Financial Statements 2019

A. QASEM & Co.
Chartered Accountants Since 1953

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Independent Auditor's Report
To the Shareholders of Grameenphone Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grameenphone Ltd. (the Company), which comprise the statement of financial position as at 31 December, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

a) We draw attention to Note 45(a) to the financial statements, wherein the management has explained the status of demand notice dated 02 April, 2019 for payment of BDT 125.80 billion, which was received from Bangladesh Telecommunication Regulatory Commission (BTRC) in relation to the information system audit conducted by BTRC, covering the period from the Company's inception in 1997 to 31 December, 2014 and management's assessment of such claims. Based on legal advice and management's assessment of such demands, the management has contested these demands at the Court of Bangladesh. Pending final outcome of the Court proceedings, management has concluded that a significant uncertainty exists in order to enable any reliable estimation of a potential obligation, and no provision for these demands and consequential interest thereon has been made in the accompanying financial statements.

b) We draw attention to Note 3.18 to the financial statements which describes the impact of the adjustments related to erroneous accounting of sales, marketing expenses, commission payments and associated costs which has led to a restatement of financial statements as at and for the year ended December 31, 2018 the immediate corresponding period and as at 01 January 2018, the additional IFRS balance sheet date.

Our opinion is not modified in respect of the above matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for 2019. These matters were addressed in the context of the audit of the financial statements, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Regulatory matters

Referring to Note 45 (a) to the financial statements, the Company is subject to a number of significant claims and litigations. The amounts of claims are significant and estimates of the amounts of provisions or contingent liabilities are subject to significant management judgement.

These claims and litigations matters were a key audit matter due to the amounts involved, potential consequences and the inherent difficulty in assessing the outcome. The assessment of whether a liability should be recognised involves judgement from management.

How our audit addressed the key audit matter:

We have gained an understanding of the process of identification of claims, litigations and contingent liabilities and identified key controls in the process. For selected controls we have performed tests of controls. Moreover, we have gained an understanding of management's decision process to disclose contingent matters in the financial statements.

Our procedures also included among others:

- Discussion of material legal cases with the Company's Legal Department;
- Analyzed responses in legal letters obtained by the Company from the external legal counsels of the Company;
- Reviewed and analysed management's detailed assessment of the probability of a outcome substantiated by those legal opinions
- Sought and obtained confirmations from external legal counsel of the Company
- Read the minutes of meetings of the Board of Directors and the Board Audit Committee;
- Analyzed contingent liabilities and changes in provisions for claims and litigations;
- Assessed the circumstances which contributed to the significant uncertainties in management estimate of provisions together with the impact of the outcome of each matter
- Assessed disclosures in the financial statements of material contingencies nature and their measurement.

Implementation of IFRS 16 -Leases

With reference to Note 3.17.1 to the financial statements, 'IFRS 16 – Leases' becomes effective for annual reporting beginning on or after 01 January 2019 which replaces the existing standard IAS 17. Grameenphone Ltd. decided to adopt the modified retrospective approach for the transition accounting. The application of the new lease standard resulted in the recognition, for the 01 January 2019 opening balance sheet, of right of use of asset of BDT 61.68 billion (net value) and an increase in lease liabilities of BDT 11.58 billion, the impact of the adaptation of the new standard is disclosed in Note 3.18.1 of the notes to the financial statements.

We considered the implementation of IFRS 16 Leases as a key audit matter, since the balances recorded are material, management had to apply several judgements and estimates such as lease term, discount rates, measurement basis among others and undertake a significant data extraction exercise to summarise the lease data for input into their lease calculation model.

