Auditors' Report & Audited Financial Statements of

Grameenphone Ltd.

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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 2012, 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 and all related consolidated financial statements of Grameenphone Ltd. and it's subsidiary (together referred to as "the group").

The financial statements of the company's subsidiary Grameenphone IT Limited for the year ended 31 December 2012, as incorporated in the consolidated financial statements, have been audited by another firm of chartered accountants whose report has been furnished to us. The assets, liabilities, revenue and expenses of the subsidiary included in the consolidated financial statements of Grameenphone Ltd. are not material in the context of consolidated figures given in the consolidated financial statements.

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.

Auditors' 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 including consolidated 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/group's affairs as at 31 December 2012 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 above, we draw attention to Notes 52 (a), 52 (b) to the financial statements, where management explains the circumstances of claim from Bangladesh Telecommunication Regulatory Commission (BTRC) and claim from National Board of Revenue (NBR) for SIM tax on replacement SIMs, 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.

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ACNABIN
Chartered Accountants
Dhaka, February 10, 2013

Grameenphone Ltd.
Consolidated Statement of Financial Position
as at 31 December 2012

Assets	Notes	31 December 2012 Taka	31 December 2011 Taka
Non current assets			
Property, plant and equipment, net	4	69,584,900,470	69,461,932,244
Intangible assets, net	5	34,075,142,618	7,021,940,747
		103,660,043,088	76,483,872,991
Current assets			
Inventories	7	416,896,349	354,023,249
Deferred cost of connection revenue	8	382,103,171	422,857,544
Accounts receivable, net	9	6,215,168,032	5,361,944,431
Other receivables	10	1,089,586,172	916,325,024
Advances, deposits and prepayments	11	2,192,613,608	17,129,182,496
Short-term investment	12	143,711,912	181,856,969
Cash and cash equivalents	13	3,565,230,374	8,054,596,992
		14,005,309,618	32,420,786,705
Total assets		117,665,352,706	108,904,659,696
Equity and Liabilities			
Equity attributable to owners of the company			
Share capital	14	13,503,000,220	13,503,000,220
Share premium	15	7,840,225,942	7,840,225,942
Capital reserve	16	14,446,452	14,446,452
Deposit from shareholders	17	1,880,178	1,880,178
General reserve	18	2,139,729,365	2,139,729,365
Retained earnings		11,958,726,570	15,383,607,640
		35,458,008,727	38,882,889,797
Non controlling interest	19	382	80
Total Equity		35,458,009,109	38,882,889,877
Non current liabilities			
Deposit from agents and subscribers	20	459,383,246	455,775,978
Finance lease obligation	21	5,019,805,838	5,019,805,838
Deferred tax liabilities	22	9,275,456,760	10,242,988,130
Other liabilities	23	4,392,921,027	2,833,908,207
		19,147,566,871	18,552,478,153
Current liabilities			
Trade and other payables	24	17,169,333,829	10,840,334,043
Short-term bank loan	25	8,195,000,000	-
Payable to government and autonomous bodies	26	2,875,397,038	4,814,105,945
Unearned revenue	27	2,676,884,016	2,486,767,295
VAT payable	28	27,855,533	2,699,959,350
Income tax provision	29	17,897,485,962	17,806,349,160
Accrued interest	30	779,651,771	226,869,648
Other liabilities	31	133,569,360	98,549,866
Deferred connection revenue	32	486,754,928	542,973,536
Provisions	33	12,817,844,289	11,953,382,823
		63,059,776,726	51,469,291,666
Total equity and liabilities		117,665,352,706	108,904,659,696

The annexed notes 1 to 53 form an integral part of these financial statements.

Director | Director | Chief Executive Officer | Company Secretary

As per our report of same date

Auditors

Dhaka, February 10, 2013

Grameenphone Ltd.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	Notes	2012 Taka	2011 Taka
Revenue	34	91,920,445,756	89,059,616,926
Cost of network operations			
Direct cost of revenue	35	(18,564,682,248)	(17,652,504,844)
Network operation and maintenance expenses	36	(6,945,662,794)	(6,486,131,957)
Depreciation and amortisation	37	(14,019,598,372)	(13,700,217,335)
		(39,529,943,414)	(37,838,854,136)
Gross profit		52,390,502,342	51,220,762,790
Other income, net	38	73,395,688	81,649,697
Operating expenses			
General and administrative expenses	39	(9,894,261,604)	(9,309,840,841)
Selling and distribution expenses	40	(7,787,744,377)	(8,082,356,764)
Depreciation and amortisation	37	(1,157,300,500)	(1,337,717,281)
		(18,839,306,481)	(18,729,914,886)
Operating profit		33,624,591,549	32,572,497,601
Finance income/(expense), net	41	(3,306,216,292)	989,596,123
Foreign exchange gain/(loss)	42	(175,433,570)	(648,552,533)
Gain on disposal of property, plant and equipment	43	50,475,362	92,720,963
		(3,431,174,500)	433,764,553
Profit before income tax		30,193,417,049	33,006,262,154
Income tax expense	44	(12,688,647,476)	(14,115,160,260)
Profit for the year		17,504,769,573	18,891,101,894
Other comprehensive income		-	-
Total comprehensive income for the year		17,504,769,573	18,891,101,894
Profit for the year attributable to:			
Owners of the company		17,504,769,271	18,891,102,082
Non-controlling interest		302	(188)
		17,504,769,573	18,891,101,894
Total comprehensive income attributable to:			
Owners of the company		17,504,769,271	18,891,102,082
Non-controlling interest		302	(188)
		17,504,769,573	18,891,101,894
Earnings per share			
Basic and diluted earnings per share (par value Tk. 10 each)	45	12.96	13.99

The annexed notes 1 to 53 form an integral part of these financial statements.

Director   Director   Chief Executive Officer   Company Secretary

As per our report of same date

Auditors

Dhaka, February 10, 2013

Grameenphone Ltd.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

	Share capital	Share premium	Capital reserve	Deposit from shareholders	General reserve	Retained earnings	Non controlling interest	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 1 January 2011	13,503,000,220	7,840,225,942	14,446,452	1,880,178	2,139,729,365	26,874,256,053	268	50,373,538,478
Transactions with the equity holders:								
Final dividend for 2010	-	-	-	-	-	(11,477,550,187)	-	(11,477,550,187)
Interim dividend for 2011	-	-	-	-	-	(18,904,200,308)	-	(18,904,200,308)
Total comprehensive income for 2011:								
Profit for the year	-	-	-	-	-	18,891,102,082	(188)	18,891,101,894
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as at 31 December 2011	**13,503,000,220**	**7,840,225,942**	**14,446,452**	**1,880,178**	**2,139,729,365**	**15,383,607,640**	**80**	**38,882,889,877**
Balance as at 1 January 2012	13,503,000,220	7,840,225,942	14,446,452	1,880,178	2,139,729,365	15,383,607,640	80	38,882,889,877
Transactions with the equity holders:								
Final dividend for 2011	-	-	-	-	-	(8,776,950,143)	-	(8,776,950,143)
Interim dividend for 2012	-	-	-	-	-	(12,152,700,198)	-	(12,152,700,198)
Total comprehensive income for 2012:								
Profit for the year	-	-	-	-	-	17,504,769,271	302	17,504,769,573
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as at 31 December 2012	**13,503,000,220**	**7,840,225,942**	**14,446,452**	**1,880,178**	**2,139,729,365**	**11,958,726,570**	**382**	**35,458,009,109**

The annexed notes 1 to 53 form an integral part of these financial statements.

Grameenphone Ltd.
Consolidated Statement of Cash Flows
for the year ended 31 December 2012

	2012	2011
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	91,340,091,678	89,180,282,352
Payroll and other payments to employees	(5,752,105,688)	(5,786,478,150)
Payments to suppliers, contractors and others	(39,327,831,005)	(33,346,912,823)
Interest received	681,060,322	2,092,898,027
Interest paid	(3,353,583,175)	(846,259,360)
Income tax paid	(13,565,042,041)	(10,663,600,360)
	(61,317,501,587)	(48,550,352,666)
Net cash generated by operating activities	**30,022,590,091**	**40,629,929,686**
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(13,859,593,353)	(9,405,803,195)
Proceeds on sale of property, plant and equipment	215,049,104	45,346,713
Payment for Telecom licence and spectrum-2011	(7,755,395,764)	(13,584,598,000)
Payment for acquisition of other intangible assets	(448,112,348)	(777,252,430)
Proceeds from/(investment in) long-term deposits	-	12,594,949
Proceeds from sale of short-term investments	38,145,057	2,571,872,141
Net cash used in investing activities	**(21,809,907,304)**	**(21,137,839,822)**
Cash flows from financing activities		
Proceeds from short-term bank loan	8,195,000,000	-
Payment of dividend	(20,896,517,203)	(30,365,699,043)
Amount refunded to IPO share applicants	(532,202)	(3,296,381)
Net cash used in financing activities	**(12,702,049,405)**	**(30,368,995,424)**
Net change in cash and cash equivalents	(4,489,366,618)	(10,876,905,560)
Cash and cash equivalents as at 1 January	8,054,596,992	18,931,502,552
Cash and cash equivalents as at 31 December	**3,565,230,374**	**8,054,596,992**

The annexed notes 1 to 53 form an integral part of these financial statements.

Grameenphone Ltd.
Statement of Financial Position
as at 31 December 2012

Assets	Notes	31 December 2012 Taka	31 December 2011 Taka
Non current assets			
Property, plant and equipment, net	4	69,048,151,960	68,954,986,787
Intangible assets, net	5	34,080,765,296	7,013,607,468
Investment in subsidiary	6	74,999,900	74,999,900
		103,203,917,156	76,043,594,155
Current assets			
Inventories	7	409,530,921	331,379,759
Deferred cost of connection revenue	8	382,103,171	422,857,544
Accounts receivable, net	9	5,797,875,122	5,350,043,235
Other receivables	10	1,162,244,016	1,154,555,501
Advances, deposits and prepayments	11	2,483,521,142	17,486,245,071
Short-term investment	12	143,711,912	181,856,969
Cash and cash equivalents	13	3,301,851,879	7,628,173,494
		13,680,838,163	32,555,111,573
Total assets		116,884,755,319	108,598,705,728
Equity and Liabilities			
Shareholders' equity:			
Share capital	14	13,503,000,220	13,503,000,220
Share premium	15	7,840,225,942	7,840,225,942
Capital reserve	16	14,446,452	14,446,452
Deposit from shareholders	17	1,880,178	1,880,178
General reserve	18	2,139,729,365	2,139,729,365
Retained earnings		11,843,913,212	15,419,028,177
		35,343,195,369	38,918,310,334
Non current liabilities			
Deposit from agents and subscribers	20	459,383,246	455,775,978
Finance lease obligation	21	5,019,805,838	5,019,805,838
Deferred tax liabilities	22	9,275,456,760	10,242,988,130
Other liabilities	23	4,392,921,027	2,833,908,207
		19,147,566,871	18,552,478,153
Current liabilities			
Trade and other payables	24	16,993,714,910	10,723,625,931
Short-term bank loan	25	8,195,000,000	-
Payable to government and autonomous bodies	26	2,875,397,038	4,814,105,945
Unearned revenue	27	2,676,788,418	2,485,682,907
VAT payable	28	-	2,696,138,778
Income tax provision	29	17,896,436,568	17,805,122,197
Accrued interest	30	779,651,771	226,869,648
Other liabilities	31	117,095,633	80,973,694
Deferred connection revenue	32	486,754,928	542,973,536
Provisions	33	12,373,153,813	11,752,424,605
		62,393,993,079	51,127,917,241
Total equity and liabilities		116,884,755,319	108,598,705,728

The annexed notes 1 to 53 form an integral part of these financial statements.

Director | Director | Chief Executive Officer | Company Secretary

Dhaka, February 10, 2013

As per our report of same date

Auditors

Grameenphone Ltd.
Statement of Comprehensive Income
for the year ended 31 December 2012

	Notes	2012 Taka	2011 Taka
Revenue	34	91,488,936,343	89,006,700,775
Cost of network operations			
Direct cost of revenue	35	(18,583,574,226)	(17,669,029,979)
Network operation and maintenance expenses	36	(7,264,941,204)	(6,763,599,444)
Depreciation and amortisation	37	(13,862,065,550)	(13,624,535,441)
		(39,710,580,980)	(38,057,164,864)
Gross profit		51,778,355,363	50,949,535,911
Other income, net	38	100,759,228	109,013,237
Operating expenses			
General and administrative expenses	39	(9,544,442,897)	(8,954,458,359)
Selling and distribution expenses	40	(7,728,400,027)	(8,037,021,580)
Depreciation and amortisation	37	(1,131,912,301)	(1,325,858,351)
		(18,404,755,225)	(18,317,338,290)
Operating profit		33,474,359,366	32,741,210,858
Finance income/(expense), net	41	(3,314,646,616)	982,380,903
Foreign exchange gain/(loss)	42	(171,377,061)	(651,424,847)
Gain on disposal of property, plant and equipment	43	51,425,195	92,776,720
		(3,434,598,482)	423,732,776
Profit before income tax		30,039,760,884	33,164,943,634
Income tax expense	44	(12,685,225,508)	(14,112,246,042)
Profit for the year		17,354,535,376	19,052,697,592
Other comprehensive income		-	-
Total comprehensive income for the year		17,354,535,376	19,052,697,592
Earnings per share			
Basic and diluted earnings per share (par value Tk. 10 each)	45	12.85	14.11

The annexed notes 1 to 53 form an integral part of these financial statements.

