during the year | As at 31 December 2012 | As at 1 January 2012 | Charged during the year | Disposal/ Adjustment during the year | As at 31 December 2012 | As at 31 December 2012 |
| | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| Land (Note 4.1) | 806,713 | 293 | (30) | 806,976 | - | - | - | - | 806,976 |
| Building | 4,058,116 | - | - | 4,058,116 | 277,722 | 198,729 | - | 476,451 | 3,581,665 |
| Base station | 72,104,134 | 10,310,383 | (8,100,619) | 74,313,898 | 34,303,518 | 7,748,349 | (5,920,365) | 36,131,502 | 38,182,396 |
| Transmission equipment | 24,557,393 | 3,307,801 | (3,720,868) | 24,144,326 | 10,736,314 | 2,763,273 | (2,567,761) | 10,931,827 | 13,212,499 |
| Computers and other IT equipment | 3,841,952 | 703,569 | (169,520) | 4,376,001 | 3,023,155 | 376,983 | (163,638) | 3,236,499 | 1,139,502 |
| Furniture and fixtures (including office equipment) | 2,354,865 | 116,269 | (122,538) | 2,348,595 | 1,906,034 | 212,180 | (119,748) | 1,998,466 | 350,129 |
| Vehicles | 1,267,143 | 88,376 | (111,984) | 1,243,535 | 712,507 | 120,832 | (77,051) | 756,288 | 487,247 |
| | 108,990,316 | 14,526,691 | (12,225,560) | 111,291,447 | 50,959,250 | 11,420,346 | (8,848,563) | 53,531,033 | 57,760,414 |
| Capital work in progress (Note 4.3) | 6,274,849 | 14,941,727 | (14,213,584) | 7,002,993 | - | - | - | - | 7,002,993 |
| | 115,265,165 | 29,468,418 | (26,439,143) | 118,294,440 | 50,959,250 | 11,420,346 | (8,848,563) | 53,531,033 | 64,763,407 |
| Fibre Optic Network under finance lease (Note 4.4) | 7,678,322 | - | - | 7,678,322 | 2,522,304 | 334,523 | - | 2,856,828 | 4,821,494 |
| | **122,943,486** | **29,468,418** | **(26,439,143)** | **125,972,761** | **53,481,554** | **11,754,870** | **(8,848,563)** | **56,387,861** | **69,584,900** |

### 4.1 Land

Land represents freehold land acquired for office premises and base stations.

### 4.2 Base station

Disposal of Tk. 1,516,033,374 includes accounting adjustment of Tk. 1,045,683,387. This accounting adjustment is for derecognition of fully depreciated assets no longer in use.

### 4.3 Capital work in progress (CWIP)

This represents primarily the cost of network equipment under construction and capital inventory.

### 4.3.1 Capital work in progress - transferred

The amount of CWIP completed and transferred during the year to the corresponding items of property, plant and equipment was as follows:

| Name of assets | 2013 | 2012 |
|---|---|---|
| | Taka'000 | Taka'000 |
| Land | 550 | 293 |
| Building | - | - |
| Base station | 6,115,972 | 10,081,055 |
| Transmission equipment | 2,070,556 | 3,263,635 |
| Computers and other IT equipment | 151,474 | 663,955 |
| Furniture and fixtures | 72,532 | 116,269 |
| Vehicles | 214,035 | 88,376 |
| | 8,625,119 | 14,213,584 |

Total transfer of CWIP also includes capital inventory write off of Tk. 33,942,099.

### 4.3.2 Capital work in progress - components

Capital work in progress as at 31 December 2013 includes capital inventory of Tk. 8,566,032,092 (2012: Tk. 3,197,018,118) and work-in-progress of Tk. 2,674,738,469 (2012: Tk. 3,801,272,214).

### 4.4 Fibre Optic Network under finance lease

This represents the fibre optic network acquired under finance lease from Bangladesh Railway (BR). The lease agreement with BR is valid until June 2027.

## /05/ Intangible assets, net

Year 2013

| Name of assets | Cost | | | | Amortisation | | | | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | As at 1 January 2013 | Addition during the year | Disposal/ Adjustment during the year | As at 31 December 2013 | As at 1 January 2013 | Charged during the the year | Disposal/ Adjustment during the year | As at 31 December 2013 | As at 31 December 2013 |
| | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| Software and others (Note 5.1) | 6,820,911 | 60,378 | (1,110,785) | 5,770,504 | 5,247,211 | 800,999 | (1,110,785) | 4,937,425 | 833,079 |
| Telecom licence and spectrum (Note 5.2) | 35,800,383 | 17,248,875 | - | 53,049,258 | 3,641,632 | 2,569,287 | - | 6,210,919 | 46,838,339 |
| | 42,621,294 | 17,309,253 | (1,110,785) | 58,819,762 | 8,888,843 | 3,370,286 | (1,110,785) | 11,148,344 | 47,671,418 |
| Capital work in progress (Note 5.3) | 348,314 | 17,248,875 | (17,534,404) | 62,785 | - | - | - | - | 62,785 |
| | **42,969,609** | **34,558,128** | **(18,645,189)** | **58,882,547** | **8,888,843** | **3,370,286** | **(1,110,785)** | **11,148,344** | **47,734,203** |

Year 2012

| Name of assets | Cost | | | | Amortisation | | | | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | As at 1 January 2012 | Addition during the year | Disposal/ Adjustment during the year | As at 31 December 2012 | As at 1 January 2012 | Charged during the the year | Disposal/ Adjustment during the year | As at 31 December 2012 | As at 31 December 2012 |
| | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| Software and others (Note 5.1) | 5,821,959 | 996,226 | - | 6,818,185 | 4,443,069 | 822,777 | - | 5,265,846 | 1,552,339 |
| Telecom licence and spectrum (Note 5.2) | 5,920,000 | 29,880,383 | - | 35,800,383 | 1,042,380 | 2,599,252 | - | 3,641,632 | 32,158,751 |
| | 11,741,959 | 30,876,609 | - | 42,618,569 | 5,485,449 | 3,422,029 | - | 8,907,478 | 33,711,090 |
| Capital work in progress (Note 5.3) | 765,431 | 30,551,077 | (30,952,456) | 364,052 | - | - | - | - | 364,052 |
| | **12,507,390** | **61,427,686** | **(30,952,456)** | **42,982,621** | **5,485,449** | **3,422,029** | - | **8,907,478** | **34,075,143** |

### 5.1 Software and others

Software includes business software and network management software. Business software includes mainly billing software, Oracle financial software and other business software. Network management software represents PPS, NERM, HNMS, Paso link, minilink etc.

The disposal of Tk. 1,110,785,024 is an accounting adjustment for derecognition of fully amortised software no longer in use.

### 5.2 Telecom licence and spectrum

Grameenphone, in 2013, acquired 3G licence and related 10 MHz of spectrum for 15 years effective from 12 September 2013.

The tenure of Mobile Cellular Licence and 14.6 MHz of spectrum acquired in 1996 expired on 10 November 2011. The tenure of this 2G licence and spectrum was renewed for another 15 years on 7 August 2012. This 2G licence and spectrum was recognised in accordance with IAS/BAS 38 Intangible Assets and was measured at the cash equivalent price being the present value of the instalments. The difference between total payment and the cash equivalent price is recognised as finance cost over the period of payment.

Total cost of telecom licence and spectrum also includes cost of 7.4 MHz of spectrum acquired in 2008 for 18 years.