How our audit addressed the key audit matter:

We obtained an understanding of the management's process for implementing IFRS 16 including financial controls designed by the management to mitigate the risks assessed by us independently. We tested those relevant controls and adopted a control rely strategy. Furthermore, to mitigate the inherent risk in this audit area, our audit approach included testing of the controls and substantive audit procedures, including:

- Obtained and read the accounting policy for compliance with IFRS 16
- Obtained listing of all contracts from the management and tested the contracts on a sample basis for impact under IFRS 16. In respect of the contracts selected for testing:
  - Obtained and read bank borrowing rates correspondences
  - Tested the assumptions used in the calculation model for the sample contracts selected for testing
  - Performed test of details on a sample basis on different categories of lease for valuation of the right of use of asset and lease liability
  - Assessed the disclosures within the financial statements.

Revenue recognition

Referring to Note 3.13 and Note 26 to the financial statements, Revenue of BDT 143.65 billion is recognised in the income statement of Grameenphone Ltd. This material item is subject to considerable inherent risk due to the complexity of the systems necessary for properly recording and identifying revenue and the impact of ever-changing business, price and tariff models (including tariff structures, and bundled subscription-based products). Against this background, the proper application of the accounting standards is considered to be complex and to a certain extent based on estimates and assumptions made by management.

How our audit addressed the key audit matter:

In light of the fact that the high degree of complexity and estimates and assumptions give rise to an increased risk of accounting misstatements, we assessed the Company's processes and controls for recognizing revenue as part of our audit. Our audit approach included testing of the controls and substantive audit procedures.

- We assessed the relevant systems supporting the accounting of revenue,
- Tested controls for IT-systems and procedures supporting revenue recognition;
- Assessed the invoicing and measurement systems up to entries in the general ledger.
- Analyzed and tested customer contracts, invoices and receipts on a sample basis.
- Analyzed the revenue charging model against the regulatory guidelines on a sample basis.

Furthermore, we assessed the accounting effects of new business and price models. We read and analysed the disclosures made in the financial statements.

Uncertain tax positions

Referring to Note 45 (b) to 45(g) of the financial statements, the Company is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including indirect taxes and transaction related tax matters that could eventually require payments of taxes and possible additional charges. The assessment of uncertainty and risk of one or more unfavorable outcomes involve judgement from management.

These uncertain tax positions were a key audit matter because of the amounts involved and because of the uncertainty in estimating the final outcome of these matters.

The Company records provisions for uncertain liabilities, including tax contingencies, when it is more likely than not that a liability has been incurred, and the amount can be reliably estimated.

How our audit addressed the key audit matter:

We took into consideration the complexity of accounting and tax issues, internal controls; and gained an understanding over the entity's accounting for taxes and management's process for assessing the effectiveness of internal control over the significant income tax accounts and the related financial statement disclosures.

Our procedures also included among others:

- Obtained a listing of all ongoing tax litigations
- Discussed with the management regarding tax matters, tax jurisdictions and tax communications;
- Identified and tested relevant controls over tax accounts and financial statement disclosures;
- Obtained, read and analyzed opinions by the Company from the tax consultants and external counsels of the Company;
- Verified account reconciliations and traced demand amounts, amounts paid under protest and considered recoverable and amounts charged off on a sample basis to the underlying supporting demand notices, invoices, bank payments and trial balance.
- Analyzed the technical merits of each demand based on applicable tax provisions and considered settled tax positions in determining estimate of tax contingency made by the management.
- Obtained and read the disclosures made in the accompanying financial statements

Other information included in the Company's 2019 Annual Report

Other information consists of the information included in the Company's 2019 Annual Report other than the financial statements and our auditor's report thereon. We obtained the Director's Report, Management Discussion and Analysis, Six years financial information, and Corporate Governance report prior to the date of our auditor's report, and we expect to obtain the remaining reports of the Annual Report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

The financial statements for year ended December 31, 2017 based on which the opening balance sheet as on January 1, 2018 have been prepared was audited by other firm of auditors who had expressed an unmodified opinion on the financial statements for the year ended 31 December 2017 vide their report dated 29 January 2018.

Report on other legal and regulatory requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

i) 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;

ii) 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;

iii) The statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and

iv) The expenditure incurred was for the purposes of the Company's business.