Director | Director | Chief Executive Officer | Company Secretary

As per our report of same date

Auditors

Dhaka, February 10, 2013

Grameenphone Ltd.
Statement of Changes in Equity
for the year ended 31 December 2012

	Share capital	Share premium	Capital reserve	Deposit from shareholders	General reserve	Retained earnings	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Balance as at 1 January 2011	13,503,000,220	7,840,225,942	14,446,452	1,880,178	2,139,729,365	26,748,081,080	50,247,363,237
Transactions with the equity holders:							
Final dividend for 2010	-	-	-	-	-	(11,477,550,187)	(11,477,550,187)
Interim dividend for 2011	-	-	-	-	-	(18,904,200,308)	(18,904,200,308)
Total comprehensive income for 2011:							
Profit for the year	-	-	-	-	-	19,052,697,592	19,052,697,592
Other comprehensive income	-	-	-	-	-	-	-
Balance as at 31 December 2011	**13,503,000,220**	**7,840,225,942**	**14,446,452**	**1,880,178**	**2,139,729,365**	**15,419,028,177**	**38,918,310,334**
Balance as at 1 January 2012	13,503,000,220	7,840,225,942	14,446,452	1,880,178	2,139,729,365	15,419,028,177	38,918,310,334
Transactions with the equity holders:							
Final dividend for 2011	-	-	-	-	-	(8,776,950,143)	(8,776,950,143)
Interim dividend for 2012	-	-	-	-	-	(12,152,700,198)	(12,152,700,198)
Total comprehensive income for 2012:							
Profit for the year	-	-	-	-	-	17,354,535,376	17,354,535,376
Other comprehensive income	-	-	-	-	-	-	-
Balance as at 31 December 2012	**13,503,000,220**	**7,840,225,942**	**14,446,452**	**1,880,178**	**2,139,729,365**	**11,843,913,212**	**35,343,195,369**

The annexed notes 1 to 53 form an integral part of these financial statements.

Grameenphone Ltd.
Statement of Cash Flows
for the year ended 31 December 2012

	2012 Taka	2011 Taka
Cash flows from operating activities		
Cash receipts from customers	91,342,326,309	89,140,210,778
Payroll and other payments to employees	(5,143,687,111)	(5,196,283,125)
Payments to suppliers, contractors and others	(40,020,018,831)	(34,329,207,490)
Interest received	671,935,075	2,085,126,783
Interest paid	(3,352,888,252)	(845,703,336)
Income tax paid	(13,561,442,504)	(10,661,380,622)
	(61,406,101,623)	(48,947,447,790)
Net cash generated by operating activities	**29,936,224,686**	**40,192,762,988**
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(13,521,601,954)	(9,151,452,166)
Proceeds on sale of property, plant and equipment	214,672,205	45,307,859
Payment for Telecom licence and spectrum-2011	(7,755,395,764)	(13,584,598,000)
Payment for acquisition of other intangible assets	(536,316,441)	(764,248,679)
Proceeds from/(investment in) long-term deposits	-	12,594,949
Proceeds from sale of short-term investments	38,145,057	2,571,872,141
Net cash used in investing activities	**(21,560,496,897)**	**(20,870,523,896)**
Cash flows from financing activities		
Proceeds from short-term bank loan	8,195,000,000	-
Payment of dividend	(20,896,517,202)	(30,365,699,043)
Amount refunded to IPO share applicants	(532,202)	(3,296,381)
Net cash used in financing activities	**(12,702,049,404)**	**(30,368,995,424)**
Net change in cash and cash equivalents	(4,326,321,615)	(11,046,756,332)
Cash and cash equivalents as at 1 January	7,628,173,494	18,674,929,826
Cash and cash equivalents as at 31 December	**3,301,851,879**	**7,628,173,494**

The annexed notes 1 to 53 form an integral part of these financial statements.

1. 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. On 28 January 2010, Grameenphone formed a subsidiary, namely Grameenphone IT Ltd. (hereinafter referred to as "GPIT"/ "the subsidiary company"), to provide IT services to GP and to external customers. GPIT launched its commercial operation on 1 April 2010.

These financial statements as at and for the year ended 31 December 2012 include consolidated and separate financial statements. The consolidated financial statements comprise the financial statements of the company and its subsidiary (together referred to as "GP group"/"the group"). The separate financial statements present the financial position and performance of Grameenphone Ltd.

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

2. Basis of preparation

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 2013.

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.

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 group operates ('the functional currency'). These financial statements are presented in Bangladesh Taka (Taka/Tk./BDT) which is also the functional currency of the group. The amounts in these financial statements have been rounded off to the nearest Taka.

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 8: Deferred cost of connection revenue (estimation of subscribers' relationship period)

Note 21: Finance lease obligation (classification and measurement)

Note 22: Deferred tax liabilities (manner of recovery of temporary differences for determination of deferred tax liabilities)

Note 23: Other liabilities (estimation of future cash outflow and determination of appropriate discount rate)

Note 32: Deferred connection revenue (estimation of subscribers' relationship period)

Note 33: Provisions

Note 34: Revenue (allocation of revenue among multiple elements, determination of percentage of completion for services rendered)

Note 44: Income tax expense

In addition to the above, determination of the group's liability for gratuity involves the use of assumptions regarding demographic variables (such as employee turnover and mortality) and financial variables (such as salary growth, return on plan assets and discount rate).

3. 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 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Control normally exists when the group has more than 50% of the voting power through ownership or agreements, except where non-controlling interests are such that a non-controlling shareholder is able to prevent the group from exercising control. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which control ceases.

(b) Consolidation procedure

The financial statements of the subsidiary is prepared for the same reporting periods as the parent company. Consistent accounting policies are used. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the date when control is obtained and until the control ceases, respectively. Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Total comprehensive income of subsidiary is attributed to owners of the company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Non-controlling interests in subsidiaries are presented within equity separately from the equity attributable to the owners of the parent. Financial statements of subsidiary are adjusted where necessary to ensure consistency with the policies adopted by the group.

3.2 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 group and its cost 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 group 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:

	2012	2011
	Year	Year
Own assets		
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 equipments	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 group.

(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.

3.3 Intangible assets

(a) Recognition and measurement

Intangible assets that are acquired by the group 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 group 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:

	2012	2011
	Year	Year
Pulse Code Modulation (PCM)	5	5
Software and others		
Billing software	5	5
Other operational software	3-7	3-7
Network management software	7	7
Spectrum-2008	18	18
Telecom licence and spectrum-2011	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.

3.4 Financial instruments

3.4.1 Financial assets

The group 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 group becomes a party to the contractual provisions of the transaction.

The group 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 group 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 group 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 group 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 group manages such investments and make purchase and sale decisions based on their fair value in accordance with group'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 group 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 group 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 amortized 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 accounts receivable and other receivables.

(a) Accounts receivable

Accounts receivable represent the amounts due from subscribers for telecom services, other operators for interconnection services and infrastructure sharing, customers for FON connectivity and receivables for IT related services. 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.

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 group in the management of its short term commitments. Bank overdraft that are repayable on demand and form an integral part of group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

iv. 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.

Available-for-sale financial assets comprise deposit for bank guarantee and security deposit for utilities and services.

3.4.2 Financial liabilities

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

The group 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 amortized cost using the effective interest method. Financial liabilities include finance lease obligation, trade and other payables, short-term bank loan, payable to government and autonomous bodies, deposits from agents and subscribers, VAT payables, accrued interests and other payables.

(a) *Finance lease obligation*

Leases in terms of which the group 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 (payable to government and autonomous bodies, accrued interest, VAT payables and other 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 amortized cost

The group 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 group uses 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 amortized 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 group'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 group 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 group 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 group 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.

Both GP and GPIT have separate recognised provident fund schemes. All permanent employees of GP and GPIT contribute 10% of their basic salary to the respective provident funds and the companies also make equal contribution.

The group 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 group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted. The rate used to discount post employment benefit obligations is determined by reference to market yields at the reporting date on treasury bonds.

The employee gratuity plan is considered as defined benefit plan as it meets the recognition criteria. The group's obligation is to provide the agreed benefits to current and former employees as per condition of the fund.

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. The difference between fair value of the plan assets and present value of obligation is recognised as a liability or an asset in the statement of financial position. When the calculation results in a benefit to the group, the recognised asset is limited to the total of any unrecognised past service cost and the present value of economic benefit available in the form of any future refunds from the plan or reductions in future contribution to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the group. An economic benefit is available to the group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The expected return on plan assets is based on market expectation and is one of the components of expenses recognised in profit or loss. Total expenses recognised in profit or loss comprise current service cost, interest cost and expected return on plan assets.

Past-service costs are recognised immediately in profit or loss, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The group recognises gains or loss on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any changes in the present value of defined benefit obligation, any related actuarial gains or losses and past service cost that had not previously been recognised.

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

(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
2011	35%
2012	35%

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 2012.

(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 group 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 group 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 group 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 group; 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 group.

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

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 group 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 group 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 group 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) Rendering IT service

Revenue from IT service is recognised on a percentage of completion basis. Percentage of completion of service is determined upon periodic review and usually evidenced by work completion certificate. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity.

(f) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion of a contract is determined in a variety of ways depending on the nature of the contract. The group uses the method that measures reliably the work performed. The methods include cost-to-cost, survey of work performed and completion of physical proportion of the contract work.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of recoverable contract costs incurred and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately.

Presentation:

The determination of whether the group 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 group 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 group 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 general accepted accounting principles within the telecommunications industry.

License 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 group is considered to be the primary obligor.

3.12 Deferred connection revenue

Deferred connection revenue represents the portion of connection revenue which is deferred over the period of estimated customer relationship.

3.13 Deferred cost of connection revenue

Connection costs in excess of connection revenue are charged as expenses when incurred. Connection costs up to connection revenue are deferred and amortised over the period of estimated customer relationship.

3.14 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 group as lessee

Assets held under finance leases are initially recognised as asset of the group 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 group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of group'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 group'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.

3.15 Foreign currency transactions

The consolidated financial statements are presented in Taka/Tk./BDT, which is group'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.

3.16 Earnings per share

The group/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 group/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.

3.17 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.

4 Property, plant and equipment, net

Year 2012 (consolidated)

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	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land (Note 4.1)	806,713,324	293,225	(30,250)	806,976,299	-	-	-	-	806,976,299
Building	4,058,115,969	-	-	4,058,115,969	277,721,774	198,729,042	-	476,450,816	3,581,665,153
Base station (Note 4.2)	72,104,133,706	10,310,383,358	(8,100,619,490)	74,313,897,574	34,303,517,708	7,748,349,245	(5,920,364,918)	36,131,502,035	38,182,395,539
Transmission equipment (Note 4.2)	24,557,392,590	3,307,800,579	(3,720,867,522)	24,144,325,647	10,736,314,433	2,763,273,388	(2,567,761,254)	10,931,826,567	13,212,499,080
Computers and other IT equipment	3,841,951,767	703,569,410	(169,520,157)	4,376,001,020	3,023,154,996	376,982,506	(163,638,428)	3,236,499,074	1,139,501,946
Furniture and fixtures (including office equipment)	2,354,864,946	116,268,649	(122,538,189)	2,348,595,406	1,906,033,980	212,180,341	(119,747,961)	1,998,466,360	350,129,046
Vehicles	1,267,143,261	88,376,118	(111,984,378)	1,243,535,001	712,506,974	120,831,952	(77,050,916)	756,288,010	487,246,991
	108,990,315,563	14,526,691,339	(12,225,559,986)	111,291,446,916	50,959,249,865	11,420,346,474	(8,848,563,477)	53,531,032,862	57,760,414,054
Capital work in progress (Note 4.3)	6,274,849,384	14,941,726,734	(14,213,583,506)	7,002,992,612	-	-	-	-	7,002,992,612
	115,265,164,947	29,468,418,073	(26,439,143,492)	118,294,439,528	50,959,249,865	11,420,346,474	(8,848,563,477)	53,531,032,862	64,763,406,666
Fibre Optic Network under finance lease (Note 4.4)	7,678,321,508	-	-	7,678,321,508	2,522,304,346	334,523,358	-	2,856,827,704	4,821,493,804
	122,943,486,455	**29,468,418,073**	**(26,439,143,492)**	**125,972,761,036**	**53,481,554,211**	**11,754,869,832**	**(8,848,563,477)**	**56,387,860,566**	**69,584,900,470**

Property, plant and equipment (contd..)

