

**Condensed Financial Statements  
as at and for the quarter ended 31 March 2018  
(Un-audited)**

Grameenphone Ltd.

Condensed statement of financial position (Un-audited)  
as at 31 March 2018

<u>Assets</u>	<u>Notes</u>	<u>31 March 2018</u> <u>BDT'000</u>	<u>31 December 2017</u> <u>BDT'000</u>
<b>Non-current assets</b>			
Property, plant and equipment, net	4	68,995,032	70,483,407
Intangible assets, net	5	51,440,105	35,229,998
Contract cost	6	4,892,075	-
Other non-current assets		3,850,874	3,848,495
<b>Total non-current assets</b>		<b>129,178,086</b>	<b>109,561,900</b>
<b>Current assets</b>			
Inventories	7	177,451	462,440
Trade and other receivables	8	7,358,840	7,781,236
Cash and cash equivalents	9	11,121,711	12,414,668
<b>Total current assets</b>		<b>18,658,002</b>	<b>20,658,344</b>
<b>Total assets</b>		<b>147,836,088</b>	<b>130,220,244</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		13,503,000	13,503,000
Share premium		7,840,226	7,840,226
Capital reserve		14,446	14,446
Deposit from shareholders		1,880	1,880
Retained earnings		22,834,394	13,761,900
<b>Total equity</b>		<b>44,193,946</b>	<b>35,121,452</b>
<b>Non-current liabilities</b>			
Finance lease obligation		4,881,534	4,930,194
Loans and borrowings	10	8,724,088	8,539,290
Deferred tax liabilities	11	6,196,035	6,238,396
Employee benefits		747,314	426,466
Other non-current liabilities	12	3,763,557	423,735
<b>Total non-current liabilities</b>		<b>24,312,528</b>	<b>20,558,081</b>
<b>Current liabilities</b>			
Trade and other payables	13	25,493,822	24,225,379
Provisions		15,760,425	15,257,271
Loans and borrowings	10	5,788,803	5,679,626
Current tax payable	14	29,434,086	26,435,242
Other current liabilities	15	2,852,478	2,943,193
<b>Total current liabilities</b>		<b>79,329,614</b>	<b>74,540,711</b>
<b>Total equity and liabilities</b>		<b>147,836,088</b>	<b>130,220,244</b>

The annexed notes 1 to 26 form an integral part of these financial statements.

Sd/-

Chair

Sd/-

Director

Sd/-

Chief Executive Officer

Sd/-

Chief Financial Officer

Sd/-

Company Secretary

Dhaka, 19 April 2018

Grameenphone Ltd.

Condensed statement of profit or loss and other comprehensive income (Un-audited)  
for the quarter ended 31 March 2018

	Notes	1 January to 31 March 2018 BDT'000	1 January to 31 March 2017 BDT'000
<b>Revenue</b>	16	31,243,586	30,622,228
<b>Operating expenses</b>			
Cost of material and traffic charges	17	(1,695,450)	(2,793,128)
Salaries and personnel cost		(1,934,114)	(1,951,152)
Operation and maintenance	18	(1,487,377)	(1,055,987)
Sales, marketing and commissions	19	(3,625,052)	(2,696,148)
Revenue sharing, spectrum charges and licence fees		(2,493,688)	(2,386,730)
Other operating (expenses)/income, net	20	(2,023,850)	(2,075,359)
Depreciation and amortisation		(6,219,615)	(5,640,153)
		<u>(19,479,146)</u>	<u>(18,598,657)</u>
<b>Operating profit</b>		11,764,440	12,023,571
Finance (expense)/income, net	21	(284,122)	(388,578)
Foreign exchange (loss)/gain		(206,361)	(414,310)
		<u>(490,483)</u>	<u>(802,888)</u>
<b>Profit before tax</b>		11,273,957	11,220,683
Income tax expense	22	(4,879,612)	(4,663,731)
<b>Profit after tax</b>		<u>6,394,345</u>	<u>6,556,952</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<u><u>6,394,345</u></u>	<u><u>6,556,952</u></u>
<b>Earnings per share</b>			
Basic and diluted earnings per share (par value BDT 10 each in BDT)	23	<u>4.74</u>	<u>4.86</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