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A. Qasem & Co.
Chartered Accountants

Dhaka, 27 January 2020

Grameenphone Ltd.

Statement of financial position

As at 31 December 2019

	Notes	31 December 2019 BDT (000)	31 December 2018 BDT (000) Restated	1 January 2018 BDT (000) Restated
Assets				
Non-current assets				
Property, plant and equipment	4	62,396,558	69,775,619	70,483,407
Intangible assets	5	2,274,803	47,311,582	35,229,998
Right-of-use assets	6	58,028,533	-	-
Contract cost	8	4,480,157	4,438,240	5,030,346
Other non-current assets	9	555,200	3,819,233	3,848,495
Total non-current assets		127,735,251	125,344,674	114,592,246
Current assets				
Inventories	10	225,441	224,359	462,440
Trade receivables and others	11	7,013,053	7,212,047	6,922,091
Cash and cash equivalents	12	13,760,677	5,932,292	12,414,668
Total current assets		**20,999,171**	**13,368,698**	**19,799,199**
Total assets		**148,734,422**	**138,713,372**	**134,391,445**
Equity and liabilities				
Shareholders' equity				
Share capital	14	13,503,000	13,503,000	13,503,000
Share premium	15	7,840,226	7,840,226	7,840,226
Capital reserve	16	14,446	14,446	14,446
Deposit from shareholders	17	1,880	1,880	1,880
Retained earnings		16,987,853	15,476,847	12,706,682
Total equity		**38,347,405**	**36,836,399**	**34,066,234**
Non-current liabilities				
Lease liabilities	6	13,484,106	4,708,977	4,930,194
Loans and borrowings	18	-	2,894,157	8,539,290
Deferred tax liabilities	19	5,216,029	6,032,336	7,731,449
Employee benefits	20	936,703	1,599,122	426,466
Other non-current liabilities	21	323,957	3,678,998	423,735
Total non-current liabilities		**19,960,795**	**18,913,590**	**22,051,134**
Current liabilities				
Trade payables and others	22	22,676,406	26,393,337	24,225,379
Provisions	23	18,839,102	19,423,795	19,033,499
Lease liabilities	6	7,349,549	-	-
Loans and borrowings	18	2,934,284	5,759,145	5,679,626
Current tax liabilities	24	28,137,225	28,563,588	26,392,380
Other current liabilities	25	10,489,656	2,823,518	2,943,193
Total current liabilities		**90,426,222**	**82,963,383**	**78,274,077**
Total equity and liabilities		**148,734,422**	**138,713,372**	**134,391,445**

The annexed notes 1 to 46 form an integral part of these financial statements.

Director | Director | Chief Executive Officer | Company Secretary

As per our report of same date.

A. Qasem & Co.
Chartered Accountants

Dhaka, 27 January 2020

Grameenphone Ltd.
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Notes	2019 BDT (000)	2018 BDT (000) Restated
Revenue	26	143,656,271	132,831,967
Cost of material and traffic charges	27	(8,465,283)	(7,329,552)
Salaries and personnel cost	28	(9,437,578)	(8,561,724)
Operation and maintenance	29	(5,898,863)	(5,584,552)
Sales, marketing and commissions	30	(13,480,018)	(14,077,660)
Revenue sharing, spectrum charges and licence fees	31	(10,107,313)	(9,570,806)
Other operating (expenses)/income	32	(6,164,349)	(8,391,513)
Depreciation and amortisation	33	(23,451,039)	(22,539,178)
		(77,004,443)	(76,054,985)
Operating profit		**66,651,828**	**56,776,982**
Finance (expense)/income	34	(2,523,060)	(1,814,496)
Foreign exchange (loss)/gain		(229,809)	(114,432)
		(2,752,869)	(1,928,928)
Profit before tax		63,898,959	54,848,054
Income tax expense	35	(29,382,199)	(21,485,486)
Profit after tax		**34,516,760**	**33,362,568**
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	20	127,659	(351,088)
Related taxes		(51,063)	140,435
		76,596	(210,653)
Total comprehensive income for the year		**34,593,356**	**33,151,915**
Earnings per share			
Basic earnings per share (per value BDT 10 each in BDT)	36	25.56	24.71

The annexed notes 1 to 46 form an integral part of these financial statements.