### 5.3 Capital work in progress (CWIP)

CWIP includes cost of software in process of installation/implementation and also software under testing phase awaiting users' acceptance.

## /06/ Investment in associate

Grameenphone disposed of 51% of its stake in GPIT on 1 September 2013 and thereby lost control, but retains significant influence over GPIT. The remaining stake (49%) in GPIT has been measured at fair value at the date when control was lost. This fair value is regarded as the cost on initial recognition of 'investment in associate'. This fair value (Tk. 540,235,154) has been determined based on the transaction price of 51% after giving adjustment for factor like control premium.

## /07/ Inventories

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Handset, data card and other devices | 171,373 | 89,897 |
| SIM card | 233,910 | 223,666 |
| Scratch card | 154,752 | 95,967 |
| IT accessories and services | - | 7,365 |
| | 560,034 | 416,896 |

### 7.1 Movement of inventories

| | IT accessories | Handset, data card and other device | SIM card | Scratch card |
|---|---|---|---|---|
| | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| Balance as at 1 January 2012 | 22,643 | 50,293 | 247,653 | 33,433 |
| Purchase during 2012 | 901,251 | 292,000 | 638,174 | 286,438 |
| Issue during 2012 | (916,529) | (239,019) | (661,375) | (210,032) |
| | 7,365 | 103,274 | 224,453 | 109,839 |
| Adjustment/write-off | - | (13,377) | (786) | (13,872) |
| Balance as at 31 December 2012 | 7,365 | 89,897 | 223,666 | 95,967 |
| Purchase during 2013 | - | 1,279,668 | 785,156 | 522,781 |
| Issue during 2013 | - | (1,192,608) | (772,763) | (457,737) |
| | 7,365 | 176,957 | 236,060 | 161,011 |
| Adjustment/write-off | (7,365) | (5,584) | (2,150) | (6,259) |
| Balance as at 31 December 2013 | - | 171,373 | 233,910 | 154,752 |

### 7.2 Number of inventories

| | 2013 Units | 2012 Units |
|---|---|---|
| Handset, data card and other device | 99,773 | 53,762 |
| SIM card | 4,390,528 | 3,961,472 |
| Scratch card | 211,459,231 | 133,927,959 |

### 7.3 SIM card

As at 31 December 2013, GP had 4,390,528 SIM cards (2012: 3,961,472 SIM cards) out of which 1,674,609 SIM cards (2012: 671,205 SIM cards) are intended to be issued with new connection to subscribers. Each new connection currently attracts Tk. 300 as VAT and Supplementary Duty to be paid to Govt. exchequer.

## /08/ Trade and other receivables

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Trade receivables (Note 8.1) | 6,375,489 | 6,405,870 |
| Provision for bad debts (Note 8.2) | (689,720) | (190,702) |
| Total trade receivables | 5,685,770 | 6,215,168 |
| **Other current receivables** | | |
| Interest bearing receivables | 4,018 | 8,277 |
| Receivables on Employees - Non-Interest Bearing | 23,258 | 27,999 |
| Other non-interest-bearing receivables | 1,569,304 | 1,287,816 |
| Total other current receivables | 1,596,581 | 1,324,093 |
| **Prepayments** | | |
| Deferred costs related to connection revenues | 9,588 | 382,103 |
| Prepaid expenses | 2,096,886 | 1,107,018 |
| Indirect tax | 2,420,852 | 851,090 |
| Total prepaid expenses | 4,527,326 | 2,340,210 |
| **Total trade and other receivables** | 11,809,676 | 9,879,471 |

### 8.1 Interconnection receivables

This includes interconnection receivables of Tk. 5,187,389,260 in 2013 and Tk. 5,159,654,077 in 2012.

### 8.2 Provision for doubtful debts

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Opening Balance | 190,702 | 268,428 |
| Provision made during the year | 542,551 | (32,753) |
| | 733,253 | 235,675 |
| Written off during the year | (43,534) | (44,973) |
| Closing balance | 689,720 | 190,702 |

### 8.3 Security against accounts receivable

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Good and secured | 412,267 | 409,868 |
| Good with personal security/unsecured | 5,273,503 | 5,805,300 |
| Doubtful and bad | 689,720 | 190,702 |
| Gross accounts receivable | 6,375,489 | 6,405,870 |
| Provision for bad and doubtful debts | (689,720) | (190,702) |
| Accounts receivable, net | 5,685,770 | 6,215,168 |

### 8.4 Debts due by directors, officers and other related parties

As at 31 December 2013, trade and other receivables do not include any receivable from:

(a) the directors and other officers of the company;

(b) firms or private limited companies respectively in which any director of the company is a partner, director or member, other than those disclosed in note 40.2; and

(c) companies under the same management.

## /09/ Short-term investment

This includes the amount of Fixed Deposits Receipts (FDR) of Tk. 44,931,297 (2012: Tk. 93,882,537) with Southeast Bank Limited and Tk. 33,345,000 (2012: Tk. 46,132,500) with One Bank Ltd as at the statement of financial position date having original maturity of three months or more. The interest rates on these FDRs range from 11.50% to 12.50% (2012: 12.00% to 14.5%). Out of this total amount, Tk. 33,345,000 (2012: Tk. 133,595,625) is restricted to the settlement of bills pay liabilities.

## /10/ Cash and cash equivalents

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Cash in hand | 7,389 | 6,329 |
| Cash at bank (Note-10.1) | 4,537,868 | 3,558,901 |
| | 4,545,257 | 3,565,230 |

**10.1** Cash at bank includes bank overdraft of Tk. 2,498,770,857 from Pubali Bank Limited, Tk. 999,903,323 from Jamuna Bank Limited and Tk. 289,378,535 from Bank Alfalah Limited. Bank overdrafts that form an integral part of company's cash management are included as a component of cash and cash equivalents as mentioned in note 3.4.1.

### 10.2 Restricted cash balance

Cash at bank includes utility bill pay service collection amounting to Tk. 530,067,005 (2012: Tk. 368,353,869). Use of this amount is restricted to settlement of payable for bills pay receipts as mentioned in note 23.

### 10.3 Non-cash transaction

During the current year, the company entered into the following significant non-cash investing and financing activities which are not included in the statement of cash flows:

Grameenphone, in 2013, obtained 3G licence and spectrum at BDT 17,248,875,000 for which it paid BDT 10,391,325,000 in 2013. The rest of the amount is shown as liability (Note 21.2).

## /11/ Share capital

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| **Authorised:** | | |
| 4,000,000,000 ordinary shares of Tk. 10 each | 40,000,000 | 40,000,000 |
| | 40,000,000 | 40,000,000 |
| **Issued, subscribed, called up and paid up:** | | |
| 1,350,300,022 ordinary shares of Tk. 10 each | 13,503,000 | 13,503,000 |
| | 13,503,000 | 13,503,000 |

The company was initially registered with ordinary shares of Tk. 43.00 each. These shares were subsequently converted into Tk. 10 shares through a 43:1 split at the 16th EGM (held on 15 July 2008) and 1:10 reverse split at the 19th EGM (held on 2 July 2009).

There has been no change in share capital during the current and comparative period.