Sd/-  
Chair

Sd/-  
Director

Sd/-  
Chief Executive Officer

Sd/-  
Chief Financial Officer

Sd/-  
Company Secretary

Dhaka, 19 April 2018

**Grameenphone Ltd.**

**Condensed statement of changes in equity (Un-audited)  
for the quarter ended 31 March 2018**

	<u>Share capital</u> BDT'000	<u>Share premium</u> BDT'000	<u>Capital reserve</u> BDT'000	<u>Deposit from shareholders</u> BDT'000	<u>Retained earnings</u> BDT'000	<u>Total</u> BDT'000
<b>Balance as at 1 January 2017</b>	13,503,000	7,840,226	14,446	1,880	12,212,732	33,572,284
Total comprehensive income for the quarter ended 31 March 2017:						
Profit for the period	-	-	-	-	6,556,952	6,556,952
Other comprehensive income	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>	<u>13,503,000</u>	<u>7,840,226</u>	<u>14,446</u>	<u>1,880</u>	<u>18,769,684</u>	<u>40,129,236</u>
<b>Balance as at 1 January 2018</b>	13,503,000	7,840,226	14,446	1,880	13,761,900	35,121,452
Adjustment on initial application of IFRS 15 as at 1 January 2018	-	-	-	-	2,678,149	2,678,149
<b>Restated balance as at 1 January 2018</b>	<u>13,503,000</u>	<u>7,840,226</u>	<u>14,446</u>	<u>1,880</u>	<u>16,440,049</u>	<u>37,799,601</u>
Total comprehensive income for the quarter ended 31 March 2018:						
Profit for the period	-	-	-	-	6,394,345	6,394,345
Other comprehensive income	-	-	-	-	-	-
<b>Balance as at 31 March 2018</b>	<u>13,503,000</u>	<u>7,840,226</u>	<u>14,446</u>	<u>1,880</u>	<u>22,834,394</u>	<u>44,193,946</u>

Grameenphone Ltd.

Condensed statement of cash flows (Un-audited)  
for the quarter ended 31 March 2018

	1 January to 31 March 2018 BDT'000	1 January to 31 March 2017 BDT'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	30,845,510	30,730,246
Payroll and other payments to employees	(1,299,285)	(1,152,478)
Payments to suppliers, contractors and others	(10,249,788)	(11,562,259)
Interest received	309	552
Interest paid	(219,609)	(234,109)
Income tax paid	(3,416,181)	(1,526,592)
	(15,184,554)	(14,474,886)
<b>Net cash generated by operating activities</b>	<b>15,660,956</b>	<b>16,255,360</b>
<b>Cash flows from investing activities</b>		
Payment for acquisition of property, plant and equipment and intangible assets	(16,641,378)	(4,322,782)
Proceeds from sale of property, plant and equipment	42,134	56,257
<b>Net cash used in investing activities</b>	<b>(16,599,244)</b>	<b>(4,266,525)</b>
<b>Cash flows from financing activities</b>		
Payment of short-term bank loan	-	(2,688,200)
Payment of finance lease obligation	(354,669)	(230,905)
<b>Net cash used in financing activities</b>	<b>(354,669)</b>	<b>(2,919,105)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,292,957)</b>	<b>9,069,730</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>12,414,668</b>	<b>2,911,860</b>
<b>Cash and cash equivalents as at 31 March</b>	<b>11,121,711</b>	<b>11,981,590</b>

## **Grameenphone Ltd.**

### **Notes to the condensed interim financial information as at and for the quarter ended 31 March 2018**

#### **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. Grameenphone was initially registered as a private limited company and subsequently converted into a public limited company on 25 June 2007. During November 2009, Grameenphone listed its shares with both Dhaka and Chittagong Stock Exchanges. The immediate parent of Grameenphone is Telenor Mobile Communications AS and the ultimate parent is Telenor ASA; both the companies are incorporated in Norway.

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

#### **2 Basis of preparation**

These condensed interim financial information are individual financial statements of Grameenphone, and have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and relevant guidelines issued by the Bangladesh Securities and Exchange Commission and should be read in conjunction with the financial statements of Grameenphone Ltd. as at and for the year ended 31 December 2017, the year for which the last full financial statements were prepared. These unconsolidated financial statements present the financial position and performance of Grameenphone and Grameenphone's investment in Accenture Communications Infrastructure Solutions Ltd. (ACISL) being accounted for under the equity method in accordance with IAS 28 Investment in Associates and Joint Ventures.

In accordance with the requirements of IAS 36 Impairment of Assets, the carrying amount of investment in ACISL as at 31 October 2016 has been fully impaired and no further share of loss has been recognised in line with paragraph 39 of IAS 28 Investment in Associates and Joint Ventures. The assessment of recoverable amount from investment in associate remained unchanged as at 31 March 2018. Hence, for understanding of Grameenphone's stand-alone financial performance, a separate statement of profit or loss and other comprehensive income is not necessary.

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

These financial statements have been prepared on the historical cost and going concern basis. Measurement at revalued amounts or fair value does not have significant impact on these financial statements. The amounts in these financial statements have been rounded off to the nearest BDT in thousand (BDT'000) except otherwise indicated. Because of these rounding off, in some instances the totals may not match the sum of individual balances.

#### **3 Significant accounting policies**

Other than the disclosed accounting policies as a result of adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments which are effective from 1 January 2018, same accounting policies and methods of computation have been followed in these condensed interim financial information as were applied in the preparation of the financial statements of Grameenphone Ltd. as at and for the year ended 31 December 2017.

### 3.1 Changes in Significant accounting policies

#### 3.1.1 IFRS 15 Revenue from Contracts with Customers

##### 3.1.1.1 Nature and effect of changes

- (a) IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard superseded all current revenue related requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Grameenphone has adopted the new standard using the modified retrospective method.