Director	Director	Chief Executive Officer	Company Secretary

As per our report of same date.

A. Qasem & Co.
Chartered Accountants

Dhaka, 27 January 2020

Grameenphone Ltd.
Statement of changes in equity
for the year ended 31 December 2019

	Share capital	Share premium	Capital reserve	Deposit from shareholders	Retained earnings	Total
	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
					Restated	
Balance as at 01 January 2018	**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 01 January 2018	-	-	-	-	2,678,149	2,678,149
Impact of correction of errors	-	-	-	-	(3,733,367)	(3,733,367)
Restated balance as at 01 January 2018	**13,503,000**	**7,840,226**	**14,446**	**1,880**	**12,706,682**	**34,066,234**
Transactions with the equity holders:						
Final dividend for 2017	-	-	-	-	(13,503,000)	(13,503,000)
Interim dividend for 2018	-	-	-	-	(16,878,750)	(16,878,750)
Total comprehensive income for 2018						
Profit for the year (Restated)	-	-	-	-	33,362,568	33,362,568
Other comprehensive income/(loss)	-	-	-	-	(210,653)	(210,653)
Balance as at 31 December 2018	**13,503,000**	**7,840,226**	**14,446**	**1,880**	**15,476,847**	**36,836,399**
Balance as at 01 January 2019	**13,503,000**	**7,840,226**	**14,446**	**1,880**	**15,476,847**	**36,836,399**
Transactions with the equity holders:						
Final dividend for 2018	-	-	-	-	(20,929,650)	(20,929,650)
Interim dividend for 2019	-	-	-	-	(12,152,700)	(12,152,700)
Total comprehensive income for 2019						
Profit for the year	-	-	-	-	34,516,760	34,516,760
Other comprehensive income/(loss)	-	-	-	-	76,596	76,596
Balance as at 31 December 2019	**13,503,000**	**7,840,226**	**14,446**	**1,880**	**16,987,853**	**38,347,405**

Grameenphone Ltd.
Statement of cash flows
For the year ended 31 December 2019

	2019 BDT (000)	2018 BDT (000)
Cash flows from operating activities		
Cash receipts from customers	144,125,682	132,599,654
Payroll and other payments to employees	(9,961,845)	(7,780,088)
Payments to suppliers, contractors and others	(44,161,847)	(42,241,425)
Interest received	597,542	398,295
Interest paid	(2,530,502)	(1,690,713)
Income tax paid	(30,675,929)	(20,872,955)
	(86,732,581)	(72,186,886)
Net cash generated from operating activities	**57,393,101**	**60,412,768**
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment, Right-of-use and intangible assets	(14,457,903)	(30,378,864)
Proceeds from sale of property, plant and equipment	194,606	179,266
Net cash used in investing activities	**(14,263,297)**	**(30,199,598)**
Cash flows from financing activities		
Payment of long-term loan	(5,848,364)	(5,833,955)
Payment of dividend	(26,301,675)	(30,381,750)
Payment of lease liabilities	(3,157,864)	(483,089)
Net cash used in financing activities	**(35,307,903)**	**(36,698,794)**
Net change in cash and cash equivalents	7,821,901	(6,485,624)
Cash and cash equivalents as at 01 January	5,932,292	12,414,668
Effect of exchange rate fluctuations on cash held	6,484	3,248
Cash and cash equivalents as at 31 December (Note 12)	13,760,677	5,932,292

1 Corporate information

Grameenphone Ltd. (hereinafter referred to as "Grameenphone"/"GP"/"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), along with digital 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 financial statements are individual financial statements of Grameenphone, and have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994, the Securities and Exchange Rules 1987, relevant guidelines issued by the Bangladesh Securities and Exchange Commission, Financial Reporting Act, 2015 and other applicable laws in Bangladesh. These individual financial statements present the financial position and performance of Grameenphone and its 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 December 2019. 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 on going concern basis. Unless otherwise specifically mentioned, historical cost principle has been followed for the purpose of these financial statements.