### 11.1 Shareholding position

a) Percentage of shareholdings

| Name of shareholders | % of holding | | Value of shares (Taka) | |
|---|---|---|---|---|
| | As at 31 December 2013 | As at 31 December 2012 | As at 31 December 2013 | As at 31 December 2012 |
| Telenor Mobile Communications AS, Norway | 55.8% | 55.8% | 7,534,077,240 | 7,534,077,240 |
| Nye Telenor Mobile Communications II AS, Norway | 0.0% | 0.0% | 2,150 | 2,150 |
| Nye Telenor Mobile Communications III AS, Norway | 0.0% | 0.0% | 2,150 | 2,150 |
| Telenor Asia Pte Ltd, Singapore | 0.0% | 0.0% | 2,150 | 2,150 |
| Grameen Telecom, Bangladesh | 34.2% | 34.2% | 4,617,664,090 | 4,617,664,090 |
| Grameen Kalyan, Bangladesh | 0.0% | 0.0% | 220 | 220 |
| Grameen Shakti, Bangladesh | 0.0% | 0.0% | 220 | 220 |
| General public, GP employees and institution | 10.0% | 10.0% | 1,351,252,000 | 1,351,252,000 |
| | 100% | 100% | 13,503,000,220 | 13,503,000,220 |

b) Classification of shareholders by range of number of shares held

| Shareholding range | No. of shareholders | | No. of shares | |
|---|---|---|---|---|
| | As at 31 December 2013 | As at 31 December 2012 | As at 31 December 2013 | As at 31 December 2012 |
| 1-500 | 48,108 | 53,842 | 10,595,433 | 11,862,686 |
| 501-5,000 | 11,820 | 12,376 | 17,696,880 | 17,971,537 |
| 5,001-10,000 | 803 | 842 | 5,866,859 | 6,124,087 |
| 10,001-20,000 | 381 | 381 | 5,428,607 | 5,388,878 |
| 20,001-30,000 | 110 | 103 | 2,744,102 | 2,481,795 |
| 30,001-40,000 | 49 | 63 | 1,690,778 | 2,201,994 |
| 40,001-50,000 | 46 | 41 | 2,161,578 | 1,893,983 |
| 50,001-100,000 | 90 | 78 | 6,389,433 | 5,473,513 |
| 100,001-1,000,000 | 88 | 98 | 26,418,847 | 30,392,153 |
| 1,000,001-1,000,000,000 | 21 | 19 | 1,271,307,505 | 1,266,509,396 |
| | 61,516 | 67,843 | 1,350,300,022 | 1,350,300,022 |

## /12/ Share premium

Total amount of Tk. 8,384,003,437 was received as share premium in respect of shares issued to shareholders. Net issue cost of Tk. 543,777,495 was set off against share premium as per IAS/BAS 32 Financial Instruments: Presentation.

## /13/ Capital reserve

In 1999, Grameenphone issued 5,086,779 preference shares of Tk. 45.84 each, which were converted into ordinary shares of Tk. 43.00 each in 2004. The balance Tk. 2.84 per share was transferred to capital reserve account. The conversion was in accordance with clauses 41 to 44 of Memorandum and Articles of Association of GP. This amount is not distributable as dividend as per the Companies Act 1994.

## /14/ Deposit from shareholders

Deposit from shareholders as at the statement of financial position date represents balance of the share money received from Telenor Mobile Communications AS, Norway, which has not been used against issuance of shares.

## /15/ General reserve

Grameenphone availed tax holiday benefits from 1 June 2001 to 31 May 2006 as per the provisions of Income Tax Ordinance 1984. A tax holiday reserve was created during the Tax Holiday period to ensure investment in compliance with the said Ordinance. The reserve was subsequently transferred to general reserve upon fulfilment of necessary conditions. This general reserve was distributed as dividend in 2013 after being transferred to retained earnings.

## /16/ Non-controlling interest

Non-controlling interest is the equity in GPIT not attributable, directly or indirectly, to GP. This includes the amount of paid up capital and proportionate share of accumulated profit/loss of GPIT attributable to shareholders of GPIT other than GP. GP lost control over GPIT in September 2013 after sale of its 51% stake in GPIT. Hence, there is no non-controlling interest in 2013.

## /17/ Finance lease obligation

Grameenphone entered into a lease agreement with Bangladesh Railway (BR) in 1997 for the right to use the optical fibre network along with its ancillary facilities. The lease was treated as operating lease until the end of 2004. Following an amendment to the lease agreement in 2004, it has been reclassified as finance lease and has been treated as such since 1 January 2005. The lease agreement was further amended on 13 June 2007 with Guaranteed Annual Rental (GAR) being revised and lease term being extended up to June 2027.

Obligation under finance lease was initially measured at an amount equal to the present value of minimum lease payments. The effect of change in lease agreement in 2007 was accounted for as an adjustment of the leased asset and obligation by the amount equal to the difference between the present value of revised minimum lease payments and the carrying amount of lease obligation at that date. GP's incremental borrowing rate, which was 15% at the inception of the lease, was used to calculate the present value of minimum lease payments, as it was impracticable to determine the implicit interest rate at that time.

| | 2013<br>Taka'000 | 2012<br>Taka'000 |
|---|---|---|
| Finance lease obligation | 5,312,197 | 5,019,806 |
| Less: Current portion (Note 21.1) | 1,250 | - |
| | 5,310,947 | 5,019,806 |

| Finance lease obligation as at 31 December 2013 is payable as follows: | Future minimum lease payments<br>Taka'000 | Interest<br>Taka'000 | Present value of minimum lease payments<br>Taka'000 |
|---|---|---|---|
| (i) Not later than one year | 798,566 | 797,316 | 1,250 |
| (ii) Later than one year but not later than five years | 3,495,610 | 3,114,857 | 380,753 |
| (iii) Later than five years | 9,025,303 | 4,095,108 | 4,930,194 |
| | 13,319,479 | 8,007,281 | 5,312,197 |

| Finance lease obligation as at 31 December 2012 was payable as follows: | Future minimum lease payments<br>Taka'000 | Interest<br>Taka'000 | Present value of minimum lease payments<br>Taka'000 |
|---|---|---|---|
| (i) Not later than one year | 768,431 | 768,431 | - |
| (ii) Later than one year but not later than five years | 3,375,072 | 3,375,072 | - |
| (iii) Later than five years | 9,944,407 | 4,924,601 | 5,019,806 |
| | 14,087,910 | 9,068,104 | 5,019,806 |

## /18/ Loans and borrowings

Loans and borrowings include a long-term loan from International Finance Corporation of Tk. 11,665,214,000 at 6-month-LIBOR + 3.5% interest rate. The total amount of facility is USD 345 million and total withdrawn amount is USD 150 million. The lending parties include IFC, DEG, FMO, Proparco, CDC and OFID. The first instalment is due to be paid on 15 October 2015. It also includes short-term bank loan of Tk. 7,700,000,000. Short-term bank loan includes loan of Tk. 1,200,000,000 from Citibank NA, Tk. 1,950,000,000 from Standard Chartered Bank, Tk. 2,750,000,000 from Hong-kong Shanghai Banking Corp., Tk. 400,000,000 from Commercial Bank of Ceylon and Tk. 1,400,000,000 from BRAC Bank Ltd for various operational purposes. Interest rates for these loans vary from 10% to 11%.