Year 2011 (Consolidated)

Name of assets	Cost				Depreciation				Carrying amount
	As at 1 January 2011	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 1 January 2011	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 31 December 2011
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land (Note 4.1)	806,395,924	317,400	-	806,713,324	-	-	-	-	806,713,324
Building	4,058,115,969	-	-	4,058,115,969	78,992,732	198,729,042	-	277,721,774	3,780,394,195
Base station (Note 4.2)	88,893,751,049	19,172,848,885	(35,962,466,228)	72,104,133,706	47,774,586,908	9,320,521,856	(22,791,591,056)	34,303,517,708	37,800,615,998
Transmission equipment (Note 4.2)	27,194,522,924	10,838,905,993	(13,476,036,327)	24,557,392,590	12,736,422,879	3,159,466,090	(5,159,574,536)	10,736,314,433	13,821,078,157
Computers and other IT equipment	3,433,698,479	562,423,707	(154,170,419)	3,841,951,767	2,694,171,292	481,845,895	(152,862,191)	3,023,154,996	818,796,771
Furniture and fixtures (including office equipment)	2,287,147,480	136,544,032	(68,826,566)	2,354,864,946	1,752,092,954	222,086,844	(68,145,818)	1,906,033,980	448,830,966
Vehicles	1,035,397,194	263,297,572	(31,551,505)	1,267,143,261	606,457,084	123,656,283	(17,606,393)	712,506,974	554,636,287
	127,709,029,019	30,974,337,589	(49,693,051,045)	108,990,315,563	65,642,723,849	13,506,306,010	(28,189,779,994)	50,959,249,865	58,031,065,698
Capital work in progress (Note 4.3)	4,139,246,428	33,108,000,275	(30,972,397,319)	6,274,849,384	-	-	-	-	6,274,849,384
	131,848,275,447	64,082,337,864	(80,665,448,364)	115,265,164,947	65,642,723,849	13,506,306,010	(28,189,779,994)	50,959,249,865	64,305,915,082
Fibre Optic Network under finance lease (Note 4.4)	7,678,321,508	-	-	7,678,321,508	2,187,780,988	334,523,358	-	2,522,304,346	5,156,017,162
	139,526,596,955	**64,082,337,864**	**(80,665,448,364)**	**122,943,486,455**	**67,830,504,837**	**13,840,829,368**	**(28,189,779,994)**	**53,481,554,211**	**69,461,932,244**

Property, plant and equipment (contd..)

Year 2012 (Separate)

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	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land (Note 4.1)	806,713,324	293,225	(30,250)	806,976,299	-	-	-	-	806,976,299
Building	4,058,115,969	-	-	4,058,115,969	277,721,774	198,729,042	-	476,450,816	3,581,665,153
Base station (Note 4.2)	72,104,133,706	10,310,383,358	(8,100,619,490)	74,313,897,574	34,303,517,708	7,748,349,245	(5,920,364,919)	36,131,502,034	38,182,395,540
Transmission equipment (Note 4.2)	24,557,392,590	3,307,800,579	(3,720,867,522)	24,144,325,647	10,736,314,433	2,763,273,388	(2,567,761,254)	10,931,826,567	13,212,499,080
Computers and other IT equipment	3,286,225,762	519,758,269	(164,688,237)	3,641,295,794	2,940,581,620	222,005,579	(160,133,241)	3,002,453,958	638,841,836
Furniture and fixtures (including office equipment)	2,341,470,062	113,951,290	(122,538,189)	2,332,883,163	1,905,037,971	207,215,069	(119,747,961)	1,992,505,079	340,378,084
Vehicles	1,243,143,261	82,421,118	(111,984,378)	1,213,580,001	709,900,927	115,118,158	(77,050,916)	747,968,169	465,611,832
	108,397,194,674	14,334,607,839	(12,220,728,066)	110,511,074,447	50,873,074,433	11,254,690,481	(8,845,058,291)	53,282,706,623	57,228,367,824
Capital work in progress (Note 4.3)	6,274,849,384	14,739,774,921	(14,016,333,973)	6,998,290,332	-	-	-	-	6,998,290,332
	114,672,044,058	29,074,382,760	(26,237,062,039)	117,509,364,779	50,873,074,433	11,254,690,481	(8,845,058,291)	53,282,706,623	64,226,658,156
Fibre Optic Network under finance lease (Note 4.4)	7,678,321,508	-	-	7,678,321,508	2,522,304,346	334,523,358	-	2,856,827,704	4,821,493,804
	122,350,365,566	**29,074,382,760**	**(26,237,062,039)**	**125,187,686,287**	**53,395,378,779**	**11,589,213,839**	**(8,845,058,291)**	**56,139,534,327**	**69,048,151,960**

Property, plant and equipment, net (Contd...)

Year 2011 (Separate)

Name of assets	Cost				Depreciation				Carrying amount
	As at 1 January 2011	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 1 January 2011	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 31 December 2011
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Land (Note 4.1)	806,395,924	317,400	-	806,713,324	-	-	-	-	806,713,324
Building	4,058,115,969	-	-	4,058,115,969	78,992,732	198,729,042	-	277,721,774	3,780,394,195
Base station (Note 4.2)	88,893,751,049	19,172,848,885	(35,962,466,228)	72,104,133,706	47,774,586,908	9,320,521,856	(22,791,591,056)	34,303,517,708	37,800,615,998
Transmission equipment (Note 4.2)	27,194,522,924	10,838,905,993	(13,476,036,327)	24,557,392,590	12,736,422,879	3,159,466,090	(5,159,574,536)	10,736,314,433	13,821,078,157
Computers and other IT equipment	3,425,491,235	14,798,184	(154,063,657)	3,286,225,762	2,694,154,488	399,277,172	(152,850,040)	2,940,581,620	345,644,142
Furniture and fixtures (including office equipment)	2,287,147,480	123,149,148	(68,826,566)	2,341,470,062	1,752,092,954	221,090,835	(68,145,818)	1,905,037,971	436,432,091
Vehicles	1,035,397,194	239,297,572	(31,551,505)	1,243,143,261	606,457,084	121,050,236	(17,606,393)	709,900,927	533,242,334
	127,700,821,775	30,389,317,182	(49,692,944,283)	108,397,194,674	65,642,707,045	13,420,135,231	(28,189,767,843)	50,873,074,433	57,524,120,241
Capital work in progress (Note 4.3)	3,970,614,466	32,691,611,830	(30,387,376,912)	6,274,849,384	-	-	-	-	6,274,849,384
	131,671,436,241	63,080,929,012	(80,080,321,195)	114,672,044,058	65,642,707,045	13,420,135,231	(28,189,767,843)	50,873,074,433	63,798,969,625
Fibre Optic Network under finance lease (Note 4.4)	7,678,321,508	-	-	7,678,321,508	2,187,780,988	334,523,358	-	2,522,304,346	5,156,017,162
	139,349,757,749	**63,080,929,012**	**(80,080,321,195)**	**122,350,365,566**	**67,830,488,033**	**13,754,658,589**	**(28,189,767,843)**	**53,395,378,779**	**68,954,986,78**

4.1 Land

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

4.2 Base station and transmission equipment

Base station and transmission equipment which form the major part of the telecommunication network include Radio Base Station (RBS) and related accessories, Base Station Controllers (BSC), Trans-Receiver Unit (TRU), GSM antenna, tower, site infrastructure, civil works, microwave links, Mobile Switching Centres (MSC), Home Location Register (HLR) and other equipment and accessories.

In September 2010, an agreement was signed between Grameenphone and Huawei for supply of network equipment and related maintenance services. Under the agreement, existing base stations and transmission equipment of Grameenphone were replaced by new equipment supplied by Huawei. The above transaction has commercial substance in terms of its impact on configuration of future cash flows. However in absence of reliable information regarding fair value of the assets acquired or the assets given up, cost of the assets acquired were measured at the carrying amount of the assets given up plus any cash consideration paid.

Exchange of assets under the contract started in February 2011 and completed in January 2012.

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:

	Consolidated		*Separate*	
Name of assets	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Land	293,225	317,400	293,225	317,400
Building	-	-	-	-
Base station	10,081,054,913	19,172,340,529	10,081,054,913	19,172,340,529
Transmission equipment	3,263,635,479	10,838,905,993	3,263,635,479	10,838,905,993
Computers and other IT equipment	663,955,122	562,423,707	474,977,948	14,798,184
Furniture and fixtures	116,268,649	135,112,118	113,951,290	121,717,234
Vehicles	88,376,118	263,297,572	82,421,118	239,297,572
Total transfer of CWIP	14,213,583,506	30,972,397,319	14,016,333,973	30,387,376,912

4.3.2 Capital work in progress - components

Consolidated capital work in progress as at 31 December 2012 includes capital inventory of Tk. 3,197,018,118 (2011: Tk. 2,443,958,253) of Grameenphone and Tk. 4,702,080 (2011: nil) of GPIT , and work-in-progress of Tk. 3,801,272,214 (2011: Tk. 3,808,736,758).

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.

4.5 Allocation of depreciation charged during the year

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Cost of network operation (Note 37)	11,206,346,880	13,113,781,076	11,066,313,175	13,039,469,227
Operating expenses (Note 37)	548,522,952	727,048,292	522,900,664	715,189,362
	11,754,869,832	13,840,829,368	11,589,213,839	13,754,658,589

5 Intangible assets, net

Year 2012 (Consolidated)

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 year	Disposal/ Adjustment during the year	As at 31 December 2012	As at 31 December 2012
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Pulse Code Modulation (PCM)	73,698,000	20,000	-	73,718,000	68,112,610	4,604,437	-	72,717,047	1,000,953
Software and others (Note 5.1)	5,748,261,457	996,205,813	-	6,744,467,270	4,374,956,579	818,172,334	-	5,193,128,913	1,551,338,357
Telecom licence and spectrum-2011 (Note 5.2)	-	29,880,383,450	-	29,880,383,450	-	2,270,363,381	-	2,270,363,381	27,610,020,069
Spectrum-2008 (Note 5.3)	5,920,000,000	-	-	5,920,000,000	1,042,380,083	328,888,888	-	1,371,268,971	4,548,731,029
	11,741,959,457	30,876,609,263	-	42,618,568,720	5,485,449,272	3,422,029,040	-	8,907,478,312	33,711,090,408
Capital work in progress (Note 5.4)	765,430,562	30,551,077,213	(30,952,455,565)	364,052,210	-	-	-	-	364,052,210
	12,507,390,019	**61,427,686,476**	**(30,952,455,565)**	**42,982,620,930**	**5,485,449,272**	**3,422,029,040**	**-**	**8,907,478,312**	**34,075,142,618**

Year 2011 (Consolidated)

Name of assets	Cost				Amortisation				Carrying amount
	As at 1 January 2011	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 1 January 2011	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 31 December 2011
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Pulse Code Modulation (PCM)	73,698,000	-	-	73,698,000	60,973,307	7,139,303	-	68,112,610	5,585,390
Software and others (Note 5.1)	4,937,813,847	810,447,610	-	5,748,261,457	3,513,879,522	861,077,057	-	4,374,956,579	1,373,304,878
Spectrum-2008 (Note 5.3)	5,920,000,000	-	-	5,920,000,000	713,491,195	328,888,888	-	1,042,380,083	4,877,619,917
	10,931,511,847	810,447,610	-	11,741,959,457	4,288,344,024	1,197,105,248	-	5,485,449,272	6,256,510,185
Capital work in progress (Note 5.4)	348,248,275	1,227,629,897	(810,447,610)	765,430,562	-	-	-	-	765,430,562
	11,279,760,122	**2,038,077,507**	**(810,447,610)**	**12,507,390,019**	**4,288,344,024**	**1,197,105,248**	**-**	**5,485,449,272**	**7,021,940,747**

Intangible assets, net (contd..)

Year 2012 (Separate)

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 year	Disposal/ Adjustment during the year	As at 31 December 2012	As at 31 December 2012
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Pulse Code Modulation (PCM)	73,698,000	20,000	-	73,718,000	68,112,610	4,604,437	-	72,717,047	1,000,953
Software and others (Note 5.1)	5,718,806,415	1,028,386,236		6,747,192,651	4,373,586,534	800,907,306	-	5,174,493,840	1,572,698,811
Telecom licence and spectrum-2011 (Note 5.2)	-	29,880,383,450	-	29,880,383,450	-	2,270,363,381	-	2,270,363,381	27,610,020,069
Spectrum-2008 (Note 5.3)	5,920,000,000	-	-	5,920,000,000	1,042,380,083	328,888,888	-	1,371,268,971	4,548,731,029
	11,712,504,415	30,908,789,686	-	42,621,294,101	5,484,079,227	3,404,764,012	-	8,888,843,239	33,732,450,862
Capital work in progress (Note 5.4)	785,182,280	30,471,921,840	(30,908,789,686)	348,314,434	-	-	-	-	348,314,434
	12,497,686,695	**61,380,711,526**	**(30,908,789,686)**	**42,969,608,535**	**5,484,079,227**	**3,404,764,012**	**-**	**8,888,843,239**	**34,080,765,296**

Year 2011 (Separate)

Name of assets	Cost				Amortisation				Carrying amount
	As at 1 January 2011	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 1 January 2011	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 31 December 2011
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Pulse Code Modulation (PCM)	73,698,000	-	-	73,698,000	60,973,307	7,139,303	-	68,112,610	5,585,390
Software and others (Note 5.1)	4,937,813,847	780,992,568	-	5,718,806,415	3,513,879,522	859,707,012	-	4,373,586,534	1,345,219,881
Spectrum-2008 (Note 5.3)	5,920,000,000	-	-	5,920,000,000	713,491,195	328,888,888	-	1,042,380,083	4,877,619,917
	10,931,511,847	780,992,568	-	11,712,504,415	4,288,344,024	1,195,735,203	-	5,484,079,227	6,228,425,188
Capital work in progress (Note 5.4)	244,760,096	1,321,414,752	(780,992,568)	785,182,280	-	-	-	-	785,182,280
	11,176,271,943	**2,102,407,320**	**(780,992,568)**	**12,497,686,695**	**4,288,344,024**	**1,195,735,203**	**-**	**5,484,079,227**	**7,013,607,468**

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.