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the company on 27 January 2020.

2.1 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Bangladesh Taka ("BDT") which is also the functional currency of the Company. The amounts in these financial statements have been rounded off to the nearest BDT in thousand (BDT'000) except otherwise indicated. As a result of these rounding off, in some instances the totals may not match the sum of individual balances.

2.2 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures including the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

1. The company has recognised Right-of-use assets as per IFRS 16 which required management to make important judgements in determination of lease terms. For details, please see Note 3.17.1 and Note 6 to these financial statements.
2. The company has significant influence over Accenture Communications Infrastructure Solutions Ltd. (ACISL).

Estimates and assumptions

Key estimates and assumptions used in preparation of these financial statements are:

1. Applicable tax rate for Income Year 2019 will be declared by Finance Act 2020. For the purpose of these financial statements, management has assumed that the existing corporate tax rate (40%) will be applicable for Income Year 2019 as well.
2. Appropriate financial and demographic assumptions have been used in consultation with a certified actuary to measure defined benefit obligation as at 31 December 2019.
3. Key assumptions about the likelihood and magnitude of outflow of resources have been used to recognize and measure provisions and contingencies.
4. Recoverable amount of Investment in Associate.
5. Significant uncertainty exists on the validity and outcome of the dispute with regard to the demand arisen out of BTRC Audit. Note 45 (a) disuss the issue in details.

3 Significant accounting policies

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

3.1 Current versus non-current classification

The company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

i) expected to be realised or intended to be sold or consumed in normal operating cycle, or
ii) expected to be realised within twelve months after the reporting period, or
iii) held primarily for the purpose of trading, or
iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

i) expected to be settled in normal operating cycle, or
ii) due to be settled within twelve months after the reporting period, or
iii) held primarily for the purpose of trading, or
iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.2 Offsetting

The company reports separately both assets and liabilities, and income and expenses, unless required by an applicable accounting standard or offsetting reflects the substance of the transaction and such offsetting is permitted by applicable accounting standard.

Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity and cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short, are presented net in the statement of cash flows.

3.3 Cash dividend to the equity holders

The company recognises a liability to pay cash dividend when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the corporate laws in Bangladesh, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short term commitments.

3.5 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 37 Provisions, Contingent Liabilities and Contingent Assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(b) Subsequent costs

The cost of replacing or upgradation of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the company and its 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 life of each item of property, plant and equipment. The range of estimated useful lives shown below depends on sub-category of the assets under the broad category. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. 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:

	2019	2018
	years	years
Own assets:		
Building	10 -50	10 -50
Base station - equipment	3-10	3-10
Base station - tower, fibre optic network and related assets	7- 30	7- 30
Transmission equipment	5-10	5-10
Computers and other IT equipment	3-4	3-4
Furniture and fixtures (including office equipment)	3-5	3-5
Vehicles	4	4
Right-of-use assets:*		
Fibre Optic Network (FON)	-	22.5 - 30
Spectrum-2008	-	18
Telecom licence and spectrum -2011	-	15
3G licence and spectrum	-	15
4G licence and spectrum	-	15

* Right-of-use assets are recognised as a part of initial adoption of IFRS 16. As a result, some certain intangibles are disclosed here instead of presenting them under intangibles.

(d) Derecognition

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

(e) Capital work in progress

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

(f) Capitalisation of borrowing costs

As per the requirements of IAS 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.