## /19/ Deferred tax liabilities

Deferred tax assets and liabilities have been recognised and measured in accordance with the provisions of IAS/BAS 12 Income Taxes. Related deferred tax expense/(income) have been disclosed in note 36. The components of deferred tax assets and liabilities are given below:

| | Carrying amount | Tax base | Taxable/(deductible) temporary difference |
|---|---|---|---|
| | Taka'000 | Taka'000 | Taka'000 |
| **As at 31 December 2013** | | | |
| Property, plant and equipment (excluding land, CWIP and leased assets) (Note 4) | 53,397,336 | 25,003,336 | 28,394,000 |
| Property, plant and equipment under finance lease (Note 4) | 4,477,078 | - | 4,477,078 |
| Difference for vehicle (Note 19.1) | (108,611) | - | (108,611) |
| | | | 32,762,467 |
| Investment in associate | 570,516 | 36,751 | 533,765 |
| 3G licence and spectrum | 16,903,734 | 16,098,950 | 804,784 |
| Trade receivables (Note 8) | 5,685,770 | 6,209,861 | (524,092) |
| Finance lease obligation including current portion (Note 17) | (5,312,197) | - | (5,312,197) |
| Other current liabilities (profit sharing plan) | (5,916,638) | - | (5,916,638) |
| 2G licence and spectrum | 25,714,082 | 28,177,067 | (2,462,984) |
| Net taxable temporary difference | | | 19,885,105 |
| Deferred tax liability @40% tax rate (Note 3.8) | | | 7,740,536 |
| Deferred tax liability @15% tax rate (Note 19.2) | | | 80,065 |
| Deferred tax liabilities | | | 7,820,601 |
| **As at 31 December 2012** | | | |
| Property, plant and equipment (excluding land, CWIP and leased assets) (Note 4) | 56,421,392 | 25,009,967 | 31,411,425 |
| Property, plant and equipment under finance lease (Note 4) | 4,821,494 | - | 4,821,494 |
| Difference for vehicle (Note 19.1) | (65,891) | - | (65,891) |
| | | | 36,167,028 |
| Trade receivables (Note 8) | 5,797,875 | 5,844,167 | (46,292) |
| Finance lease obligation (Note 17) | (5,019,806) | - | (5,019,806) |
| Accrued interest on finance lease obligation | (265,962) | - | (265,962) |
| Asset retirement obligations | (51,693) | - | (51,693) |
| Provision for incidental expenses | (4,281,970) | - | (4,281,970) |
| Net taxable temporary difference | | | 26,501,305 |
| Applicable tax rate (Note 3.8) | | | 35% |
| Deferred tax liabilities | | | 9,275,457 |

### 19.1 Difference for vehicle

This represents the permanent difference related to sedan cars, not plying for hire, owned by GP. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently Tk. 2 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

### 19.2 Applicable tax rate for investment in associate

Temporary difference related to 'investment in associate' is expected to be reversed through sale of shares in GPIT and hence tax rate applicable to capital gain (15%) has been considered for deferred tax computation purpose.

## /20/ Other non-current liabilities

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Security deposits from subscribers and channel partners | 489,662 | 459,383 |
| Asset retirement obligations (Note 20.1) | 116,201 | 110,951 |
| Provision for incidental expenses and other non-current liabilities | 97,452 | 4,281,970 |
| Employee benefits - provision for gratuity (Note 20.2) | - | - |
| | 703,316 | 4,852,304 |

### 20.1 Asset retirement obligations (ARO)

| | | |
|---|---|---|
| Opening balance | 110,951 | 104,716 |
| Provision made during the year | 11,666 | 10,712 |
| | 122,617 | 115,428 |
| Adjustment/payment made during the year | (6,416) | (4,477) |
| Closing balance | 116,201 | 110,951 |

Grameenphone recognises asset retirement obligations (ARO) in respect of roof-top base stations and office space for any constructive and/or legal obligations for dismantling, removal or restoration incurred by the company as a consequence of installing or constructing the sites. ARO is measured at the present value of expected cash out flows required to settle such obligations. Unwinding of the discount is charged as financial expense in the profit or loss.

### 20.2 Employee benefits - provision for gratuity

| | | |
|---|---|---|
| Service cost | 232,615 | 325,497 |
| Net interest expense/(income) | (21,000) | 67,992 |
| Defined benefit cost | 211,615 | 393,489 |
| Transfer to fund during the year | (211,615) | (393,489) |
| Closing balance | - | - |

Net defined benefit liability is nil at the end of 2013. There is no change in the discount rate (12.0%) and expected salary increase rate (10%). Grameenphone engaged a qualified actuary in the measurement of this post-employment benefit plan (gratuity).

## /21/ Trade and other payables

| | | |
|---|---|---|
| Trade payables | 7,859,317 | 8,448,323 |
| Accrued expenses (Note 21.1) | 14,291,590 | 12,658,111 |
| Liability for capital expenditure (Note 21.2) | 14,701,418 | 11,346,761 |
| Trade and other financial payables | 36,852,325 | 32,453,195 |
| Deferred connection revenue | 6,667 | 486,755 |
| Unearned revenue | 3,509,476 | 2,676,884 |
| Indirect tax | - | 27,856 |
| | 40,368,468 | 35,644,690 |

21.1 Accrued expenses include provision for BTRC revenue share, annual operating licence fee, operation, maintenance, office running expenses and accrued financial expenses. It also includes current portion of the finance lease obligation (Tk. 1,250,171).

21.2 This includes liability for telecom licence and spectrum-2011 and 3G licence and spectrum-2013.

## /22/ Current tax payable

| | 2013<br>Taka'000 | 2012<br>Taka'000 |
|---|---|---|
| Movement of income tax provision is shown as under: | | |
| Opening balance | 17,896,437 | 17,806,349 |
| Provision made during the year | 19,605,354 | 13,656,179 |
| | 37,501,790 | 31,462,528 |
| Paid during the year (incl. tax deducted at source) | (14,038,057) | (13,565,042) |
| Closing balance | 23,463,733 | 17,897,486 |

## /23/ Other current liabilities

Other current liabilities mainly include short-term loans to employees, accruals for performance bonuses and profit sharing plan (Tk. 5,916,643,957) and payable for bills pay receipts (Tk. 530,067,005).

## /24/ Revenue

| | | |
|---|---|---|
| The following is an analysis of revenue for the year: | | |
| Revenue from mobile communication (Note 24.1) | 92,943,359 | 89,719,548 |
| Revenue from customer equipment (Note 24.2) | 1,874,894 | 275,111 |
| Other revenues (Note 24.3) | 1,805,974 | 1,925,787 |
| | 96,624,227 | 91,920,446 |

### 24.1 Revenue from mobile communication

This includes revenue from voice and non-voice traffic, subscription and connection fee and interconnection revenue.

### 24.2 Revenue from customer equipment

This mainly includes revenue from sale of mobile handsets/devices and data cards.

### 24.3 Other revenues

This mainly includes revenue from telecom facility sharing and commission income.

## /25/ Cost of material and traffic charges

| | | |
|---|---|---|
| Traffic charges | 4,913,064 | 4,460,819 |
| Cost of materials | 2,842,785 | 1,645,851 |
| | 7,755,850 | 6,106,670 |

Traffic charges mainly include national and international interconnection cost.
Cost of materials includes the cost of SIM card, scratch card and handset.

## /26/ Salaries and personnel cost

Salaries and personnel cost includes salaries, bonuses, different employment benefits including provident, gratuity, profit sharing, training and other related costs.

### 26.1 Number of employees

Total number of employees having annual salary of BDT 36,000 or above each was 3,204 in 2013 and 3,458 in 2012.