Adoption of IFRS 15 does not have any significant impact in recognition of revenue for Grameenphone. However, customer acquisition cost mainly in the form of SIM cost, different commissions and other directly attributable costs related to acquisition of customers of BDT 4,171,201,397 which was expensed in earlier periods up until 31 December 2017 has now deferred and recognized as Contract cost based on the average expected lifetime of the customer i.e. four years.

The following summarises the impact, of transition to IFRS 15 on retained earnings.

	1 January 2018 BDT'000
<b>Retained earnings</b>	
Deferment of customer acquisition cost	4,171,201
Deferred tax expense	(1,493,052)
<b>Net of tax impact</b>	<u>2,678,149</u>

- (b) The following summarise the impacts of adopting IFRS 15 on the Grameenphone's condensed statement of financial position as at 31 March 2018 and its condensed statement of profit or loss and other comprehensive income for the quarter then ended for each of the line items affected.

**Impact on the condensed statement of financial position**  
**As at 31 March 2018 in BDT'000**

	<u>As reported</u>	<u>Adjustments</u>	<u>Amounts without adoption of IFRS 15</u>
<b><u>Assets</u></b>			
<b><i>Non-current assets</i></b>			
Contract acquisition cost	4,892,075	(4,892,075)	0
<b>Total non-current assets</b>	129,178,086	(4,892,075)	124,286,011
<b><i>Current assets</i></b>			
Trade and other receivables	7,358,840	788,916	8,147,755
<b>Total current assets</b>	18,658,002	788,916	19,446,917
<b>Total assets</b>	<u>147,836,088</u>	<u>(4,103,159)</u>	<u>143,732,929</u>
<b><u>Equity and liabilities</u></b>			
<b><i>Shareholders' equity</i></b>			
Retained earnings	22,834,394	(2,592,824)	20,241,570
<b>Total equity</b>	44,193,946	(2,592,824)	41,601,123
<b><i>Non-current liabilities</i></b>			
Deferred tax liabilities	6,196,035	(1,286,083)	4,909,952
<b>Total non-current liabilities</b>	24,312,528	(1,286,083)	23,026,445
<b><i>Current liabilities</i></b>			
Current tax payable	29,434,086	(224,253)	29,209,833
<b>Total current liabilities</b>	79,329,614	(224,253)	79,105,361
<b>Total equity and liabilities</b>	<u>147,836,088</u>	<u>(4,103,159)</u>	<u>143,732,929</u>

**Impact on the condensed statement of profit or loss and other comprehensive income  
for the quarter ended 31 March 2018**

	As reported	Adjustments	Amounts without adoption of IFRS 15
<b>Revenue</b>	31,243,586	-	31,243,586
<b>Operating expenses</b>			
Cost of material and traffic charges	(1,695,450)	(153)	(1,695,603)
Sales, marketing and commissions	(3,625,052)	68,195	(3,556,857)
<b>Operating profit</b>	11,764,440	68,042	11,832,482
<b>Profit before tax</b>	11,273,957	68,042	11,341,999
Income tax expense	(4,879,612)	17,283	(4,862,329)
<b>Profit after tax</b>	6,394,345	85,325	6,479,670
<b>Total comprehensive income for the period</b>	<u>6,394,345</u>	<u>85,325</u>	<u>6,479,670</u>

### 3.1.1.2 Accounting policy

Grameenphone has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18. Under IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognizes revenue when it satisfies a performance obligation by transferring control over goods or services to a customer.

The company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes. Revenue was recognized when goods were delivered or services rendered, to the extent it was probable that the economic benefits from the transactions would flow to the company and the revenue could be reliably measured.

#### **Nature of goods and services**

The following is a description of the principal activities from which the company generates its revenue.

#### **(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 expire or airtime balances are forfeited.

#### **(b) Connection fees**

A connection fee received in the beginning is not considered a separate performance obligation as the connection or SIM card is not a distinct goods or service that is delivered initially. 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 average expected lifetime of the customer i.e. four years.



**(c) Commission income**

The Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for other parties to provide goods or services. The Company's fee or commission might be the net amount of consideration that it retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

**(d) Customer equipment**

The company recognises revenue when it satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

**(e) Discounts**

Discounts are often provided in the form of cash discounts or free products and services delivered by the company or by external parties. Discounts are recognised on a systematic basis over the period the discount is earned. Cash discounts or free products and services given as part of sales transactions are recognised as a reduction of revenue. Free products or services provided that are not related to sales transactions are recognised as expenses. Discounts are recognized when they are earned and not when they are awarded i.e. at the same time when the underlying services are delivered to which those discounts relate.

**(f) Multiple element arrangement**

Multiple element arrangements or bundled offers are sales arrangements that require the company to deliver more than one product and/or perform more than one service, often over an extended period of time. The characteristics of such arrangements mean that the company must determine if the different elements in a package can be separated from one another - i.e. can be considered distinct performance obligations. The total contract price is then to be allocated to the distinct performance obligations, and revenue is to be recognized in accordance with satisfaction of the performance obligations.