5.2 Telecom licence and spectrum-2011

TThe tenure of Mobile Cellular Licence and 14.6 MHz of spectrum acquired in 1996 expired on 10 November 2011. The tenure of the licence and spectrum was renewed for another 15 years on 7 August 2012. The license 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 installments. The difference between total payment and the cash equivalent price is recognised as finance cost over the period of payment.

5.3 Spectrum-2008

This represents cost of 7.4 MHz of spectrum acquired in 2008 for 18 years.

5.4 Capital work in progress (CWIP)

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

5.5 Allocation of amortisation expense during the year

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Cost of network operation (Note 37)	2,813,251,492	586,436,259	2,795,752,375	585,066,214
Operating expenses (Note 37)	608,777,548	610,668,989	609,011,637	610,668,989
	3,422,029,040	1,197,105,248	3,404,764,012	1,195,735,203

6 Investment in subsidiary

This represents GP's investment in GPIT, a subsidiary of GP. GPIT was incorporated on 28 January 2010 with the objective of providing IT related services to GP and other external parties. GPIT is registered as a private limited company with an authorised share capital of Tk. 7,500,000,000 divided into 75,000,000 shares of Tk. 100 each. As at 31 December 2012, paid up capital of GPIT was Tk. 75,000,000 representing 750,000 shares, out of which 749,999 shares (99.99% of total share capital) were subscribed by GP at face value.

7 Inventories

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Handset, data card and other devices	89,897,220	50,293,444	89,897,220	50,293,444
SIM card	223,666,480	247,653,281	223,666,480	247,653,281
Scratch card	95,967,221	33,433,034	95,967,221	33,433,034
IT accessories and services	7,365,428	22,643,490	-	-
	416,896,349	354,023,249	409,530,921	331,379,759

7.1 Movement of inventories

	IT accessories	Handset, data card and other device	SIM card	Scratch card
	Taka	Taka	Taka	Taka
Balance as at 1 January 2011	-	133,374,666	633,598,995	67,381,665
Purchase during 2011	48,550,100	1,067,056,791	747,608,518	155,826,699
Issue during 2011	(25,906,610)	(1,064,955,334)	(1,130,416,634)	(189,775,330)
	22,643,490	135,476,123	250,790,879	33,433,034
Adjustment/write-off	-	(85,182,679)	(3,137,598)	-
Balance as at 31 December 2011	22,643,490	50,293,444	247,653,281	33,433,034
Purchase during 2012	901,251,261	291,999,696	638,174,469	286,438,130
Issue during 2012	(916,529,323)	(239,019,230)	(661,375,209)	(210,031,912)
	7,365,428	103,273,910	224,452,541	109,839,252
Adjustment/write-off	-	(13,376,690)	(786,061)	(13,872,031)
Balance as at 31 December 2012	7,365,428	89,897,220	223,666,480	95,967,221

7.2 Number of inventories

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Units	Units	Units	Units
Handset, data card and other device	53,762	34,238	53,762	34,238
SIM card	3,961,472	4,342,348	3,961,472	4,342,348
Scratch card	133,927,959	52,583,288	133,927,959	52,583,288

7.3 SIM card

As at 31 December 2012, GP had 3,961,472 SIM cards (2011: 4,342,348 SIM cards) out of which 671,205 SIM cards (2011: 1,231,296 SIM cards) are intended to be issued with new connection to subscribers. Each new connection currently attracts Tk. 605 as VAT and Supplementary Duty to be paid to Govt. exchequer.

8 Deferred cost of connection revenue

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Opening balance	422,857,544	484,842,481	422,857,544	484,842,481
Addition during the year	189,262,527	155,771,288	189,262,527	155,771,288
	612,120,071	640,613,769	612,120,071	640,613,769
Amortisation during the year	(230,016,900)	(217,756,225)	(230,016,900)	(217,756,225)
Closing balance	382,103,171	422,857,544	382,103,171	422,857,544

9 Accounts receivable, net

Receivables for interconnection (Note 9.1)	5,017,905,585	4,573,833,235	5,017,905,585	4,573,833,235
Receivables for post paid and others (Note 9.2)	345,009,382	430,164,458	345,009,382	430,164,458
Receivables for infrastructure sharing (Note 9.3)	384,615,911	311,685,379	384,615,911	311,685,379
Receivables for sub lease of fibre optic network (Note 9.4)	40,286,317	29,062,072	40,286,317	29,062,072
Other receivables for non-mobile service (Note 9.5)	427,350,837	17,199,287	10,057,927	5,298,091
	6,215,168,032	5,361,944,431	5,797,875,122	5,350,043,235

9.1 Receivables for interconnection

Accounts receivable	5,159,654,077	4,791,993,644	5,159,654,077	4,791,993,644
Provision for doubtful debts	(141,748,492)	(218,160,409)	(141,748,492)	(218,160,409)
	5,017,905,585	4,573,833,235	5,017,905,585	4,573,833,235

9.2 Receivables for post paid and others

Accounts receivable	388,543,217	474,547,063	388,543,217	474,547,063
Provision for doubtful debts	(43,533,835)	(44,382,605)	(43,533,835)	(44,382,605)
	345,009,382	430,164,458	345,009,382	430,164,458

Receivables for post paid and others include receivables from post paid subscribers, content providers, and channel partners.

9.3 Receivables for infrastructure sharing

	Consolidated		Separate	
	2012 Taka	2011 Taka	2012 Taka	2011 Taka
Accounts receivable	384,615,911	311,685,379	384,615,911	311,685,379
Provision for doubtful debts	-	-	-	-
	384,615,911	311,685,379	384,615,911	311,685,379

9.4 Receivables for sub lease of fibre optic network

Accounts receivable- sublease	45,706,102	34,947,224	45,706,102	34,947,224
Provision for doubtful debt	(5,419,785)	(5,885,152)	(5,419,785)	(5,885,152)
	40,286,317	29,062,072	40,286,317	29,062,072

9.5 Other receivables for non-mobile service

Other receivables for non-mobile service include receivables for broadband internet service, bill pay service of GP and IT services provided by GPIT.

9.6 Provision for doubtful debts

Opening Balance	268,428,166	280,349,798	268,428,166	280,349,798
Provision made during the year	(32,752,703)	42,622,969	(32,752,703)	42,622,969
	235,675,463	322,972,767	235,675,463	322,972,767
Written off during the year	(44,973,351)	(54,544,601)	(44,973,351)	(54,544,601)
Closing balance	190,702,112	268,428,166	190,702,112	268,428,166

9.7 Security against accounts receivable

Good and secured	409,868,246	410,160,978	409,868,246	410,160,978
Good with personal security/unsecured	5,805,299,786	4,951,783,453	5,388,006,876	4,939,882,257
Doubtful and bad	190,702,112	268,428,166	190,702,112	268,428,166
Gross accounts receivable	6,405,870,144	5,630,372,597	5,988,577,234	5,618,471,401
Provision for bad and doubtful debts	(190,702,112)	(268,428,166)	(190,702,112)	(268,428,166)
Accounts receivable, net	6,215,168,032	5,361,944,431	5,797,875,122	5,350,043,235

9.8 Debts due by directors, officers and other related parties

As at 31 December 2012, accounts receivable do not include any receivable from:

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

(b) firms or private limited companies respectively in which any director of the group is a partner, director or member, other than those disclosed in note 48.2; and

(c) companies under the same management.

10 Other receivables

Interest receivable	8,277,180	22,142,478	8,277,180	22,142,478
Receivable from Ericsson	538,104,189	462,964,658	538,104,189	462,964,658
Receivable from other Telenor entities (Note 10.1)	366,830,344	260,695,250	366,830,344	260,695,250
Receivable from GPIT (Note 10.2)	-	-	90,821,937	250,767,772
Receivable from other external parties	176,374,459	170,522,638	158,210,366	157,985,343
	1,089,586,172	916,325,024	1,162,244,016	1,154,555,501

10.1 Receivable from other Telenor entities

Receivable from other Telenor entities includes reimbursable expenses incurred on behalf of Telenor and its subsidiaries as well as other inter company receivables.

10.2 Receivable from GPIT

Receivable from GPIT includes mainly receivable for reimbursable operating expenses.

11 Advances, deposits and prepayments

	Consolidated		Separate	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Advances				
Advance to employees (Note 11.1)	27,999,477	5,051,544	25,211,505	1,755,828
Advance to Bangladesh Railway	490,003	560,002	490,003	560,002
Advance for capital expenditure	274,748,686	16,294,938,758	274,748,686	16,291,728,470
Advance VAT (Note 11.2)	851,089,682	-	851,089,682	-
Other advances	28,667,513	853,156	28,667,513	853,156
	1,182,995,361	16,301,403,460	1,180,207,389	16,294,897,456
Deposits				
Deposits for bank guarantee (Note 11.3)	123,972,426	129,157,944	109,947,426	126,457,944
Security deposit for utilities and services	82,355,578	77,353,046	73,550,075	73,321,638
	206,328,004	206,510,990	183,497,501	199,779,582
Prepayments				
Prepayment against rent (Note 11.4)	392,095,588	333,766,889	392,095,588	333,766,889
Prepayment against expenses (Note 11.5)	411,194,655	287,501,157	727,720,664	657,801,144
	803,290,243	621,268,046	1,119,816,252	991,568,033
	2,192,613,608	17,129,182,496	2,483,521,142	17,486,245,071

11.1 Advance to employees

This includes advances made to employees in relation to official travel, training, office utility bills, other office running expenses etc.

11.2 Advance VAT

This represents the excess of VAT payment over VAT liabilities.

11.3 Deposits for bank guarantee

This represents the guarantee margins with different banks against guarantee provided by them in favor of Commissioner of Customs and other parties.

11.4 Prepayment against rent

This represents payment of rent in advance for base stations and office locations.

11.5 Prepayment against expenses

This includes prepaid insurance premium, payment to suppliers for operating inventories, spare parts, software support maintenance and others.

11.6 Security against advances

Good and secured	274,748,686	309,848,470	274,748,686	309,848,470
Good with personal security/unsecured	908,246,675	15,991,554,990	905,458,703	15,985,048,986
Doubtful and bad	-	-	-	-
	1,182,995,361	16,301,403,460	1,180,207,389	16,294,897,456
Provision for bad and doubtful amount	-	-	-	-
Total advances	1,182,995,361	16,301,403,460	1,180,207,389	16,294,897,456

11.7 Loans and advances to subsidiaries, directors, officers and other related parties

Other than those mentioned in note 11.1 and 48.2, there were no loans or advances to-

(a) Directors of the company/group;

(b) Firms or private limited companies respectively in which any director of Grameenphone Ltd. is a partner, director or member; and

(c) Subsidiaries or companies under the same management.

12 Short-term investment

This includes the amount of Fixed Deposits Receipts (FDR) of Tk. 93,882,537 (2011: Tk. 98,897,594) with Southeast Bank Limited, Tk. 46,132,500 (2011: 46,132,500) with One Bank Ltd and Tk. 3,696,875 (2011: Tk. 36,826,875) with other banks as at the statement of financial position date having original maturity of three months or more. The interest rates on these FDRs range from 12.00% to 14.5% (2011: 8.25% to 13.75%). Out of this total amount, Tk. 133,595,625 (2011: Tk. 135,459,375) is restricted to the settlement of bills pay liabilities.

13 Cash and cash equivalents

	Consolidated		Separate	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Cash in hand	6,329,261	4,424,850	6,329,261	4,424,850
Cash at bank (Note-13.1)	3,558,901,113	8,050,172,142	3,295,522,618	7,623,748,644
	3,565,230,374	8,054,596,992	3,301,851,879	7,628,173,494

13.1 Cash at bank

Cash at bank includes bank overdraft of Tk. 403,580,129 from The Premier Bank Limited and Tk. 239,111,764 from Bank Alfalah Limited. Bank overdrafts that form an integral part of group's cash management are included as a component of cash and cash equivalents as mentioned in note 3.4.1.

13.2 Restricted cash balance

Cash at bank includes utility bill pay service collection accounts amounting to Tk. 368,353,869 (2011: Tk. 416,563,884). Use of this amount is restricted to settlement of payable for bills pay receipts as mentioned in note 26.

13.3 Non-cash transaction

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

Grameenphone capitalised its renewed 'Telecom licence and spectrum 2011' at Tk. 29,880,383,450 during the current year, for which it paid Tk. 7,755,395,764 in 2012 and Tk. 13,584,598,000 in 2011. The rest of the amount is shown as liability (Note 24.1).

14 Share capital

4,000,000,000 ordinary shares of Tk. 10 each	40,000,000,000	40,000,000,000	40,000,000,000	40,000,000,000
	40,000,000,000	40,000,000,000	40,000,000,000	40,000,000,000
Issued, subscribed, called up and paid up:				
1,350,300,022 ordinary shares of Tk. 10 each	13,503,000,220	13,503,000,220	13,503,000,220	13,503,000,220
	13,503,000,220	13,503,000,220	13,503,000,220	13,503,000,220

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 periods.