3.6 Intangible assets

(a) Recognition and measurement

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

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

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

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

Other development expenditures are 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 economic benefits. 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. The estimated useful lives are as follows:

	2019	2018
Software and others:	years	years
Pulse Code Modulation (PCM)	5	5
Billing software	5	5
Other operational software	3-7	3-7
Network management software	-	7

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.

3.7 Investment in associate

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

Share of profit/loss of associate is not recognised in Grameenphone's individual financial statements until it is realised through dividend. Dividend income is recognised when Grameenphone's right to receive payment is established.

3.8 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

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 receivables and others, including contract assets, are presented separately in the notes to the financial statement.

3.9 Inventories

Inventories consisting of scratch cards, SIM cards, mobile handsets, data cards and other devices are valued at lower of cost and net realisable value. Cost 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 amount 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.

3.10 Employee benefits

The company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective trust deeds and rules. Both of the plans are funded and are recognised/approved 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 employees render the services are discounted to the present value.

Grameenphone has a separate recognised provident fund scheme. All permanent employees of Grameenphone contribute 10% of their basic salary to the provident fund and the company makes matching contributions.

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

(b) Defined benefit plan (gratuity fund)

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

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

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

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

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

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

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

Relevant tax impacts of such remeasurements are also recognised under other comprehensive income.

(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. A provision is recognised for the amount of annual leave encashment based on the latest basic salary.

3.11 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is 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 rates used for the reporting periods are as follows:

Year	Tax rate
2019	40%
2018	40%

(b) Deferred tax

Deferred tax is recognised in compliance with IAS 12 Income Taxes, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and amounts used for taxation purpose. 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.

3.12 Accruals, provisions and contingencies

(a) Accruals

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. Accruals are reported as part of trade payables and others.

(b) Provisions

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

Asset Retirement Obligations (ARO)

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

(c) Contingencies

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. We recognise any amount as an asset only if recovery of that amount is virtually certain.

Contingent liabilities and assets are not recognised in the statement of financial position of the company. Significant contingencies are disclosed in the notes to the financial statements.

3.13 Revenue from contract with customers

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.

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 recognised 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 recognised 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 the Annual General Meeting of the investee or otherwise).

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 (fulfillment 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 (i.e. the entity is a principal) or to arrange for the other party to provide those goods or services (i.e. 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.

Customer loyalty programme

Nature and timing of satisfaction of performance obligations

Customers who purchase GP's products or services and fulfill certain conditions enter the Company's customer loyalty programme and earn points. The points are redeemable against any future purchases of the Company's or third party's products or services at customers' discretion. The loyalty points accumulate on cumulative basis and expire after two years where remaining days of current year will be counted as one year. Further, all the accumulated points expire when a subscriber stops using MyGP App for a consecutive period of three months. However, no loayalty point are awarded when a subscriber stops using MyGP App for a consecutive period of one month.

Revenue recognition

GP segregates the monetary value equivalent of the loyalty points as unearned revenue. At subsequent redemption of the loyalty points, nature wise revenue is recognised i.e. where such points are used by customers. Where customer chooses to avail third party goods or services then accounting is done after analyzing agent principal relationship. For expired loyalty points, revenue is recognised at expiry.

3.14 Foreign currency transactions

The financial statements are presented in BDT, which is company's functional currency. Transactions in foreign currencies are recorded in the books at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies at the date of statement of financial position are translated into BDT 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 21 The Effects of Changes in Foreign Exchange Rates.

3.15 Earnings per share

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

3.16 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.

3.17 Changes in significant accounting policies

3.17.1 IFRS 16 Leases

3.17.1.1 Nature and effect of changes

(a) Definition of a lease

Previously, Grameenphone determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, Grameenphone assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.17.1.2.

On transition to IFRS 16, Grameenphone evaluated all types of contracts to assess whether a contract is or contains, a lease at the date of initial application.

As a Lessee

As a lessee, Grameenphone previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Grameenphone. Under IFRS 16, Grameenphone recognises right-of-use assets and lease liabilities for all leases.