The transaction price is allocated to separate performance obligations in a contract based on relative standalone selling prices. The requirement to allocate revenue on a relative stand-alone selling price basis may result in similar goods and services (e.g. a particular customer equipment or a particular service plan) being allocated different amounts of revenue depending on how the products and service plans are bundled into the arrangement.

Stand-alone selling price for the equipment would be list-price when sold by the company on a stand-alone basis (not in a bundle). If the company does not sell the equipment separately, the stand-alone selling price is to be estimated.

**(g) Interest and dividend income**

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

**Contract Costs**

Contract costs are costs that are incremental to obtaining a contract with a customer or costs that are directly related to fulfilling a specified contract with a customer (fulfilment costs). Incremental costs of obtaining a contract with a customer is recognised as an asset if the expectation is that the costs will be recoverable except for incremental costs that would have been amortised in a year or less. These may be expensed as incurred.

Contract costs is capitalised as assets and amortised in a way that is consistent with the transfer of the related goods and services. Customer acquisition costs for Grameenphone includes SIM cost, different commissions and other directly attributable costs related to acquisition of customers.

Management expects that customer acquisition cost are recoverable. In the comparative period, such costs were capitalized but to the extent of connection revenue earned. These costs are amortized over the average expected lifetime of the customer i.e. four years.

## **Determination of agent and principal**

The determination of whether the company is acting as a principal or as an agent in a transaction is based on an evaluation of the substance of the transaction, the responsibility for providing the goods or services, setting prices, form of consideration and exposure to credit risk. When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (ie the entity is a principal) or to arrange for the other party to provide those goods or services (ie the entity is an agent). Where the company acts as a principal, the revenues are recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customers, after trade discounts, with any related expenses charged as operating costs. Where the company acts as an agent, the expenses are offset against the revenues and the resulting net revenues represent the margins or commissions earned for providing services in the capacity of an agent.

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

### **3.1.2 IFRS 9 Financial Instruments**

#### **3.1.2.1 Nature and effect of changes**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using modified retrospective method. The company has determined that the application of IFRS 9 at 1 January 2018 does not result in any material adjustment.

#### **3.1.2.2 Accounting policy**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### **Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on Grameenphone's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; Fair Value through Other Comprehensive Income (FVOCI) – equity investment; or Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

**A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:**

- a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:**

- a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

#### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

#### **Financial assets at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Trade receivables are classified as Financial assets measured at amortised cost.

#### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

#### **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities. Grameenphone measures loss allowances at an amount equal to ECL from trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, Grameenphone considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Grameenphone's historical experience and informed credit assessment and including forward-looking information.

Grameenphone considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the company in full, without recourse by Grameenphone to actions such as realising security (if any is held).

**Measurement of Expected Credit Losses (ECL)**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Grameenphone uses Lifetime Expected Credit Loss method for Trade receivables.

**Presentation of impairment**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

#### 4 Property, plant and equipment, net

31 March 2018

Name of assets	Cost				Depreciation				Carrying amount	
	As at 1 January 2018	Addition during the period	Disposal/ Adjustment during the period	As at 31 March 2018	As at 1 January 2018	Charged during the period	Disposal/ Adjustment during the period	As at 31 March 2018	As at 31 March 2018	As at 31 December 2017
	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000
Land	807,050	-	-	807,050	-	-	-	-	807,050	807,050
Building	4,048,914	-	-	4,048,914	1,402,979	49,547	-	1,452,526	2,596,388	2,645,935
Base station	116,956,345	2,465,229	(49,234)	119,372,340	75,382,593	2,870,218	(49,234)	78,203,577	41,168,763	41,573,752
Transmission equipment	35,336,436	77,532	-	35,413,968	26,996,781	1,589,774	-	28,586,554	6,827,414	8,339,656
Computers and other IT equipment	7,102,203	81,434	(16,568)	7,167,069	5,322,790	226,650	(16,568)	5,532,872	1,634,196	1,779,413
Furniture and fixtures (including office equipment)	2,883,275	63,947	(8,653)	2,938,568	2,425,491	61,916	(8,655)	2,478,753	459,816	457,784
Vehicles	1,984,308	13,406	(96,501)	1,901,213	1,226,291	52,492	(77,735)	1,201,048	700,165	758,017
	169,118,531	2,701,548	(170,956)	171,649,123	112,756,924	4,850,596	(152,191)	117,455,330	54,193,793	56,361,607
Capital work in progress	8,984,311	3,526,654	(2,701,548)	9,809,417	-	-	-	-	9,809,417	8,984,311
	178,102,842	6,228,202	(2,872,504)	181,458,540	112,756,924	4,850,596	(152,191)	117,455,330	64,003,210	65,345,917
Fibre Optic Network under finance lease	10,136,149	-	-	10,136,149	4,998,659	145,668	-	5,144,328	4,991,822	5,137,490
	188,238,991	6,228,202	(2,872,504)	191,594,689	117,755,583	4,996,265	(152,191)	122,599,657	68,995,032	70,483,407