### 26.2 Key management personnel compensation

| | | |
|---|---|---|
| Short term employee benefits (salary and other allowances) | 1,376,584 | 1,284,795 |
| Post employment benefits (provident fund, gratuity etc.) | 148,447 | 166,017 |
| Other long term benefits | 12,726 | 10,981 |
| | 1,537,757 | 1,461,793 |

Key management personnel includes employees of the rank of Deputy General Manager (DGM), DGM equivalent and above.

## /27/ Operation and maintenance

| | 2013<br>Taka'000 | 2012<br>Taka'000 |
|---|---|---|
| Service maintenance fee | 4,030,944 | 2,853,004 |
| Vehicle maintenance expense | 333,164 | 303,521 |
| Other operation and maintenance | 659,304 | 393,176 |
| | 5,023,411 | 3,549,700 |

Service maintenance fee includes costs related to operation and maintenance of serviceability of mobile communication network.

## /28/ Sales, marketing and commissions

| | | |
|---|---|---|
| Sales, marketing and representation costs | 5,023,853 | 5,969,153 |
| Advertisement and promotional expenses | 2,200,669 | 1,804,803 |
| Commissions | 7,221,955 | 5,578,581 |
| | 14,446,477 | 13,352,537 |

Sales, marketing and representation costs include costs related to trade marketing and subscriber acquisition.

## /29/ Revenue sharing, spectrum charges and licence fees

Grameenphone shares 5.5% of its revenue as 'revenue sharing' and 1.0% of its revenue as 'contribution to social obligation fund' with BTRC as per licensing conditions. Licensing conditions also require Grameenphone to pay annual licence fee and annual spectrum fee and charges.

## /30/ Other operating expenses/(income), net

| | | |
|---|---|---|
| Consultancy and professional services (Note 30.1) | 995,058 | 1,512,549 |
| Audit fees | 1,800 | 2,260 |
| Rental expense for property, plant and equipment (Note 30.2) | 1,298,590 | 1,244,191 |
| Fuel and energy costs | 1,945,799 | 1,943,042 |
| Bad debt expense (Note 30.3) | 521,333 | (58,136) |
| Rental income from sublease of fibre optic network | (94,023) | (73,904) |
| Rental income from GPIT | (27,364) | - |
| Franchisee fees and others | (984) | (3,324) |
| (Gain)/loss on disposal of assets | 8,236 | (50,475) |
| Others (Note 30.4) | 939,082 | 926,361 |
| | 5,587,529 | 5,442,564 |

### 30.1 Consultancy and professional services

This includes fees for accounting and legal services, technical and business consultancy and other professional services.

### 30.2 Rental expense for property, plant and equipment

Rent includes location rent for base stations, mobile switching centres (switch) and other locations. Future minimum lease payments during non-cancellable period for such locations are payable as follows:

| | | |
|---|---|---|
| (i) Not later than one year | 109,927 | 102,903 |
| (ii) Later than one year but not later than five years | - | - |
| (iii) Later than five years | - | - |
| | 109,927 | 102,903 |

30.3 Bad debt expense

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Provision made/(reversed) during the year | 542,551 | (32,753) |
| Recovery of bad debt during the year | (21,218) | (25,383) |
| Bad debt expense | 521,333 | (58,136) |

Provision for doubtful debts has been made as per policy of the company mentioned in Note 3.5.

30.4 Others

This includes office supplies, printing and postage, travelling, subscriptions, meeting, insurance, entertainment expenses etc.

## /31/ Depreciation and amortisation

| | | |
|---|---|---|
| Depreciation of property, plant and equipment | 11,968,744 | 11,754,870 |
| Amortisation of intangible assets | 3,370,286 | 3,422,029 |
| | 15,339,030 | 15,176,899 |

## /32/ Share of profit of associate

Share of profit of associate represents Grameenphone's share of GPIT's profit for four months ended 31 December 2013. This share of profit is not recognised in GP's separate financial statements until is realized through dividend. Dividend income is recognised when Grameenphone's rights to receive payment is established.

## /33/ Gain on sale of shares in GPIT

Grameenphone on 1 September 2013 sold 51% of its stake in GPIT for Tk. 730,971,238. This sale resulted in a gain of Tk. 521,445,411. The remaining stake in GPIT has been measured at fair value at the date when control was lost. The estimated fair value is Tk. 540,235,154, resulting in a gain of Tk. 503,484,000. IFRS regards loss of control as a significant economic event and equivalent to disposal of 100% and reacquisition of 49%. Hence, the entire gain associated with disposal of 100% (Tk. 1,024,929,411) is recognised in GP's unconsolidated financial statements and 'investment in associate' has been measured at the new acquisition cost which is the fair value at the date when control was lost. This fair value gain of Tk. 503,484,000, however, is not recognised in GP's separate financial statements as per IAS 27 Separate Financial Statements.





## /34/ Finance expense/(income), net

| | | |
|---|---|---|
| Interest income | (332,134) | (667,195) |
| Interest expenses | 2,098,129 | 1,803,617 |
| Other finance expenses (Note 34.1) | 828,962 | 2,169,794 |
| | 2,594,957 | 3,306,216 |

34.1 This includes mainly interest charged in relation to the periodic unwinding of liability to acquire Telecom licence and spectrum-2011.

## /35/ Foreign exchange (gain)/loss

| | | |
|---|---|---|
| Exchange gain | (1,214,576) | (44,589) |
| Exchange loss | 21,696 | 220,022 |
| | (1,192,879) | 175,433 |

## /36/ Income tax expense

| | | |
|---|---|---|
| Current tax expenses (Note 3.8) | 19,605,354 | 13,656,179 |
| Deferred tax expenses/(income) | (1,454,856) | (967,531) |
| | 18,150,498 | 12,688,647 |

Income tax expense includes additional tax impact of Tk 3,230,179,131 for the income year 2012 resulting from change in tax rate from 35% to 40% by Finance Act 2013.

## /37/ Earnings per share

| | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|
| Profit for the year (in Taka) | 14,701,574,489 | 17,504,769,271 |
| Weighted average number of shares (Note 37.1) | 1,350,300,022 | 1,350,300,022 |
| Basic and diluted earnings per share (Note 3.14) ( in Taka) | 10.89 | 12.96 |

### 37.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

### 37.2 Diluted earnings per share

No diluted earnings per share is required to be calculated for the periods presented as GP has no dilutive potential ordinary shares.

## /38/ Financial risk management

The management has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. This note presents information about the company's exposure to each of the following risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. The company has exposure to the following risks from its use of financial instruments:

* Credit risk
* Liquidity risk
* Market risk

### 38.1 Credit risk

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from subscribers, interconnect operators, roaming partners and dealers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition, ageing profile etc. Accounts receivable are mainly related to the company's subscribers/customers, interconnect operators and roaming partners for provision of services, while other receivables represent receivable for accrued interest and receivables arising from external parties other than for services. The company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of post paid subscribers and interconnect operators. Interconnection receivables are normally realised within 3 months from when they are invoiced. The company employs financial clearing house to minimise credit risk involving collection of roaming receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

#### a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 2013 | 2012 |
|---|---|---|
| Trade receivables | 5,685,770 | 6,215,168 |
| **Other current receivables** | | |
| Interest bearing receivables | 4,018 | 8,277 |
| Receivables on Employees - Non-Interest Bearing | 23,258 | 27,999 |
| Other non-interest-bearing receivables | 1,569,304 | 1,287,816 |
| | 1,596,581 | 1,324,093 |
| Short term investment | 78,276 | 143,712 |
| Cash at bank | 4,537,868 | 3,558,901 |
| | 11,898,495 | 11,241,874 |