14.1 Shareholding position

a) Percentage of shareholdings

	% of holding		Value of shares (Taka)	
	As at	As at	As at	As at
Name of shareholders	31 December 2012	31 December 2011	31 December 2012	31 December 2011
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 institutions	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 As at 31 December 2012	No. of shareholders As at 31 December 2011	No. of shares As at 31 December 2012	No. of shares As at 31 December 2011
1-500	53,842	68,470	11,862,686	15,227,428
501-5,000	12,376	16,547	17,971,537	23,941,792
5,001-10,000	842	1,099	6,124,087	7,980,838
10,001-20,000	381	524	5,388,878	7,324,730
20,001-30,000	103	141	2,481,795	3,458,975
30,001-40,000	63	82	2,201,994	2,849,538
40,001-50,000	41	46	1,893,983	2,118,778
50,001-100,000	78	89	5,473,513	6,403,346
100,001-1,000,000	98	93	30,392,153	26,703,195
1,000,001-1,000,000,000	19	14	1,266,509,396	1,254,291,402
	67,843	87,105	1,350,300,022	1,350,300,022

15 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.

16 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.

17 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.

18 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.

19 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.

20 Deposit from agents and subscribers

	Consolidated		Separate	
	2012 Taka	2011 Taka	2012 Taka	2011 Taka
Security deposits from subscribers (Note 20.1)	409,868,246	410,160,978	409,868,246	410,160,978
Security deposits from dealers and agents (Note 20.2)	49,515,000	45,615,000	49,515,000	45,615,000
	459,383,246	455,775,978	459,383,246	455,775,978

20.1 Security deposits from subscribers

This represents security money obtained from post paid subscribers and can be used in full or in part to adjust any unpaid portion of dues from them. Any unadjusted amount of security deposits is refundable to subscribers on termination of customer relationship.

20.2 Security deposits from dealers and agents

Security deposits from dealers and agents represent security money obtained from channel partners (i.e. dealer, distributor, outlet agent). These deposits can be used in full or in part to adjust any amount due and are refundable at the termination of contract.

21 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.

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Finance lease obligation	5,019,805,838	5,019,805,838	5,019,805,838	5,019,805,838
Less: Current portion (Note 21.1)	-	-	-	-
	5,019,805,838	5,019,805,838	5,019,805,838	5,019,805,838

Finance lease obligation as at 31 December 2012 is payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
	Taka	Taka	Taka
(i) Not later than one year	768,431,458	768,431,458	-
(ii) Later than one year but not later than five years	3,375,071,504	3,375,071,504	-
(iii) Later than five years	9,944,407,110	4,924,601,272	5,019,805,838
	14,087,910,072	9,068,104,234	5,019,805,838

Finance lease obligation as at 31 December 2011 is payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
	Taka	Taka	Taka
(i) Not later than one year	738,296,891	738,296,891	-
(ii) Later than one year but not later than five years	3,254,533,236	3,254,533,236	-
(iii) Later than five years	10,833,376,835	5,813,570,997	5,019,805,838
	14,826,206,962	9,806,401,124	5,019,805,838

21.1 Current portion of finance lease obligation

Current portion of finance lease obligation represents the principal amount of lease obligation included in the minimum lease payments falling due within 12 months from the end of the reporting period. Minimum lease payments for fibre optic network were revised in June 2007 with an annual escalation clause resulting in higher lease payments in later parts of the lease tenure. Such increasing cash flow pattern has led to higher amount of interest expense being recognised in the earlier periods and minimum lease payments falling short of the interest amount. Accordingly, current portion of finance lease obligation was nil for 2012 and 2011.

22 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 44. Deferred tax assets and liabilities for separate financial statements are attributable to the following:

	Carrying amount	Tax base	Taxable/(deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2012			
Property, plant and equipment (excluding land and CWIP and leased assets) (Note 4)	56,421,391,525	25,009,966,910	31,411,424,615
Property, plant and equipment under finance lease (Note 4)	4,821,493,804	-	4,821,493,804
Difference for vehicle (Note 22.1)	(65,890,590)	-	(65,890,590)
			36,167,027,829
Accounts receivable (Note 9)	5,797,875,122	5,844,167,319	(46,292,197)
Finance lease obligation (Note 21)	(5,019,805,838)	-	(5,019,805,838)
Accrued interest on finance lease obligation	(265,962,156)	-	(265,962,156)
Asset retirement obligations	(51,693,048)	-	(51,693,048)
Provision for incidental expenses	(4,281,969,561)	-	(4,281,969,561)
Net taxable temporary difference			26,501,305,029
Applicable tax rate (Note 3.8)			35%
Deferred tax liabilities			9,275,456,760
As at 31 December 2011			
Property, plant and equipment (excluding land and CWIP and leased assets) (Note 4)	56,717,406,917	24,371,533,908	32,345,873,009
Property, plant and equipment under finance lease (Note 4)	5,156,017,162	-	5,156,017,162
Difference for vehicle (Note 22.1)	(74,547,280)	-	(74,547,280)
			37,427,342,891
Accounts receivable (Note 9)	5,350,043,235	5,499,444,974	(149,401,739)
Finance lease obligation (Note 21)	(5,019,805,838)	-	(5,019,805,838)
Accrued interest on finance lease obligation	(215,643,579)	-	(215,643,579)
Asset retirement obligations	(47,619,576)	-	(47,619,576)
Provisions	(14,481,616,392)	(11,752,424,605)	(2,729,191,787)
Net taxable temporary difference			29,265,680,372
Applicable tax rate (Note 3.8)			35%
Deferred tax liabilities			10,242,988,130

As per the provisions of Income Tax Ordinance 1984 (ITO), any income derived from the business of software development and Information Technology Enabled Services (ITES) is subject to tax exemption until 30 June 2015 and hence deferred tax liability for GPIT is not considered.

22.1 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.

23 Other Liabilites

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Asset retirement obligations (Note 23.1)	110,951,466	104,716,420	110,951,466	104,716,420
Provision for incidental expenses	4,281,969,561	2,729,191,787	4,281,969,561	2,729,191,787
Employee benefits - provision for gratuity (Note 23.2)	-	-	-	-
	4,392,921,027	2,833,908,207	4,392,921,027	2,833,908,207

23.1 Asset retirement obligations (ARO)

	Consolidated		Separate	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Opening balance	104,716,420	162,876,392	104,716,420	162,876,392
Provision made during the year	10,711,824	24,189,972	10,711,824	24,189,972
	115,428,244	187,066,364	115,428,244	187,066,364
Adjustment/payment made during the year	(4,476,778)	(82,349,944)	(4,476,778)	(82,349,944)
Closing balance	110,951,466	104,716,420	110,951,466	104,716,420

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.

23.2 Employee benefits - provision for gratuity

Opening balance	-	-	-	-
Provisions made during the year	393,488,710	365,599,706	364,452,293	345,240,164
	393,488,710	365,599,706	364,452,293	345,240,164
Transfer to fund during the year	(393,488,710)	(365,599,706)	(364,452,293)	(345,240,164)
Closing balance	-	-	-	-

24 Trade and other payables

Liability for capital expenditure (Note 24.1)	11,097,944,186	5,666,817,629	11,075,188,078	5,645,629,609
Payable for expenses:				
Interconnection charges	58,089,894	32,468,286	58,089,894	32,468,286
Revenue sharing with content providers	83,580,845	211,002,698	126,647,436	233,864,396
International roaming services	61,811,271	69,331,739	61,811,271	69,331,739
Training and travel expenses	33,217,288	38,141,067	31,303,572	36,481,195
Sales and promotional expenses	206,975,908	151,785,409	206,975,908	150,195,815
Consultancy and professional fees	4,594,131,200	3,381,308,109	4,428,194,013	3,278,699,664
Cost of SIM card, scratch card, handsets etc.	134,041,239	249,980,238	134,041,239	249,980,238
Office and general expenses	206,828,711	203,824,590	193,236,942	194,689,584
PCM related expenses	30,036,864	56,996,185	30,036,864	56,996,185
Network operations and maintenance	389,376,322	364,378,386	374,889,592	360,989,513
	5,798,089,542	4,759,216,707	5,645,226,731	4,663,696,615
Payable for others:				
Tax deducted at source from suppliers	128,661,975	244,368,578	128,661,975	244,368,578
VAT deducted at source from suppliers	86,822,610	105,660,831	86,822,610	105,660,831
Payables for bills pay receipt	33,412,027	21,236,584	33,412,027	21,236,584
Retention money from suppliers	24,403,489	43,033,714	24,403,489	43,033,714
	273,300,101	414,299,707	273,300,101	414,299,707
	17,169,333,829	10,840,334,043	16,993,714,910	10,723,625,931

24.1 This includes liability for the renewal of Telecom licence and spectrum-2011.

25 Short-term bank loan

Short-term bank loan includes loan of Tk. 1,295,000,000 from Citibank N.A., Tk. 1,500,000,000 from Eastern Bank Ltd., Tk. 1,000,000,000 from Hongkong and Shanghai Banking Corp. and Tk. 2,000,000,000 from Souteast Bank Ltd. for various operational purposes. Interest rates for these loans vary from 13.50% to 14.75%.

26 Payable to government and autonomous bodies

Bangladesh Telecommunication Regulatory Commission (BTRC)				
Frequency and spectrum charges (Note 25.1)	389,029,443	295,992,451	389,029,443	295,992,451
Revenue sharing (Note 25.2)	1,927,617,475	1,620,995,267	1,927,617,475	1,620,995,267
	2,316,646,918	1,916,987,718	2,316,646,918	1,916,987,718
Supplementary duty on SIM card	180,587,886	2,535,910,188	180,587,886	2,535,910,188
Share of sub-lease rent payable to Bangladesh Railway	10,808,338	7,516,089	10,808,338	7,516,089
Payable for Bills Pay receipt	367,353,896	353,691,950	367,353,896	353,691,950
	2,875,397,038	4,814,105,945	2,875,397,038	4,814,105,945

26.1 Frequency and spectrum charges

This relates to charges payable to BTRC for use of frequency and spectrum allocated to the company and roaming line rent.

26.2 Revenue sharing

As per the operating licence agreement as amended on 16 April 2006, GP shares 5.5 % of its collected rent and call charges with BTRC. Under the 2G licence renewal guidelines, additional 1% of revenue is to be contributed to Social Obligation Fund. Revenue sharing and Social Obligation Fund under the renewal guidelines is effective from the date of licence renewal.

27 Unearned revenue

This includes mainly the unused portion of scratch cards, flexi load and advance post paid bills received for which services have not yet been provided.

28 VAT payable

This represents VAT amount payable to NBR arising from provision of services by the company that are subject to VAT.

29 Income tax provision

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Movement of income tax provision is shown as under:				
Opening balance	17,806,349,160	13,396,693,877	17,805,122,197	13,396,161,393
Provision made during the year	13,656,178,843	15,073,255,644	13,652,756,875	15,070,341,426
	31,462,528,003	28,469,949,521	31,457,879,072	28,466,502,819
Paid during the year (incl. tax deducted at source)	(13,565,042,041)	(10,663,600,361)	(13,561,442,504)	(10,661,380,622)
Closing balance	17,897,485,962	17,806,349,160	17,896,436,568	17,805,122,197

30 Accrued interest

Accrued interest includes Tk. 265,962,156 (2011 : Tk. 215,643,579) representing interest on finance lease obligation.

31 Other liabilities

Unclaimed dividend	85,948,797	52,815,658	85,948,797	52,815,658
Other external liabilities (Note 31.1)	47,620,563	45,734,208	31,146,836	28,158,036
	133,569,360	98,549,866	117,095,633	80,973,694

31.1 Other external liabilities

Other external liabilities include group's payables to Telenor Start II AS for Cellbazaar operations, withholding tax and VAT, liabilities for share money refund, advance from customers etc.

32 Deferred connection revenue

Opening balance	542,973,536	581,904,397	542,973,536	581,904,397
Addition during the year	224,013,663	221,969,943	224,013,663	221,969,943
	766,987,199	803,874,340	766,987,199	803,874,340
Recognised as revenue during the year	(280,232,271)	(260,900,804)	(280,232,271)	(260,900,804)
Closing balance	486,754,928	542,973,536	486,754,928	542,973,536

33 Provisions

Commission and other operational expenses	112,324,637	86,210,595	112,324,637	86,210,595
Cost of SIM card, scratch card, handsets etc.	1,022,449,774	1,467,605,297	1,022,449,774	1,467,605,297
Interconnection and roaming cost	1,893,806,815	1,987,871,149	1,893,806,815	1,987,871,149
Personnel expenses (Note 33.1)	967,587,854	1,088,055,366	845,651,658	992,202,647
Training and travelling expenses	59,606,809	71,457,383	56,208,767	70,906,726
Sales and promotional expenses	1,563,032,206	837,556,535	1,563,032,206	837,556,535
Consultancy and professional fees	499,636,192	254,114,389	483,674,968	231,153,891
Network operations and maintenance	2,549,008,032	1,884,811,891	2,196,553,471	1,808,695,969
Capital expenditure	2,378,970,930	3,376,793,523	2,432,327,399	3,376,793,523
Office and general expenses (Note 33.2)	1,758,009,426	889,188,708	1,753,712,504	883,710,286
Lease rent to Power Grid Company of Bangladesh Ltd.	13,411,614	9,717,987	13,411,614	9,717,987
	12,817,844,289	11,953,382,823	12,373,153,813	11,752,424,605

33.1 Personnel expenses

This includes provision for bonus, earned leave encashment, any unpaid salary and other personnel related expenses.