#### 5 Intangible assets, net

31 March 2018

Name of assets	Cost				Amortisation				Carrying amount	
	As at 1 January 2018	Addition during the period	Disposal/ Adjustment during the period	As at 31 March 2018	As at 1 January 2018	Charged during the the period	Disposal/ Adjustment during the period	As at 31 March 2018	As at 31 March 2018	As at 31 December 2017
	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000
Software and others	9,417,585	92,396	-	9,509,981	8,057,799	230,199	-	8,287,998	1,221,983	1,359,786
Telecom licence and spectrum (5.1)	53,049,258	17,136,595	-	70,185,853	19,842,102	993,152	-	20,835,254	49,350,600	33,207,156
	62,466,844	17,228,991	-	79,695,835	27,899,901	1,223,350	-	29,123,252	50,572,583	34,566,942
Capital work in progress	663,056	17,433,457	(17,228,991)	867,522	-	-	-	-	867,522	663,056
	63,129,900	34,662,448	(17,228,991)	80,563,357	27,899,901	1,223,350	-	29,123,252	51,440,105	35,229,998

##### 5.1 Telecom licence and spectrum

Grameenphone acquired 5 MHz spectrum in 1800 MHz band for 15 years at the spectrum auction held by Bangladesh Telecommunications Regulatory Commission (BTRC) on 13 February 2018 and an approval for converting existing 22 MHz 2G spectrum to technology neutral spectrum for 8.75 years for BDT 12,849,500,000 and BDT 4,301,733,305 respectively. Grameenphone also obtained 4G/LTE Cellular Mobile Phone Services Operator License effective from 19 February 2018 from BTRC for BDT 100,000,000. The above fees are subject to 5.001% VAT. 60% of the spectrum cost was paid at the time of acquisition whilst the rest 40% is payable in equal four instalments within next 4 years. The above were recognised as intangible assets in accordance with IAS 38 Intangible Assets and measured at the cash equivalent price being the present value. The difference between total payment and the cash equivalent price is recognised as finance cost over the period of payment.

**6 Contract cost**

	As at 31 March 2018 BDT'000	As at 31 December 2017 BDT'000
Opening balance	-	-
Adjustment on initial application of IFRS 15 as at 1 January 2018	4,171,201	-
Reclassification of Deferred costs related to connection revenue	859,145	-
Additions during the period	608,087	-
Amortisation of contract cost	(746,358)	-
	<u>4,892,075</u>	<u>-</u>

This includes deferred customer acquisition cost mainly in the form of SIM cost, different commissions and other directly attributable costs related to acquisition of customers.

**7 Inventories**

Handset, data card and other devices	44,317	323,169
SIM card	111,820	119,605
Scratch card	21,314	19,666
	<u>177,451</u>	<u>462,440</u>

**8 Trade and other receivables**

Trade receivables, net	5,186,408	5,087,535
Other current receivables	1,339,719	1,166,832
Prepayments	832,713	1,526,869
	<u>7,358,840</u>	<u>7,781,236</u>

**9 Cash and cash equivalents**

Cash in hand	2,795	9,961
Cash at bank	11,118,916	12,404,707
	<u>11,121,711</u>	<u>12,414,668</u>

**9.1 Restricted cash balance**

Cash at bank as at 31 March 2018 include BDT 18,915,859 (2017: BDT 18,982,159) equivalent to unused Mobicash points in customer wallet and is therefore treated as restricted cash balance.

Additionally, Cash at bank as at 31 March 2018 included BDT 110,461,237 (2017: BDT 102,840,174) equivalent to dividend unclaimed amount and BDT 12,777,564 (2017: BDT 12,777,564) equivalent to unclaimed IPO subscription amount. According to Articles of Association (AoA) of Grameenphone, if dividend has not been claimed for three years after passing of either the resolution at a General Meeting declaring the dividend or the resolution of the Board of Directors providing for payment for that dividend, the Board of Directors may invest the unclaimed dividend or use it in some other way for the benefit of the company until the dividend is claimed.

**10 Loans and borrowings**

Loans and borrowings include a long-term syndicated loan led by the International Finance Corporation (IFC) of USD 345 Million at 6-month-LIBOR + 3.5% interest rate. The full loan amount of USD 345 Million has been drawn down in multiple tranches, the repayment of which is in 10 installments. The first five installments have been repaid since October 2015 and current outstanding loan balance is USD 172.50 Million. The final installment is scheduled to be paid in April 2020. The syndicate members include IFC, DEG, FMO, Proparco, CDC and OFID. This financial liability has been recognized at amortized cost as per IAS 39 Financial Instruments: Recognition and Measurement.

Current portion of loans and borrowings includes part of the above long-term syndicated loan falling due for repayment in next 12 months and as at 31 March 2018 there was no short-term bank loan (2017: nil).