### Exposure to credit risk (Contd..)

The maximum exposure to credit risk for accounts receivable as at the statement of financial position date by geographic regions was:

| | 2013<br>Taka'000 | 2012<br>Taka'000 |
|---|---|---|
| Domestic | 5,339,712 | 5,749,375 |
| Asia | 156,488 | 223,764 |
| Europe | 174,559 | 178,021 |
| Australia | 7,115 | 6,119 |
| America | 5,175 | 54,858 |
| Africa | 2,721 | 3,031 |
| | 5,685,770 | 6,215,168 |

b) **Ageing of receivables**

The ageing of gross interconnection receivables as at the statement of financial position date was:

| | | |
|---|---|---|
| Not past due | 2,130,159 | 821,056 |
| 0-30 days past due | 173,546 | 801,991 |
| 31-60 days past due | 244,217 | 661,002 |
| 61-90 days past due | 280,131 | 304,555 |
| 91-180 days past due | 596,029 | 845,966 |
| 181-365 days past due | 231,564 | 778,087 |
| over 365 days past due | 1,531,744 | 946,998 |
| | 5,187,389 | 5,159,654 |

c) **Impairment losses**

Impairment losses on the above receivables were recognised as per the company policy mentioned in Note 3.5.

## 38.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast. Moreover, the company seeks to maintain short term lines of credit with scheduled commercial banks (Note 42) to ensure payment of obligation in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines with banks are negotiated accordingly.

The following are the contractual maturities of financial liabilities of the company:

**As at 31 December 2013**

| | Carrying amount | Maturity date | Nominal Interest rate | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|---|
| | Taka'000 | | | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| **Finance lease obligations** | 5,310,947 | June 2027 | 15% | 13,319,479 | 391,749 | 406,817 | 828,701 | 2,666,909 | 9,025,303 |
| **Loans and borrowings - long-term** | 11,665,214 | April 2020 | 6-month-LIBOR + 3.5% | 13,589,903 | 212,466 | 228,713 | 1,622,698 | 7,889,610 | 3,636,417 |
| | | | | | | | | | - |
| **Trade and other payables** | | | | | | | | | - |
| Trade payables | 7,859,317 | December 2014 | N/A | 7,859,317 | 5,894,488 | 1,964,829 | - | - | - |
| Accrued expenses | 14,291,590 | December 2014 | N/A | 14,291,590 | 8,146,206 | 6,145,384 | - | - | - |
| Liability for capital expenditure | 14,701,418 | December 2014 | N/A | 14,701,418 | 2,981,428 | 11,719,990 | - | - | - |
| **Loans and borrowings - short-term** | 7,700,000 | January 2014 | 10%-11% | 7,700,000 | 7,700,000 | - | - | - | - |
| **Other current liabilities** | 7,047,796 | December 2014 | N/A | 7,047,796 | 7,047,796 | - | - | - | - |
| | 68,576,282 | | | 78,509,502 | 32,374,133 | 20,465,733 | 2,451,398 | 10,556,519 | 12,661,720 |

## Liquidity risk (contd...)

As at 31 December 2012

| | Carrying amount | Maturity date | Nominal Interest rate | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|---|---|
| | Taka'000 | | | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| **Finance lease obligations** | 5,019,806 | June 2027 | 15% | 14,072,843 | 376,682 | 376,682 | 798,566 | 4,444,849 | 8,076,064 |
| **Loans and borrowings - long-term** | - | - | | - | - | - | - | - | - |
| **Trade and other payables** | | | | | | | | | |
| Trade payables | 8,448,323 | December 2013 | N/A | 8,448,323 | 6,336,242 | 2,112,081 | - | - | - |
| Accrued expenses | 12,658,111 | December 2013 | N/A | 12,658,111 | 7,215,123 | 5,442,988 | - | - | - |
| Liability for capital expenditure | 11,346,761 | December 2013 | N/A | 11,346,761 | 2,301,108 | 9,045,653 | - | - | - |
| **Loans and borrowings - short-term** | 8,195,000 | June 2013 | 13.5%-14.75% | 8,195,000 | 8,195,000 | - | - | - | - |
| **Other current liabilities** | 1,322,601 | December 2013 | N/A | 1,322,601 | 1,322,601 | - | - | - | - |
| | 46,990,602 | | | 56,043,639 | 25,746,756 | 16,977,404 | 798,566 | 4,444,849 | 8,076,064 |

## 38.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk.

### a) Currency risk

The company is exposed to currency risk on certain revenues and purchases such as roaming revenues and expenses, telecom equipment purchases, network related costs and interest expense. Majority of the company's foreign currency transactions are denominated in USD and relate to procurement of capital items from abroad. The company also has exposure in NOK relating to business service costs and consultancy costs. The company maintains USD bank accounts where all receipts from international roaming services are deposited in and all corresponding payments are made from.

#### i) Exposure to currency risk

The company's exposure to foreign currency risk was as follows (Taka in thousand):

| | As at 31 December 2013 | | | | | As at 31 December 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | USD | NOK | GBP | EUR | JPY | USD | NOK | GBP | EUR | JPY |
| **Foreign currency denominated assets** | | | | | | | | | | |
| Receivable from Telenor entities | 20,439 | - | 2,805 | 1,137 | - | 457,507 | 1,739 | - | - | - |
| Accounts receivable | 346,058 | - | - | | - | 64,912 | - | 4,718 | 12,231 | |
| Cash at bank | 184,325 | - | - | | - | 452,790 | - | - | - | - |
| | 550,822 | - | 2,805 | 1,137 | - | 975,208 | 1,739 | 4,718 | 12,231 | - |
| **Foreign currency denominated liabilities** | | | | | | | | | | |
| Loans and borrowings - long-term | (11,665,214) | - | - | - | - | - | - | - | - | - |
| Payable to other Telenor entities* | (450,644) | (1,658,945) | - | (3,239) | - | (374,690) | (3,674,269) | - | (12) | - |
| Trade and other payables for expenses | (3,065,417) | - | - | (1,907) | (22,518) | (1,628,119) | - | - | (49,319) | (19,516) |
| | (15,181,275) | (1,658,945) | - | (5,146) | (22,518) | (2,002,809) | (3,674,269) | - | (49,331) | (19,516) |
| Net exposure | (14,630,453) | (1,658,945) | 2,805 | (4,009) | (22,518) | (1,027,601) | (3,672,530) | 4,718 | (37,101) | (19,516) |

* Payable to other Telenor entities represents payable for business service costs, consultancy fees etc. which are included mainly in trade and other payables.

The following significant exchange rates have been applied:

| | Exchange rate as at | |
|---|---|---|
| | 31 December 2013 Taka | 31 December 2012 Taka |
| US Dollar (USD) | 77.68 | 80.30 |
| Norwegian Kroner (NOK) | 12.80 | 16.60 |
| Great Britain Pound (GBP) | 128.68 | 131.30 |
| EURO (EUR) | 107.06 | 107.98 |
| Japanese Yen (JPY) | 0.74 | 0.98 |

Market risk (Contd..)