33.2 Office and general expenses

Provision for office and general expenses includes provision for vehicle running expenses, stationery, utility, communication expenses etc.

34 Revenue

	Consolidated		Separate	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Traffic revenue				
-Post paid	2,762,717,491	2,671,896,715	2,762,717,491	2,671,896,715
-Pre paid	70,651,009,703	69,746,817,670	70,651,009,703	69,746,817,670
	73,413,727,194	72,418,714,385	73,413,727,194	72,418,714,385
Subscription revenue				
-Post paid	558,861,471	566,479,749	558,861,471	566,479,749
Connection revenue				
-Post paid	3,961,339	3,902,385	3,961,339	3,902,385
-Pre paid	275,582,188	262,344,039	275,582,188	262,344,039
	279,543,527	266,246,424	279,543,527	266,246,424
Roaming revenue				
-Inbound	470,577,725	417,108,357	470,577,725	417,108,357
-Outbound	320,221,749	321,584,002	320,221,749	321,584,002
	790,799,474	738,692,359	790,799,474	738,692,359
Interconnection revenue				
-Post paid	156,364,541	132,963,093	156,364,541	132,963,093
-Pre paid	9,016,600,368	8,543,517,399	9,016,600,368	8,543,517,399
	9,172,964,909	8,676,480,492	9,172,964,909	8,676,480,492
Other mobile revenue				
-Customer support revenue	11,589,718	11,715,274	11,589,718	11,715,274
-SMS and MMS revenue	1,034,076,513	953,238,279	1,034,076,513	953,238,279
-Internet and data revenue	2,105,209,551	1,560,131,157	2,105,209,551	1,560,131,157
-VAS and other revenue (Note 34.1)	2,352,775,354	1,586,704,168	2,352,775,354	1,586,704,168
	5,503,651,136	4,111,788,878	5,503,651,136	4,111,788,878
Non- mobile revenue				
-Sale of handset	10,006,363	826,107,532	10,006,363	826,107,532
-Sale of data card	249,165,370	279,900,439	249,165,370	279,900,439
-Sale of vehicle tracking systems	15,938,907	18,929,131	15,938,907	18,929,131
-Infrastructure sharing revenue	1,456,810,024	1,086,281,712	1,456,810,024	1,086,281,712
-Commissions	4,291,590	1,945,796	4,291,590	1,945,796
-Broadband internet revenue	2,199,434	387,996	2,199,434	387,996
-Bills pay service	30,976,944	14,745,882	30,976,944	14,745,882
-IT service maintenance fee (Note 34.2)	431,509,413	52,916,151	-	-
	2,200,898,045	2,281,214,639	1,769,388,632	2,228,298,488
	91,920,445,756	89,059,616,926	91,488,936,343	89,006,700,775

34.1 VAS and other revenue

Value Added Service (VAS) revenue includes revenue from content sale (e.g. medical services and music download services, news service, and other contents), call block service, mobile back-up service etc.

34.2 IT service maintenance fee

This represents revenue earned by the group on account of IT services provided to external customers, both foreign and local.

35 Direct cost of revenue

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Cost of interconnection (Note 35.1)	3,924,000,684	3,816,501,489	3,924,000,684	3,816,501,489
Cost of SIM card, scratch card, handset etc. (Note 35.2)	1,238,539,246	2,362,735,807	1,238,539,246	2,362,735,807
International roaming cost (Note 35.3)	247,696,544	226,833,866	247,696,544	226,833,866
Licence fees and spectrum charges	1,277,984,381	775,692,609	1,277,984,381	775,692,609
Revenue sharing with BTRC	5,878,277,626	4,779,925,045	5,878,277,626	4,779,925,045
Dealers' and agents' commission	5,578,580,587	5,427,228,305	5,578,580,587	5,427,228,305
Revenue sharing with content providers and others	419,603,180	263,587,723	438,495,158	280,112,858
	18,564,682,248	17,652,504,844	18,583,574,226	17,669,029,979

35.1 Cost of interconnection

This represents the amount payable to the other operators (including interconnection exchange and international gateway operators) for outgoing off-net calls (including international calls) made by GP subscribers.

Rates for interconnection charges are guided by BTRC directives. Cost of interconnection is measured on the basis of actual outgoing off-net traffic information.

35.2 Cost of SIM card, scratch card, handset etc.

SIM card	716,447,681	1,128,784,262	716,447,681	1,128,784,262
Scratch card	251,170,669	146,622,839	251,170,669	146,622,839
Handset, data card and other devices	270,920,896	1,087,328,706	270,920,896	1,087,328,706
	1,238,539,246	2,362,735,807	1,238,539,246	2,362,735,807

35.3 International roaming cost

This represents the roaming charges payable to the roaming partners for use of roaming partners' network by GP subscribers.

36 Network operation and maintenance expenses

Rent (Note 36.1)	906,407,229	730,650,954	906,407,229	730,650,954
Electricity charges	1,328,436,508	1,298,616,406	1,328,436,508	1,298,616,405
Operation and maintenance - base station	903,444,052	916,432,229	903,444,052	916,432,229
Operation and maintenance - switch	858,635,204	1,374,529,390	858,635,204	1,374,529,390
Operation and maintenance - optical fibre network	90,421,869	50,967,789	90,421,869	50,967,789
Network quality maintenance expenses	2,636,969,685	1,924,216,734	2,956,248,095	2,201,684,222
PCM operation and maintenance	8,106,744	8,519,947	8,106,744	8,519,947
Lease rent for submarine cable	213,241,503	182,198,508	213,241,503	182,198,508
	6,945,662,794	6,486,131,957	7,264,941,204	6,763,599,444

36.1 Rent

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

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
(i) Not later than one year	489,449,041	494,108,833	489,449,041	494,108,833
(ii) Later than one year but not later than five years	1,469,681,797	1,818,562,622	1,469,681,797	1,818,562,622
(iii) Later than five years	3,777,419,776	3,423,705,657	3,777,419,776	3,423,705,657
	5,736,550,614	5,736,377,112	5,736,550,614	5,736,377,112

37 Depreciation and amortisation

	2012 Consolidated	2011 Consolidated	2012 Separate	2011 Separate
Cost of network operation				
Depreciation of property, plant and equipment	11,206,346,880	13,113,781,076	11,066,313,175	13,039,469,227
Amortisation of intangible assets	2,813,251,492	586,436,259	2,795,752,375	585,066,214
	14,019,598,372	13,700,217,335	13,862,065,550	13,624,535,441
Operating expenses				
Depreciation of property, plant and equipment	548,522,952	727,048,292	522,900,664	715,189,362
Amortisation of intangible assets	608,777,548	610,668,989	609,011,637	610,668,989
	1,157,300,500	1,337,717,281	1,131,912,301	1,325,858,351
	15,176,898,872	15,037,934,616	14,993,977,851	14,950,393,792

38 Other income, net

	2012 Consolidated	2011 Consolidated	2012 Separate	2011 Separate
Rental income from sublease of fibre optic network, net	70,071,621	75,212,038	70,071,621	75,212,038
Rental income from GPIT	-	-	27,363,540	27,363,540
Franchisee fees and others	3,324,067	6,437,659	3,324,067	6,437,659
	73,395,688	81,649,697	100,759,228	109,013,237

39 General and administrative expenses

	2012 Consolidated	2011 Consolidated	2012 Separate	2011 Separate
Personnel expenses	6,759,496,388	6,482,742,826	6,549,913,896	6,240,380,887
Employee training and ancillary expenses	98,907,851	97,865,470	98,907,851	97,865,470
Rent (Note 39.1)	279,577,864	288,626,433	277,115,152	279,334,425
Office maintenance and running expenses	709,955,309	698,916,489	698,827,550	690,932,783
Travelling expenses	217,095,809	130,876,971	187,964,532	119,269,855
Vehicle running expenses	593,326,777	507,164,688	557,537,746	483,160,790
Telephone and communication	81,718,333	77,522,440	81,718,333	77,522,440
Printing, postage and stationery	104,334,364	138,663,492	95,341,643	132,232,634
Legal and professional fees (Note 39.2)	125,113,507	98,839,798	74,453,993	46,274,429
Consultancy fees	899,266,567	670,682,365	899,266,567	670,682,365
Audit fees	2,260,000	2,325,000	1,800,000	1,800,000
Meeting expenses (Note 39.3)	52,095,686	67,602,757	52,095,686	67,602,757
Entertainment expenses	17,460,423	18,819,621	15,847,222	18,207,033
Revenue collection charges	11,788,917	13,891,795	11,788,917	13,891,795
Bad debt expense (Note 39.4)	(58,136,191)	15,300,696	(58,136,191)	15,300,696
	9,894,261,604	9,309,840,841	9,544,442,897	8,954,458,359

39.1 Rent

Rent includes rent for office, warehouse, Grameenphone Center (GPC), Grameenphone Service Desk (GPSD), info-centre and guest houses. Future minimum lease payments under non cancellable operating lease agreements for such locations are payable as follows:

	2012 Consolidated	2011 Consolidated	2012 Separate	2011 Separate
(i) Not later than 1 year	271,860,208	242,291,241	271,860,208	239,828,522
(ii) Later than 1 year but not later than 5 years	811,320,467	777,732,575	811,320,467	769,215,673
(iii) Later than 5 years	480,064,337	550,358,799	480,064,337	550,358,799
	1,563,245,011	1,570,382,615	1,563,245,011	1,559,402,994

39.2 Legal and professional fees

Legal and professional fees include fees for legal advice and other professional services received time to time from lawyers, auditors and other professionals.

39.3 Meeting expenses

These include expenses for board meetings of the group amounting to Tk. 3,792,570 (2011: Tk. 2,720,704), and other meetings of the group (including AGM) Tk. 48,303,116 (2011: Tk. 64,882,053).

39.4 Bad debt expense

	Consolidated		Separate	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Provision made/(reversed) during the year	(32,752,703)	42,622,969	(32,752,703)	42,622,969
Recovery of bad debt during the year	(25,383,488)	(27,322,273)	(25,383,488)	(27,322,273)
Bad debt expense	(58,136,191)	15,300,696	(58,136,191)	15,300,696

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

40 Selling and distribution expenses

Sales, marketing and representation costs (Note 40.1)	5,968,028,058	6,555,229,928	5,968,028,058	6,555,229,928
Advertisements	1,235,712,917	988,117,456	1,207,205,348	956,851,883
Business development and promotional expenses	584,003,402	539,009,380	553,166,621	524,939,769
	7,787,744,377	8,082,356,764	7,728,400,027	8,037,021,580

40.1 Sales, marketing and representation costs

This primarily includes subsidies provided by GP in connection with acquiring new subscribers.

41 Finance income/(expense), net

Finance charge - lease	(788,615,469)	(779,099,154)	(788,615,469)	(779,099,154)
Other finance charges (Note 41.1)	(3,184,795,847)	(190,075,708)	(3,184,100,924)	(189,519,684)
	(3,973,411,316)	(969,174,862)	(3,972,716,393)	(968,618,838)
Finance income	667,195,024	1,958,770,985	658,069,777	1,950,999,741
	(3,306,216,292)	989,596,123	(3,314,646,616)	982,380,903

41.1 This includes mainly interest charged in relation to the periodic unwinding of liability to acquire Telecom licence and spectrum-2011 and interest on short-term bank loan.

42 Foreign exchange gain/(loss)

Realised gain/ (loss)	44,588,768	(140,512,723)	43,028,786	(140,401,481
Unrealised gain/ (loss)	(220,022,338)	(508,039,810)	(214,405,847)	(511,023,366)
	(175,433,570)	(648,552,533)	(171,377,061)	(651,424,847)

43 Gain on disposal of property, plant and equipment

Disposal proceeds	204,121,264	118,220,726	203,744,365	118,181,872
Carrying amount of the assets disposed off	(153,645,902)	(25,499,763)	(152,319,170)	(25,405,152)
	50,475,362	92,720,963	51,425,195	92,776,720

44 Income tax expense

Current tax expenses (Note 3.8)	13,656,178,843	15,073,255,644	13,652,756,875	15,070,341,426
Deferred tax expenses/(income)	(967,531,367)	(958,095,384)	(967,531,367)	(958,095,384)
	12,688,647,476	14,115,160,260	12,685,225,508	14,112,246,042

45 Earnings per share

Profit for the year (Taka)	17,504,769,271	18,891,102,082	17,354,535,376	19,052,697,592
Weighted average number of shares (Note 45.1)	1,350,300,022	1,350,300,022	1,350,300,022	1,350,300,022
Basic and diluted earnings per share (Note 3.16)	12.96	13.99	12.85	14.11

45.1 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.

45.2 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.