**11 Deferred tax liabilities**

Taxable temporary differences	25,287,941	24,095,328
Deductible temporary differences	(9,797,854)	(8,499,338)
	<u>15,490,087</u>	<u>15,595,990</u>
Deferred tax liability @40% tax rate	6,196,035	6,238,396
Deferred tax liabilities	<u>6,196,035</u>	<u>6,238,396</u>

**12 Other non-current liabilities**

	As at 31 March 2018 BDT'000	As at 31 December 2017 BDT'000
Liability for capital expenditure (Note 12.1)	3,445,914	-
Asset retirement obligations	142,944	139,651
Other non-current liabilities	174,699	284,084
	<u>3,763,557</u>	<u>423,735</u>

**12.1 Liability for capital expenditure**

This includes non-current portion of liability related to 5 MHz spectrum in 1800 MHz band acquired by Grameenphone during the year 2018.

**13 Trade and other payables**

Trade payables including liability for capital expenditure	12,654,363	11,293,719
Accrued expenses	5,665,842	5,122,408
Finance lease obligation	178,380	483,089
	18,498,585	16,899,216
Indirect taxes	1,653,127	1,645,305
Deferred connection revenue	874,072	953,712
Unearned revenue	4,468,038	4,727,146
	<u>25,493,822</u>	<u>24,225,379</u>

**14 Current tax payable**

Movement of income tax provision is shown as under:

Opening balance	26,435,242	18,942,559
Provision made during the period	6,415,025	22,320,271
	32,850,267	41,262,830
Paid during the period (incl. tax deducted at source)	(3,416,181)	(14,709,415)
Adjustments	-	(118,173)
Closing balance	<u>29,434,086</u>	<u>26,435,242</u>

**15 Other current liabilities**

Other current liabilities mainly include accruals for profit sharing plan BDT 800,288,546 (2017: BDT 236,590,686), payable for bills pay receipts BDT 414,539,029 (2017: BDT 694,199,181), dividend unclaimed BDT 110,461,237 (2017: BDT 102,840,174) and Security deposits from subscribers and channel partners BDT 473,765,236 (2017: 455,708,942).

<b>16 Revenue</b>	<u>1 January to 31 March 2018</u> BDT'000	<u>1 January to 31 March 2017</u> BDT'000
The following is an analysis of revenue for the period:		
Revenue from contract with cusomters (Note 16.1)	30,827,493	30,201,552
Lease revenues	416,093	420,676
	<u>31,243,586</u>	<u>30,622,228</u>
<b>16.1 Disaggregation of revenue from contract with cusomters</b>		
<b>Type of good/ services</b>		
Revenue from mobile communication	30,748,002	29,292,141
Revenue from customer equipment	37,467	700,484
Other revenues	42,024	208,928
	<u>30,827,493</u>	<u>30,201,552</u>
<b>Type of subscription</b>		
Prepaid	29,585,362	28,149,161
Contract	1,162,640	1,142,979
Other	79,491	909,411
	<u>30,827,493</u>	<u>30,201,552</u>
<b>Type of customer</b>		
Consumer	26,617,504	25,762,630
Business	4,209,989	4,438,922
	<u>30,827,493</u>	<u>30,201,552</u>
<b>17 Cost of material and traffic charges</b>		
Traffic charges	(1,424,230)	(1,395,422)
Cost of materials and services	(271,220)	(1,397,706)
	<u>(1,695,450)</u>	<u>(2,793,128)</u>
<b>18 Operation and maintenance</b>		
Service maintenance fee	(1,207,493)	(758,677)
Vehicle maintenance expense	(95,096)	(96,687)
Other operation and maintenance	(184,788)	(200,623)
	<u>(1,487,377)</u>	<u>(1,055,987)</u>
<b>19 Sales, marketing and commissions</b>		
Sales, marketing and representation costs	(727,342)	(119,176)
Advertisement and promotional expenses	(391,457)	(163,620)
Commissions	(2,506,253)	(2,413,352)
	<u>(3,625,052)</u>	<u>(2,696,148)</u>
<b>20 Other operating (expenses)/income, net</b>		
Consultancy and professional services	(206,495)	(195,435)
Rental expense for property, plant and equipment	(845,594)	(812,556)
Fuel and energy costs	(777,059)	(721,793)
Bad debt expense	(29,080)	(1,763)
Rental and other income	50,569	72,342
Gain/(loss) on disposal of assets	23,369	(161,696)
Others	(239,560)	(254,458)
	<u>(2,023,850)</u>	<u>(2,075,359)</u>
<b>21 Finance (expense)/income, net</b>		
Interest income	174,044	62,326
Interest expense	(416,238)	(433,908)
Net interest cost on defined benefit obligation	(10,985)	(25,507)
Other finance expenses	(30,943)	8,511
	<u>(284,122)</u>	<u>(388,578)</u>