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A change of 10 basis points in foreign currencies would have increased/ (decreased) equity and profit or loss of the company by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

| | *Profit or loss* | | *Equity* | |
|---|---|---|---|---|
| | 10 bp increase | 10 bp decrease | 10 bp increase | 10 bp decrease |
| 2013 | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| Expenditures denominated in USD | (14,630) | 14,630 | (14,630) | 14,630 |
| Expenditures denominated in NOK | (1,659) | 1,659 | (1,659) | 1,659 |
| Expenditures denominated in GBP | 3 | (3) | 3 | (3) |
| Expenditures denominated in EURO | (4) | 4 | (4) | 4 |
| Expenditures denominated in JPY | (23) | 23 | (23) | 23 |
| Exchange rate sensitivity | (16,313) | 16,313 | (16,313) | 16,313 |
| 2012 | | | | |
| Expenditures denominated in USD | (1,028) | 1,028 | (1,028) | 1,028 |
| Expenditures denominated in NOK | (3,673) | 3,673 | (3,673) | 3,673 |
| Expenditures denominated in GBP | 5 | (5) | 5 | (5) |
| Expenditures denominated in EURO | (37) | 37 | (37) | 37 |
| Expenditures denominated in JPY | (20) | 20 | (20) | 20 |
| Exchange rate sensitivity | (4,752) | 4,752 | (4,752) | 4,752 |

b) **Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The company is exposed to fluctuations in interest rates as it has a floating interest rate bearing financial liability as at the reporting date. The company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

As at 31 December 2013, the interest rate profile of the company's interest bearing financial instruments was:

| | *Carrying amount* | |
|---|---|---|
| | As at 31 December 2013 | As at 31 December 2012 |
| | Taka'000 | Taka'000 |
| **Fixed rate instruments** | | |
| *Financial assets* | | |
| Short-term investment | 78,276 | 143,712 |
| Financial liabilities | | |
| Loans and borrowings | 7,700,000 | 8,195,000 |
| **Floating rate instruments** | | |
| *Financial liabilities* | | |
| Loans and borrowings | 11,665,214 | - |

Fair value of financial assets and liabilities of the company together with carrying amount shown in the statement of financial position are as follows:

| | As at 31 December 2013 | | As at 31 December 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** | Taka'000 | Taka'000 | Taka'000 | Taka'000 |
| **Assets carried at fair value through profit or loss** | - | - | - | - |
| **Held to maturity assets** | | | | |
| Short term investment | 78,276 | 78,276 | 143,712 | 143,712 |
| **Loans and receivables** | | | | |
| Trade and other receivables | 11,809,676 | 11,809,676 | 9,879,471 | 9,879,471 |
| **Financial liabilities** | | | | |
| **Liabilities carried at fair value through profit or loss** | - | - | - | - |
| **Liabilities carried at amortised costs** | | | | |
| Finance lease obligation | 5,310,947 | 5,310,947 | 5,019,806 | 5,019,806 |
| Loans and borrowings - long-term | 11,665,214 | 11,665,214 | - | - |
| Trade and other payables | 40,368,468 | N/A* | 35,644,690 | N/A* |
| Loans and borrowings - short-term | 7,700,000 | 7,700,000 | 8,195,000 | 8,195,000 |
| Other current liabilities | 7,047,796 | N/A* | 1,322,601 | N/A* |

**Interest rates used to determine amortised cost**

The interest rates used to discount estimated cash flows, when applicable, were as follows:

| | 2013 | 2012 |
|---|---|---|
| Finance lease obligations | 15.00% | 15.00% |
| Short term investment | 11.50%-12.50% | 12.00%-14.50% |
| Loans and borrowings - long-term | 6-month-LIBOR + 3.5% | - |

* Determination of fair value is not required as per the requirements of IFRS/BFRS 7 Financial Instruments: Disclosure. However, fair value of such instruments is not likely to be significantly different from the carrying amounts of such instruments.

## /39/ Capital management

Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity attributable to the equity holders of the parent. The Board of Directors monitors the level of capital as well as the level of dividend to the ordinary shareholders.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividend, return capital to shareholders, issue new shares or obtain long-term debt.

No changes were made in the objectives, policies or processes for managing capital during the year ended 2013 and 2012.

The company is not subject to any externally imposed capital requirement.

## /40/ Related party disclosures

During the year ended 31 December 2013, the company entered into a number of transactions with related parties in the normal course of business. The names of the significant related parties, nature of these transactions [expenditures /(revenue)/, receivables/(payables) and dividend payments] and amounts thereof have been set out below in accordance with the provisions of IAS/BAS 24 Related Party Disclosures. Nature of relationship and significance of the amounts have been considered in giving this disclosure.

### 40.1 Related party transactions during the year

| Name of related parties | Nature | Nature of transactions | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|---|---|
| Telenor Mobile Communications AS | Shareholder | Dividend payment | 10,547,708 | 11,677,820 |
| Nye Telenor Mobile Communications II AS | Shareholder | Dividend payment | 3 | 3 |
| Nye Telenor Mobile Communications III AS | Shareholder | Dividend payment | 3 | 3 |
| Telenor Asia Pte. Ltd. | Shareholder | Dividend payment | 3 | 3 |
| Grameen Telecom | Shareholder | Commission expense | 220,326 | 198,940 |
| | | Dividend payment | 6,464,730 | 7,157,379 |
| Grameen Kalyan | Shareholder | Dividend payment | 0.308 | 0.341 |
| Grameen Shakti | Shareholder | Dividend payment | 0.308 | 0.341 |
| Grameenphone IT Ltd. | Associate | Purchase of IT service, equipments and softwares | 1,265,324 | - |
| | | Rental income | 27,364 | - |
| Telenor ASA | Telenor group entity | Sharing of licence fees | 157,992 | 400,529 |
| | | Consultancy service fee | 468,109 | 872,765 |
| | | IT support revenue | - | (1,748) |
| Telenor Consult AS | Telenor group entity | Consultancy and professional service fee | 308,855 | 862,509 |
| Telenor Shared Service | Telenor group entity | Consultancy fee | 60,779 | 58,693 |
| | | Operation and maintenance | 4,097 | - |
| | | IT support revenue | - | (6,166) |
| Telenor Telecom Solution | Telenor group entity | Roaming revenue | (1,910) | (9,582) |
| | | Roaming expenses | 807 | 1,877 |
| | | Consultancy and IT service fee | | 7,727 |
| Telenor Global Service AS | Telenor group entity | Consultancy service fee | 23,495 | 6,207 |

## 40.2 Receivables/(payables) with related parties

| Name of related parties | Nature | Nature of transactions | 2013 Taka'000 | 2012 Taka'000 |
|---|---|---|---|---|
| Grameen Telecom | Shareholder | Accounts receivable | 3,170 | 11,118 |
| | | Accounts payable | (35,484) | (16,859) |
| Grameenphone IT Ltd. | Associate | Accounts receivable | 15,062 | - |
| | | Accounts payable | 157,958 | - |
| Telenor ASA | Telenor group entity | Accounts payable | (2,284,094) | (2,630,030) |
| | | Accounts receivable | 14,207 | 28,272 |
| Telenor Consult AS | Telenor group entity | Accounts payable | (51,250) | (1,042,828) |
| | | Accounts receivable | 407,248 | 338,223 |
| Telenor International Center | Telenor group entity | Accounts receivable | 2,749 | 10,818 |
| Telenor Shared Service AS | Telenor group entity | Accounts payable | (168,095) | (4,779) |
| | | Accounts receivable | - | 949 |
| Telenor Telecom Solution | Telenor group entity | Accounts payable | - | (15,359) |
| | | Accounts receivable | - | 2,664 |
| Telenor Pakistan | Telenor group entity | Accounts payable | (227) | (52) |
| | | Accounts receivable | 1,254 | 1,406 |
| Telenor Start II AS | Telenor group entity | Receivable for cell Bazaar revenue sharing | - | 10,255 |
| | | Payable for cell Bazaar revenue sharing | - | (2,577) |
| Telenor Global Services AS | Telenor group entity | Accounts payable | (27,159) | - |
| | | Accounts receivable | - | - |