46 Financial risk management

The management has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk management policies are established to identify and analyse the risks faced by the group, 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 group's activities. This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

46.1 Credit risk

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

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 group'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 group'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 group 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:

	Consolidated		*Separate*	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Accounts receivable, net				
Receivables for interconnection	5,017,905,585	4,573,833,235	5,017,905,585	4,573,833,235
Receivables for post paid and others	345,009,382	430,164,458	345,009,382	430,164,458
Receivables for infrastructure sharing	384,615,911	311,685,379	384,615,911	311,685,379
Receivables for sub lease of fibre optic network	40,286,317	29,062,072	40,286,317	29,062,072
Others receivable for non-mobile service	427,350,837	17,199,287	10,057,927	5,298,091
	6,215,168,032	5,361,944,431	5,797,875,122	5,350,043,235
Other receivables				
Other receivables- other than Telenor entities	722,755,828	655,629,774	795,413,672	893,860,251
Receivable from other Telenor entities	366,830,344	260,695,250	366,830,344	260,695,250
	1,089,586,172	916,325,024	1,162,244,016	1,154,555,501
Deposit for bank guarantee	123,972,426	129,157,944	109,947,426	126,457,944
Security deposits for utilities and services	82,355,578	77,353,046	73,550,075	73,321,638
Short term investment	143,711,912	181,856,969	143,711,912	181,856,969
Cash at bank	3,558,901,113	8,050,172,142	3,295,522,618	7,623,748,644
	11,213,695,233	14,716,809,556	10,582,851,169	14,509,983,931

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:

	Consolidated		Separate	
	2012	2011	2012	2011
	Taka	Taka	Taka	Taka
Domestic	5,749,375,071	5,075,800,911	5,348,919,342	5,071,087,730
Asia	223,764,185	103,373,043	222,903,185	103,373,043
Europe	178,020,929	120,732,219	162,044,748	113,544,204
Australia	6,119,156	25,303,518	6,119,156	25,303,518
America	54,857,961	34,551,809	54,857,961	34,551,809
Africa	3,030,730	2,182,931	3,030,730	2,182,931
	6,215,168,032	5,361,944,431	5,797,875,122	5,350,043,235

b) Ageing of receivables

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

Not past due	821,056,038	807,439,188	821,056,038	807,439,188
0-30 days past due	801,990,626	815,513,748	801,990,626	815,513,748
31-60 days past due	661,001,756	668,525,928	661,001,756	668,525,928
61-90 days past due	304,555,058	258,366,626	304,555,058	258,366,626
91-180 days past due	845,966,122	683,144,151	845,966,122	683,144,151
181-365 days past due	778,086,669	1,068,850,713	778,086,669	1,068,850,713
over 365 days past due	946,997,809	490,153,290	946,997,809	490,153,290
	5,159,654,077	4,791,993,644	5,159,654,077	4,791,993,644

ii) The ageing of gross receivable for post paid and others as at the statement of financial position date was:

Not past due	98,942,840	133,455,022	98,942,840	133,455,022
0-30 days past due	55,930,221	35,564,149	55,930,221	35,564,149
31-60 days past due	35,014,144	78,401,168	35,014,144	78,401,168
61-90 days past due	16,674,179	34,172,586	16,674,179	34,172,586
91-180 days past due	31,452,855	44,291,898	31,452,855	44,291,898
181-365 days past due	39,058,412	45,531,535	39,058,412	45,531,535
over 365 days past due	111,470,567	103,130,705	111,470,567	103,130,705
	388,543,217	474,547,063	388,543,217	474,547,063

iii) The ageing of gross receivables for infrastructure sharing as at the statement of financial position date was:

Not past due	298,449,199	205,715,835	298,449,199	205,715,835
0-30 days past due	42,320,121	84,955,412	42,320,121	84,955,412
31-60 days past due	38,879,961	10,428,967	38,879,961	10,428,967
61-90 days past due	-	7,619,721	-	7,619,721
91-180 days past due	2,483,315	455,620	2,483,315	455,620
181-365 days past due	2,483,315	2,419,409	2,483,315	2,419,409
over 365 days past due	-	90,415	-	90,415
	384,615,911	311,685,379	384,615,911	311,685,379

iv) The ageing of gross receivables for sub lease of fibre optic network as at the statement of financial position date was:

Not past due	6,705,784	293,166	6,705,784	293,166
0-30 days past due	7,348,519	8,359,316	7,348,519	8,359,316
31-60 days past due	10,634,292	9,232,431	10,634,292	9,232,431
61-90 days past due	1,631,238	2,796,388	1,631,238	2,796,388
91-180 days past due	3,898,182	6,197,015	3,898,182	6,197,015
181-365 days past due	4,586,320	708,182	4,586,320	708,182
over 365 days past due	10,901,767	7,360,726	10,901,767	7,360,726
	45,706,102	34,947,224	45,706,102	34,947,224

c) Impairment losses

Impairment losses on the above receivables were recognised as per the group policy mentioned in Note 3.5. Quantitative disclosure for such impairment losses has been given in Note 9.1 to Note 9.6 of these financial statements.

46.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group'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 group's reputation. Typically, the group 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 group seeks to maintain short term lines of credit with scheduled commercial banks (Note 50) 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.

In extremely stressed conditions, the group may get support from the ultimate parent company (Telenor) in the form of shareholder's loan.

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

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			Taka	Taka	Taka	Taka	Taka	Taka
Finance lease obligations	5,019,805,838	June 2027	15%	14,072,842,788	376,682,087	376,682,087	798,566,025	4,444,848,632	8,076,063,956
Short-term bank loan	8,195,000,000	June 2013	13.5%-14.75%	8,195,000,000	8,195,000,000	-	-	-	-
Accounts payable									
Liability for capital expenditure	11,097,944,186	December 2013	N/A	11,097,944,186	2,250,647,960	8,847,296,226	-	-	-
Payable for expenses	5,798,089,542	December 2013	N/A	5,798,089,543	3,304,911,040	2,493,178,503	-	-	-
Payable for others	273,300,101	December 2013	N/A	273,300,101	204,975,076	68,325,025	-	-	-
Payable to government and autonomous bodies									
Payable to BTRC	2,316,646,918	December 2013	N/A	2,316,646,918	2,316,646,918	-	-	-	-
Payable to Bangladesh Railway	10,808,338	December 2013	N/A	10,808,338	10,808,338	-	-	-	-
Payable for Bills Pay receipt	367,353,896	December 2013	N/A	367,353,896	367,353,896	-	-	-	-
VAT payable	27,855,533	December 2013	N/A	27,855,533	27,855,533	-	-	-	-
Accrued interest	779,651,771	December 2013	N/A	779,651,771	779,651,771	-	-	-	-
Other liabilities	133,569,360	December 2013	N/A	133,569,360	133,569,360	-	-	-	-
	34,020,025,483			43,073,062,434	17,968,101,979	11,785,481,842	798,566,025	4,444,848,632	8,076,063,956

Exposure to liquidity risk in respect of the separate financial statements as at 31 December 2012 does not vary significantly from above.

Liquidity risk (contd...)

As at 31 December 2011

	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			Taka	Taka	Taka	Taka	Taka	Taka
Finance lease obligations	5,019,805,838	June 2027	15%	14,826,206,962	361,614,804	376,682,087	768,431,459	2,486,101,777	10,833,376,835
Accounts payable									
Liability for capital expenditure	5,666,817,629	December 2012	N/A	5,666,817,629	3,736,456,884	1,930,360,745	-	-	-
Payable for expenses	4,759,216,707	December 2012	N/A	4,759,216,707	2,731,709,764	2,027,506,943	-	-	-
Payable for others	414,299,707	December 2012	N/A	414,299,707	311,615,443	102,684,264	-	-	-
Payable to government and autonomous bodies									
Payable to BTRC	1,916,987,718	December 2012	N/A	1,916,987,718	1,916,987,718	-	-	-	-
Payable to Bangladesh Railway	7,516,089	December 2012	N/A	7,516,089	7,516,089	-	-	-	-
Payable for Bills Pay receipt	353,691,950	December 2012	N/A	353,691,950	353,691,950	-	-	-	-
VAT payable	2,699,959,350	December 2012	N/A	2,699,959,350	2,699,959,350	-	-	-	-
Accrued interest	226,869,648	December 2012	N/A	226,869,648	226,869,648	-	-	-	-
Other liabilities	98,549,866	December 2012	N/A	98,549,865	98,549,865	-	-	-	-
	21,163,714,502			30,970,115,625	12,444,971,515	4,437,234,039	768,431,459	2,486,101,777	10,833,376,835

46.3 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 group 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 and IT service revenue. Majority of the company's foreign currency transactions are denominated in USD and relate to procurement of capital items from abroad. The group also has exposure in NOK relating to business service costs and consultancy costs. The group maintains USD bank accounts where all receipts from international roaming services and IT service fees are deposited in and all corresponding payments are made from.

i) Exposure to currency risk

The group's exposure to foreign currency risk was as follows based on notional amounts (in Taka):

	As at 31 December 2012					As at 31 December 2011				
	USD	NOK	GBP	EUR	JPY	USD	NOK	GBP	EUR	JPY
Foreign currency denominated assets										
Receivable from Telenor entities	457,507,106	1,738,938	-	-	-	335,258,710	-	-	-	-
Accounts receivable	64,911,560		4,718,394	12,230,896		148,271,773	-	5,965,707	2,388,019	-
Cash at bank	452,789,663	-	-	-	-	378,199,408	-	-	-	-
	975,208,329	1,738,938	4,718,394	12,230,896	-	861,729,891	-	5,965,707	2,388,019	-
Foreign currency denominated liabilities										
Payable to other Telenor entities*	(374,690,117)	(3,674,268,580)	-	(12,379)	-	(361,434,962)	(184,432,037)	-	-	-
Trade and other payables for expenses	(1,628,119,067)	-	-	(49,319,030)	(19,516,284)	(2,210,062,718)	-	-	(73,174,264)	(6,326,857)
	(2,002,809,184)	(3,674,268,580)	-	(49,331,409)	(19,516,284)	(2,571,497,680)	(184,432,037)	-	(73,174,264)	(6,326,857)
Net exposure	(1,027,600,855)	(3,672,529,642)	4,718,394	(37,100,513)	(19,516,284)	(1,709,767,789)	(184,432,037)	5,965,707	(70,786,245)	(6,326,857)

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

Exposure to currency risk as at 31 December 2012 in respect of the separate financial statements does not vary significantly from above.

The following significant exchange rates have been applied:

	Exchange rate as at	
	31 December 2012	31 December 2011
	Taka	Taka
US Dollar (USD)	80.30	82.40
Norwegian Kroner (NOK)	16.60	15.64
Great Britain Pound (GBP)	131.30	128.83
EURO (EUR)	107.98	108.03
Japanese Yen (JPY)	0.98	1.11

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 group 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
2012	Taka	Taka	Taka	Taka
Expenditures denominated in USD	(1,027,601)	1,027,601	(1,027,601)	1,027,601
Expenditures denominated in NOK	(3,672,530)	3,672,530	(3,672,530)	3,672,530
Expenditures denominated in GBP	4,718	(4,718)	4,718	(4,718)
Expenditures denominated in EURO	(37,101)	37,101	(37,101)	37,101
Expenditures denominated in JPY	(19,516)	19,516	(19,516)	19,516
Exchange rate sensitivity	(4,752,029)	4,752,029	(4,752,029)	4,752,029
2011				
Expenditures denominated in USD	(1,709,768)	1,709,768	(1,709,768)	1,709,768
Expenditures denominated in NOK	(184,432)	184,432	(184,432)	184,432
Expenditures denominated in GBP	5,966	(5,966)	5,966	(5,966)
Expenditures denominated in EURO	(70,786)	70,786	(70,786)	70,786
Expenditures denominated in JPY	(6,327)	6,327	(6,327)	6,327
Exchange rate sensitivity	(1,965,347)	1,965,347	(1,965,347)	1,965,347

b) **Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The group is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

As at 31 December 2012, the interest rate profile of the group's interest bearing financial instruments was:

	Carrying amount	
	As at 31 December 2012 Taka	As at 31 December 2011 Taka
Fixed rate instruments		
Financial assets		
Short term investment	143,711,912	181,856,969
Financial liabilities		
Short term bank loan	8,195,000,000	-

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

	As at 31 December 2012		As at 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Short term investment	143,711,912	143,711,912	181,856,969	181,856,969
Loans and receivables				
Accounts receivable, net	6,215,168,032	6,215,168,032	5,361,944,431	5,361,944,431
Other receivables	1,089,586,172	1,089,586,172	916,325,024	916,325,024
Available-for-sale financial assets				
Deposit for bank guarantee	123,972,426	123,972,426	129,157,944	129,157,944
Security deposit for utilities and services	82,355,578	82,355,578	77,353,046	77,353,046
Financial liabilities				
Liabilities carried at fair value through profit or loss	-	-	-	-
Liabilities carried at amortised costs				
inance lease obligation	5,019,805,838	5,019,805,838	5,019,805,838	5,019,805,838
Short-term bank loan	8,195,000,000	8,195,000,000	-	-
Accounts payable	17,169,333,829	N/A*	10,840,334,043	N/A*
Payable to government and autonomous bodies	2,875,397,038	N/A*	4,814,105,945	N/A*
VAT payable	27,855,533	N/A*	2,699,959,350	N/A*
Accrued interest	779,651,771	N/A*	226,869,648	N/A*
Deposit from agents and subscribers	459,383,246	N/A*	455,775,978	N/A*
Other liabilities	133,569,360	N/A*	98,549,866	N/A*

Interest rates used for determining amortised cost

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

	Consolidated		Separate	
	2012	2011	2012	2011
Finance lease obligations	15.00%	15.00%	15.00%	15.00%
Short term investment	12.00%-14.5%	8.50%-13.75%	12.00%-14.5%	8.50%-13.75%

* 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.