**22 Income tax expense**

	1 January to 31 March 2018 <u>BDT'000</u>	1 January to 31 March 2017 <u>BDT'000</u>
<u>Current tax expense</u>		
Income tax expenses for the period	(6,415,025)	(5,650,141)
Adjustment for previous periods	-	-
	(6,415,025)	(5,650,141)
<u>Deferred tax (expense)/income</u>		
Deferred tax (expense)/income relating to origination and reversal of temporary differences, net	1,535,413	986,410
	<u>(4,879,612)</u>	<u>(4,663,731)</u>

**23 Earnings per share**

Profit attributable to ordinary shareholders (BDT)	6,394,345,265	6,556,951,635
Weighted average number of ordinary shares outstanding during the period	1,350,300,022	1,350,300,022
Basic earnings per share (par value BDT 10 each) (BDT)	<u>4.74</u>	<u>4.86</u>

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

## 24 Related party disclosures

During the period ended 31 March 2018, the company entered into a number of transactions with related parties in the normal course of business. The names of the significant related parties, nature of these transactions [expenditures /(revenue)/, receivables/(payables)] and amounts thereof have been set out below in accordance with the provisions of IAS 24 Related Party Disclosures. Nature of relationship and significance of the amounts have been considered in giving this disclosure.

### 24.1 Related party transactions during the period

<u>Name of related parties</u>	<u>Nature</u>	<u>Nature of transactions</u>	<u>1 January to 31 March 2018 BDT'000</u>	<u>1 January to 31 March 2017 BDT'000</u>
Grameen Telecom	Shareholder	Commission expense	45,274	45,642
Accenture Communications	Associate	Purchase of IT service, equipments and softwares	-	298,424
Infrastructure Solutions Ltd.		Rental income and other income	-	(7,868)
Telenor ASA	Telenor group entity	Consultancy and professional service fee IT support cost	280,003 24,239	133,860 93,305
Telenor Global Services AS	Telenor group entity	Consultancy and professional service fee	8,153	5,229
Telenor Global Shared Services AS	Telenor group entity	Consultancy and professional service fee	134,032	109,480
Telenor GO	Telenor group entity	Consultancy and professional service fee including compensation of key management personnel where relevant	64,409	61,075
Telenor Digital AS	Telenor group entity	Consultancy and professional service fee	184,005	(99,136)
Telenor Health AS	Telenor group entity	Cost of service	7,615	724
Telenor Procurement Company	Telenor group entity	Cost of service	45,914	-
Telenor Norway	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(181) 5	(43) 4
Telenor Sweden	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(219) 2	(25) 1
Telenor Denmark	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	240 2	(27) 1

<u>Name of related parties</u>	<u>Nature</u>	<u>Nature of transactions</u>	<u>1 January to 31 March 2018 BDT'000</u>	<u>1 January to 31 March 2017 BDT'000</u>
Telenor Hungary	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	0 1	(0) 2
Telenor Serbia	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	48 0	(0) 0
Telenor Montenegro	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(1) -	0 (0)
Telenor Bulgaria	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(0) -	(0) -
Telenor Pakistan	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(0) 5	(0) 1
<b>Telenor India</b>	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	- (61)	21 (61)
Telenor Myanmar	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(52) 5	(6) (26)
Dtac Thailand	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(121) 370	(60) 203
Digi Malaysia	Telenor group entity	Roaming revenue net of discount Roaming cost net of discount	(1,595) 64	(592) 28
Grameen Distribution	Related to Grameen Telecom through Grameen Telecom Trust	Purchase of handsets	-	439,309

## 24.2 Receivables/(payables) with other related parties

<u>Name of related parties</u>	<u>Nature</u>	<u>Nature of transactions</u>	As at <u>31 March 2018</u> BDT'000	As at <u>31 December 2017</u> BDT'000
Grameen Telecom	Shareholder	Accounts receivable	4,330	3,170
		Accounts payable	(15,917)	(15,852)
Accenture Communications Infrastructure Solutions Ltd.	Associate	Accounts receivable	9,630	26,149
		Accounts payable	(27,649)	(27,649)
Telenor ASA	Telenor group entity	Accounts payable	(2,481,332)	(2,102,569)
Telenor Consult AS	Telenor group entity	Accounts payable	(2,168)	(2,051)
Telenor Global Services AS	Telenor group entity	Accounts receivable	30,664	11,080
		Accounts payable	(46,679)	(38,343)
Telenor Global Shared Services AS	Telenor group entity	Accounts payable	(1,505,104)	(1,317,342)
Telenor GO	Telenor group entity	Accounts receivable	50,191	50,191
		Accounts payable	(311,030)	(245,449)
Telenor Digital AS	Telenor group entity	Accounts receivable	1,409	1,131
		Accounts payable	(184,005)	-
Telenor Health AS	Telenor group entity	Accounts receivable	109,070	109,070
		Accounts payable	(9,787)	(17,212)
Telenor Procurement Company	Telenor group entity	Accounts payable	(58,183)	(21,530)
Telenor International Centre AS	Telenor group entity	Accounts receivable	6,258	12,324
Telenor Norway	Telenor group entity	Accounts receivable	454	270
		Accounts payable	(5)	(5)
Telenor Sweden	Telenor group entity	Accounts receivable	416	257
		Accounts payable	(7)	(6)