## /41/ Expense/expenditure and (revenue) in foreign currency during the year

| | 2013<br>Taka'000 | 2012<br>Taka'000 |
|---|---|---|
| CIF value of imports | | |
| SIM card and scratch card | 61,802 | 270,876 |
| Telecommunication equipment | 6,195,633 | 6,471,203 |
| NERM software and other equipment | - | 823,079 |
| Expenditure in foreign currency | | |
| Consultancy fee | 843,567 | 965,612 |
| Consultancy fee - expatriate | 393,996 | 816,334 |
| Other fee (travel and training) | 25,686 | 38,274 |
| Technical know how | 462,327 | 555,669 |
| International roaming cost | 181,960 | 236,156 |
| Foreign earnings | | |
| Revenue from roaming partners | (270,440) | (442,125) |
| IT service revenue | - | (25,505) |

## /42/ Credit facilities available as at 31 December 2013

The company enjoys composite working capital facilities including both funded and non-funded facilities from 21 banks and 1 non-bank financial institution (2012: 18 banks and 1 non-bank financial institution). The non-funded facilities include Letters of Credit (LC), Shipping Guarantee, Letters of Guarantee and Foreign Exchange Forward Contracts. The funded facilities include overdraft facility, short term loan and import loan. The aggregate amount of arranged composite working capital facilities is Tk. 50,134 million (2012: Tk. 37,657 million) of which non-funded limit is Tk. 30,348 million (2012: Tk. 23,684 million) and funded limit is Tk. 29,876 million (2012: Tk. 20,993 million).

As per the approval of the Board of Directors of GP, the total amount of short-term funded facilities are limited to maximum drawing of USD 250 million (2012: USD 250 million) in equivalent BDT.

### Security against short term credit facilities

The short-term credit facilities are unsecured and backed by standard charge documents as per terms and conditions set by respective banks and financial institutions.



## /43/ Capital commitments

As at the reporting date the company had the following capital commitments:

| | | |
|---|---|---|
| Purchase orders | 7,078,279 | 4,122,943 |

## /44/ Contingencies

The Company is currently, and may be from time to time, involved in a number of legal proceedings, including inquiries from, or discussions with, governmental authorities that are incidental to its operations. However, save as disclosed below, the Company is not currently involved in any legal or arbitration proceedings which may have a significant effect on the financial position or profitability of the company but for which any provision has not been recognised in these financial statements.

### (a) BTRC audit

BTRC carried out an audit of the information system of Grameenphone from April 2011 and issued a letter on 3 October 2011 claiming an amount of Tk. 30,341,108,581 on various grounds. Grameenphone during and after the audit clarified to both BTRC and auditors appointed by BTRC that those observations were framed on wrong basis. Grameenphone disagrees to the claim made by BTRC and responded to the letter requesting BTRC to review the notice. GP also took the issue to the court and the High Court passed an order of status quo valid till 21 May 2013. The High Court on 15 May 2013 extended the status quo till disposal of the rule.

(b) **NBR's claim for SIM tax on replacement SIMs**

National Board of Revenue (NBR) by a letter dated 16 May 2012 claimed SIM tax of BDT 15,804,391,570 for all replacement SIMs issued during the period from July 2007 to December 2011 alleging that Grameenphone evaded SIM tax by selling new connections in the name of replacement SIMs. GP challenged the demand by a writ petition and the High Court initially passed a stay order on the operation of the demand. The High Court later on 6 June 2013 disposed of the writ petition filed by Grameenphone and asked LTU VAT Commissioner to decide on this matter within 120 days and make no demand in the mean time. Consequently a SIM Replacement Review Committee was constituted by the Commissioner. The NBR representatives of the Committee in January 2014 finalized their observations and asked mobile operators including Grameenphone to give their feedback. NBR in their observations have not changed their earlier position much as far as 'fact finding' is concerned. The mobile operators expressed their dissatisfaction over the findings and asserted that the NBR appointed members of the committee and sub-committees did not carry out the investigation as per agreed 'Terms of Reference' as evident from significant deviation between interim report and final observations. Mobile operators are still in dialogue with tax authority and have not yet received any revised demand.

(c) **VAT rebate on 2G licence renewal fee**

2G licence of Grameenphone was renewed on 7 August 2012 for the next 15 years effective from November 2011. 100% of the licence renewal fee has been capitalised based on the assumption that GP's VAT exposure will be nil. This assumption is based on the High Court's verdict in February 2012.

However, the lawsuit over the VAT rebate mechanism is still pending before the Appellate Division. If Appellate Division ruled that GP would be required to pay VAT and would not get rebate for this VAT, GP's financial exposure for this licence would increase by 15% (i.e. BDT 4,876,800,000) of the licence renewal fee.

## /45/ Other disclosures

### 45.1 Segment information

Business activities of Grameenphone are not organized on the basis of differences in related products and services or differences in geographical areas of operations. Grameenphone essentially provides similar products and services to customers across the country. Management, however, reviews revenue performance of different services as disclosed in these financial statements.

### 45.2 Events after the reporting period

The Board of Directors of Grameenphone Ltd. at its 143rd meeting held on 10 February 2014 recommended final cash dividend amounting to BDT 6,751,500,110 being 50% of the paid-up capital (i.e. BDT 5 per share) for the year 2013. Total cash dividend including this final cash dividend stands at 140% of the paid-up capital (i.e. BDT 14 per share) for the year 2013. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting of the company.

## Supplementary information

Separate Statement of Comprehensive Income of Grameenphone for the year ended 31 December 2013

| | 2013<br>Taka'000 | 2012<br>Taka'000 |
|---|---|---|
| **Revenue** | 96,624,227 | 91,488,936 |
| **Operating expenses** | | |
| Cost of material and traffic charges | (7,755,850) | (5,699,358) |
| Salaries and personnel cost | (7,062,188) | (6,471,063) |
| Operation and maintenance | (5,023,411) | (4,637,393) |
| Sales, marketing and commissions | (14,446,477) | (13,309,130) |
| Revenue sharing, spectrum charges and licence fees | (8,210,803) | (7,589,865) |
| Other operating (expenses)/income, net | (5,587,529) | (5,262,365) |
| Depreciation and amortisation | (15,339,030) | (14,993,978) |
| | (63,425,287) | (57,963,152) |
| **Operating profit** | 33,198,940 | 33,525,785 |
| Share of profit of associate | - | - |
| Gain on sale of shares in GPIT | (521,445) | - |
| Finance expense/(income), net | 2,594,957 | 3,314,647 |
| Foreign exchange (gain)/loss | (1,192,879) | 171,377 |
| | 880,632 | 3,486,024 |
| **Profit before income tax** | 32,318,308 | 30,039,761 |
| Income tax expense | (18,070,433) | (12,685,226) |
| **Profit for the year** | 14,247,875 | 17,354,535 |
| **Other comprehensive income** | - | - |
| **Total comprehensive income for the year** | 14,247,875 | 17,354,535 |
| **Earnings per share** | | |
| Basic and diluted earnings per share (par value Tk. 10 each in Taka) | 10.55 | 12.85 |