47 Capital management

Group'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 group 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 2012 and 2011.

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

48 Related party disclosures

During the year ended 31 December 2012, group entered into a number of transactions with related parties in the normal course of business. The names of the 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.

48.1 Related party transactions during the year

			Consolidated		*Separate*	
			2012	2011	2012	2011
Name of related parties	Nature	Nature of transactions	Taka	Taka	Taka	Taka
Telenor Mobile Communications AS	Shareholder	Dividend payment	11,677,819,722	16,951,673,790	11,677,819,722	16,951,673,790
Nye Telenor Mobile Communications II AS	Shareholder	Dividend payment	3,333	4,838	3,333	4,838
Nye Telenor Mobile Communications III AS	Shareholder	Dividend payment	3,333	4,838	3,333	4,838
Telenor Asia Pte. Ltd.	Shareholder	Dividend payment	3,333	4,838	3,333	4,838
Grameen Telecom	Shareholder	Commission expense	198,940,195	167,727,003	198,940,195	167,727,003
		Dividend payment	7,157,379,340	10,389,744,203	7,157,379,340	10,389,744,203
Grameen Kalyan	Shareholder	Dividend payment	341	495	341	495
Grameen Shakti	Shareholder	Dividend payment	341	495	341	495
Grameenphone IT Ltd.	Subsidiary	Purchase of IT service, equipments and softwares	-	-	1,992,620,402	1,123,863,435
		Cell Bazaar revenue sharing	-	1,578,035	18,891,978	-
		Rental income	-	-	(29,826,253)	(29,826,253)
Telenor ASA	Telenor group entity	Sharing of licence fees	400,529,292	301,265,756	400,529,292	301,265,756
		Consultancy service fee	872,765,409	625,117,511	871,264,292	625,021,255
		IT support revenue	(1,748,431)	-	-	-
Telenor Consult AS	Telenor group entity	Consultancy and professional service fee	862,509,004	697,400,171	816,334,241	594,659,938
Telenor Shared Service	Telenor group entity	Consultancy fee	58,693,044	1,279,005	6,272,581	1,279,005
		IT support revenue	(6,166,099)	(13,634,402)	-	-

Name of related parties	Nature	Nature of transactions	Consolidated 2012 Taka	Consolidated 2011 Taka	Separate 2012 Taka	Separate 2011 Taka
Digi Telecommunication	Telenor group entity	Roaming revenue	(3,832,767)	(2,637,333)	(3,832,767)	(2,637,333)
		Roaming expenses	1,252,416	7,051,614	1,252,416	7,051,614
Kyivstar GSM - Ukraine	Telenor group entity	Roaming revenue	(170,227)	(223,810)	(170,227)	(223,810)
		Roaming expenses	98,448	155,624	98,448	155,624
Telenor d.o.o (YUGMT)	Telenor group entity	Roaming revenue	(141,254)	(334,302)	(141,254)	(334,302)
		Roaming expenses	17,381	59,086	17,381	59,086
Pannon - GSM	Telenor group entity	Roaming revenue	(198,020)	(403,161)	(198,020)	(403,161)
		Roaming expenses	250,972	329,234	250,972	329,234
Telenor Pakistan	Telenor group entity	Roaming revenue	(1,791,543)	(660,590)	(1,791,543)	(660,590)
		Roaming expenses	347,020	311,937	347,020	311,937
TAC (Total Access Communication)	Telenor group entity	Roaming revenue	(966,957)	(712,572)	(966,957)	(712,572)
		Roaming expenses	4,213,047	2,005,959	4,213,047	2,005,959
		IT support revenue	(449,699)	-	-	-
Telenor Sverige (Europolitan AB)	Telenor group entity	Roaming revenue	(2,092,728)	(2,060,633)	(2,092,728)	(2,060,633)
		Roaming expenses	507,955	630,560	507,955	630,560
ProMonte GSM	Telenor group entity	Roaming revenue	-	(40,308)	-	(40,308)
		Roaming expenses	2,483	9,808	2,483	9,808
Sonofone	Telenor group entity	Roaming revenue	(2,351,925)	(2,568,789)	(2,351,925)	(2,568,789)
		Roaming expenses	530,755	524,569	530,755	524,569
Unitech Wireless	Telenor group entity	Roaming revenue	(1,170,274)	(901,986)	(1,170,274)	(901,986)
		Roaming expenses	123,156	756,458	123,156	756,458
Telenor Telecom Solution	Telenor group entity	Roaming revenue	(9,581,800)	(10,980,261)	(9,581,800)	(10,980,261)
		Roaming expenses	1,876,532	1,076,652	1,876,532	1,076,652
		Consultancy and IT service fee	7,727,180	-	7,727,180	-
Telenor Global Service AS	Telenor group entity	Consultancy service fee	6,207,104	-	6,207,104	-
Telenor East Holding AS	Telenor group entity	IT service revenue	(8,507,073)	(1,578,035)	-	-
Telenor Broadcast Holding AS	Telenor group entity	IT service revenue	-	(6,068,558)	-	-
Telenor Serbia	Telenor group entity	IT service revenue	(6,889,617)	(9,327,210)	-	
		Roaming revenue	(141,254)	-	(141,254)	-
		Roaming expenses	17,381	3,658	17,381	-

48.2 Receivables/(payables) with related parties

Name of related parties	Nature	Nature of transactions	Consolidated 2012 Taka	Consolidated 2011 Taka	Separate 2012 Taka	Separate 2011 Taka
Grameen Telecom	Shareholder	Accounts receivable	11,118,069	9,674,390	11,118,069	9,674,390
		Accounts payable	(16,859,453)	(14,597,354)	(16,859,453)	(14,597,354)
Grameenphone IT Ltd.	Subsidiary	Receivable for IT equipment	-	-	-	127,337,217
		Receivable for rent, office running expense, maintenance and others	-	-	90,821,936	123,430,555
		Advance for NERM/others	-	-	335,558,658	391,114,950
		Payable for IT service/equipment	-	-	(186,700,624)	(161,674,105)
		Payable for reimbursable expense	-	-	(9,999,022)	(3,999,110)
Telenor ASA	Telenor group entity	Accounts payable	(2,630,029,760)	(2,317,511,402)	(2,630,029,760)	(2,317,511,402)
		Accounts receivable	28,272,229	1,565,499	23,500,336	1,464,289
Telenor Consult AS	Telenor group entity	Accounts payable	(1,042,827,570)	(703,409,238)	(876,898,991)	(600,804,237)
		Accounts receivable	338,223,155	247,604,773	320,059,062	237,009,722
Telenor International Center	Telenor group entity	Accounts receivable	10,818,345	13,447,237	10,818,345	13,447,237
Telenor Shared Service AS	Telenor group entity	Accounts payable	(4,778,933)	(3,197,512)	(4,778,933)	(3,197,512)
		Accounts receivable	948,924	-	-	-
Digi Telecommunication	Telenor group entity	Accounts payable	(1,559,900)	(2,301,481)	(1,559,900)	(2,301,481)
		Accounts receivable	5,370,087	1,613,410	5,370,087	1,613,410
Kyivstar GSM - Ukraine	Telenor group entity	Accounts payable	(28,686)	(6,560)	(28,686)	(6,560)
		Accounts receivable	245,555	98,698	245,555	98,698
Telenor d.o.o (YUGMT)	Telenor group entity	Accounts payable	(15,963)	(1,600)	(15,963)	(1,600)
		Accounts receivable	158,863	41,823	158,863	41,823
Pannon - GSM	Telenor group entity	Accounts payable	(86,086)	(81,554)	(86,086)	(81,554)
		Accounts receivable	377,616	347,261	377,616	347,261
Sonofone	Telenor group entity	Accounts payable	(345,287)	(243,483)	(345,287)	(243,483)
		Accounts receivable	2,034,140	835,050	2,034,140	835,050
Telenor Telecom Solution	Telenor group entity	Accounts payable	(15,358,762)	(399,638)	(15,358,762)	(399,638)
		Accounts receivable	2,664,434	2,251,838	2,664,434	2,251,838

Name of related parties	Nature	Nature of transactions	Consolidated 2012 Taka	Consolidated 2011 Taka	Separate 2012 Taka	Separate 2011 Taka
Telenor Pakistan	Telenor group entity	Accounts payable	(51,802)	(36,744)	(51,802)	(36,744)
		Accounts receivable	1,405,978	954,736	1,405,978	954,736
TAC (Total Access Communication)	Telenor group entity	Accounts payable	(3,720,801)	(3,978,274)	(3,720,801)	(3,978,274)
		Accounts receivable	18,727,895	10,620,210	18,727,895	10,620,210
Telenor Sverige (Europolitan AB)	Telenor group entity	Accounts payable	(26,149)	(37,733)	(26,149)	(37,733)
		Accounts receivable	2,836,421	993,163	2,836,421	993,163
ProMonte GSM	Telenor group entity	Accounts payable	(12,379)	(9,896)	(12,379)	(9,896)
		Accounts receivable	73,017	8,316	73,017	8,316
Unitech Wireless	Telenor group entity	Accounts payable	(1,344,281)	(2,023,581)	(1,344,281)	(2,023,581)
		Accounts receivable	1,828,078	6,868,945	1,828,078	6,868,945
Telenor Broadcast Holding AS	Telenor group entity	Accounts receivable	-	-	-	-
		Accounts payable	(745,000)	(824,000)	-	-
Telenor Serbia	Telenor group entity	Accounts payable	-	-	-	-
		Accounts receivable	2,527,007	7,194,201	-	1,613,014
Telenor Start II AS	Telenor group entity	Receivable for cell Bazaar revenue sharing	10,255,364	1,942,244	-	-
		Payable for cell Bazaar revenue sharing	(2,577,097)	(710,395)	-	-

48.3 Key management personnel compensation

	Consolidated 2012 Taka	Consolidated 2011 Taka	Separate 2012 Taka	Separate 2011 Taka
Short term employee benefits (salary and other allowances)	1,284,794,892	1,055,975,292	1,127,176,687	931,307,570
Post employment benefits (provident fund, gratuity etc.)	166,016,805	147,800,435	146,061,164	131,819,375
Other long term benefits	10,980,866	17,586,648	9,521,477	15,490,623
	1,461,792,563	1,221,362,375	1,282,759,328	1,078,617,568

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

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

	Consolidated		*Separate*	
	2012 Taka	2011 Taka	2012 Taka	2011 Taka
CIF value of imports				
SIM card and scratch card	270,875,964	564,982,116	270,875,964	564,982,116
Telecommunication equipment	6,471,203,316	6,100,542,456	6,456,800,816	6,100,542,456
NERM software and other equipment	823,078,669	50,312,157	-	-
Expenditure in foreign currency				
Consultancy fee	965,611,921	949,647,478	898,866,003	817,259,881
Consultancy fee - expatriate	816,334,241	594,659,938	816,334,241	594,659,938
Other fee (travel and training)	38,273,700	41,851,812	36,875,408	33,212,941
Technical know how	555,669,340	566,933,450	555,669,340	566,933,450
International roaming cost	236,156,243	275,719,219	236,156,243	275,719,219
Foreign earnings				
Revenue from roaming partners	(442,124,663)	(432,180,316)	(442,124,663)	(432,180,316)
IT service revenue	(25,504,973)	(19,092,656)	-	-

50 Credit facilities available as at 31 December 2012

The group enjoys both funded and non-funded short term working capital facilities with 18 banks and 1 non-bank financial institution (2011: 15 banks). 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 available short-term working capital facilities is Tk. 37,657 million (2011: Tk. 26,085 million) of which non-funded limit is Tk. 23,684 million (2011: Tk. 23,097 million) and funded limit is Tk. 20,993 million (2011: Tk. 11,978 million).

As per the approval of Board of Directors of GP, the total amount of short-term credit facilities from the above banks is limited to a maximum outstanding limit of USD 250 million (2011: USD 210 million) equivalent for funded portion.

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.

51 Capital commitments

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

Purchase orders	4,122,943,253	4,591,538,463	3,859,557,477	4,227,036,267
Telecom licence and spectrum-2011	-	16,530,120,000	-	16,530,120,000

52 Contingencies

The Company and its subsidiary are 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 their operations. However, save as disclosed below, the Company and its subsidiary are not currently involved in any legal or arbitration proceedings which may have a significant effect on the financial position or profitability of the group but for which any provision has not been recognised in these financial statements.

(a) BTRC audit

BTRC had an audit carried out 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.

(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 Tk. 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 passed a stay order on the operation of the demand valid till 1 April 2013.

(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.

53 Other disclosures

53.1 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.

53.2 Number of employees

As at 31 December 2012 number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 3,458 (2011: 3,887) for GP and 3,866 (2011: 4,267) for the group.

53.3 Events after the reporting period

The Board of Directors of Grameenphone Ltd. at its 131st meeting held on 10 February 2013 proposed final dividend in cash at 50% of the paid-up capital (i.e. BDT 5 per share) for the year 2012. Total cash dividend including the interim dividend at 90% of the paid-up capital thus stands at 140% of the paid-up capital (i.e. BDT 14 per share) for the year 2012. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting of the company.