<u>Name of related parties</u>	<u>Nature</u>	<u>Nature of transactions</u>	As at <u>31 March 2018</u> BDT'000	As at <u>31 December 2017</u> BDT'000
Telenor Denmark	Telenor group entity	Accounts receivable Accounts payable	1,758 (4)	62 (2)
Telenor Hungary	Telenor group entity	Accounts receivable Accounts payable	28 (4)	28 (15,663)
Telenor Serbia	Telenor group entity	Accounts receivable Accounts payable	2 (1)	1 0
Telenor Montenegro	Telenor group entity	Accounts receivable Accounts payable	4 (1)	3 (1)
Telenor Bulgaria	Telenor group entity	Accounts receivable Accounts payable	0 (2)	0 (2)
Telenor Pakistan	Telenor group entity	Accounts receivable Accounts payable	0 (4)	0 (13)
Telenor India	Telenor group entity	Accounts receivable	3,616	3,616
Telenor Myanmar	Telenor group entity	Accounts receivable Accounts payable	112 (5)	59 (1)
Dtac Thailand	Telenor group entity	Accounts receivable Accounts payable	261 (107)	273 (434)
Digi Malaysia	Telenor group entity	Accounts receivable Accounts payable	5,326 (185)	4,387 (153)

## 25 Commitments

	As at 31 March 2018 <u>BDT'000</u>	As at 31 December 2017 <u>BDT'000</u>
Capital commitment (open purchase order) for Property, plant and equipment	3,350,037	3,381,325
Capital commitment (open purchase order) for intangible assets	219,375	67,683

Apart from the capital commitment, Grameenphone has commitment for operating and finance leases.

## 26 Contingencies

Except as disclosed below there has been no development of the events disclosed in the financial statements year ended 31 December 2017.

### (a) SIM tax on replacement SIMs

In July 2017 without conducting any investigation and based on the assumption that Grameenphone evaded SIM tax by selling new connections in the name of replacement SIMs, LTU-VAT issued a show cause notice of BDT 3,789,537,820 to Grameenphone for the period July 2012 to June 2015. Grameenphone replied to the show cause notice stating, inter alia, a similar claim relating to an earlier period of July 2007 to December 2011 is now pending for adjudication before the Hon'ble High Court Division in an earlier filed VAT appeal. Subsequently, the Commissioner of LTU-VAT issued the final demand for BDT 3,789,537,820.

On 20 February 2018, Grameenphone filed appeal before the Customs, Excise and VAT Appellate Tribunal against the said demand upon depositing 10% of the demand as required by law. Even though Grameenphone believes that the claim against Grameenphone is not likely to be legally enforceable, 10% of the disputed amount had to be deposited at the time of filing such appeal as part of the appeal procedure prescribed by law. Since the claim is not likely to be legally enforceable, any payment related to this claim is likely to be recoverable after the resolution of this issue. We have considered the deposit as a contingent asset under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

### (b) Interest on SIM Tax during 24 August 2006 to 27 March 2007

Thereafter, the appeal was re-heard before the Hon'ble Customs, Excise and VAT Appellate Tribunal on 3 April 2018. Upon re-hearing, the Customs, Excise and VAT Appellate Tribunal upheld the demand of the Commissioner, LTU-VAT and issued its judgment on 11 April 2018. Management is reviewing the judgment and assessing the next course of action.

### (c) Interest for delayed payment of Guaranteed Annual Rent to Bangladesh Railway

There is a dispute regarding payment of VAT (whether inclusive or exclusive) on the Guaranteed Annual Rent (GAR) paid to Bangladesh Railway (BR) to use its Fiber Optic Network (FON) under an Agreement dated 17 September 1997. Grameenphone made payment to BR after deduction of VAT from the GAR following inclusive method. In 2008, BR requested Grameenphone to pay the amounts deducted as VAT otherwise threatened to disconnect the FON connection. Grameenphone filed a Writ Petition before the Hon'ble High Court Division (HCD) and HCD disposed of the Writ directing Grameenphone to pay VAT following exclusive method i.e. to be grossed up on top of GAR which was later on upheld by the Hon'ble Appellate Division (AD). BR issued a demand letter of BDT 319,670,457. Grameenphone paid the demanded amount on 10 January 2018 without prejudice to its right to file Review Petition before the AD and subject to adjustment, if any, as per the decision of the Review.

On 27 February 2018 BR made an additional demand of BDT 1,316,513,243 as interest for delayed payment of deducted GAR following the provisions of the Agreement between Grameenphone and BR. Management's assessment based on external counsel's guidance is that interest should not apply during the period when the matter was sub-judice and BR's demand for principal amount was stayed by the Order of the Court. Management is now considering legal recourse against the above claim.