(i) Leases classified as operating leases under IAS 17
At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Grameenphone's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

(ii) Leases previously classified as finance leases
For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17.

As a lessor
Grameenphone is not required to make any adjustments on transitions to IFRS 16 for leases in which it acts as a lessor.

Telecom licence and spectrum
Grameenphone decided to apply IFRS 16 on telecom licence and spectrum and reclassified the carrying amounts of intangible assets to right-of-use assets at 1 January 2019. Annual licence renewal fees for the remaining of the licence periods have also been capitalized as right-of-use assets at 1 January 2019.

Impacts on financial statements
Grameenphone has lease contracts related to the mobile networks (mainly space in BTS), land, rooftop, buildings and fibre optic network. The table below show the impacts arising from IFRS 16 on the opening balance.

	As at 01 January 2019 in BDT (000)			
Leases	**Lease liabilities**	**Prepayments**	**Lease Equalization Reserve**	**ROU assets**
Annual licence renewal fees	864,156	89,105	-	953,261
Base transceiver station - Green Field	1,448,156	130,050	814,400	763,806
Base transceiver station - Roof Top	2,735,928	235,113	128,717	2,842,324
Infrastructure sharing site	5,923,282	-	-	5,923,282
Office/residential space	609,725	112,224	41,031	680,918
	11,581,247	**566,492**	**984,148**	**11,163,591**
Transfer/Reclassification				
Fibre optical network (Bangladesh railway)	4,931,494	-	-	4,826,005
Telecom licence and spectrum	4,743,695	-	-	45,693,526
	9,675,189	**-**	**-**	**50,519,531**
Total	**21,256,436**	**566,492**	**984,148**	**61,683,122**

As at 1 January 2019:

- Right-of-use assets of BDT 61,683,122,418 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of BDT 4,826,005,298 that were reclassified from property, plant and equipment and telecom license and spectrum of BDT 45,693,526,284 that were reclassified from Intangible assets.
- Additional lease liabilities of BDT 11,581,245,963 were recognised and liabilities related to spectrum of BDT 4,743,694,827 was reclassified to lease liabilities.
- Lease liabilities of BDT 9,675,189,146 for fibre optical network and telecom licence and spectrum were reclassified from trade payables and others to lease liabilities.
- Prepayments of BDT 566,492,544 and lease equalisation reserve of BDT 984,147,671 related to previous operating leases were adjusted with lease liability to arrive at right-of-use asset.

When measuring lease liabilities, Grameenphone discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 10.10%.

Operating lease commitments disclosed applying IAS 17 as of 31 December 2018 discounted using the incremental borrowing rate as of 1 January 2019 amounts to BDT 2,636,776,023. Lease liabilities recognised in the statement of financial position as of 1 January 2019 amounts to BDT 21,256,435,109. The difference between these amounts is due to lease liabilities of BDT 8,080,314,292 arising from the remaining period of the lease term other than non-cancellable period, lease liabilities of BDT 864,155,648 arising from annual licence renewal fees, finance lease liabilities of BDT 4,931,494,319 and reclassified liability for spectrum of BDT 4,743,694,827

Reconciliation

	In BDT (000)
Operating lease commitment as at 31 December as disclosed in the financial statements	4,147,111
Discounted using the incremental borrowing rate at 01 January 2019	**2,636,776**
Finance lease liabilities recognised as at 31 December 2018	4,931,494
Liability for spectrum acquisition	4,743,695
Lease liabilities for remaining lease term other than non-cancellable period	8,080,314
Lease liability for annual licence renewal fees	864,156
Lease liabilities recognised as at 01 January 2019	**21,256,435**

(b) The following summarises the impacts of adopting IFRS 16 on the Grameenphone's statement of financial position as at at 31 December 2019, statement of profit or loss and other comprehensive income and statement of cash flows for the year then ended for each of the line items affected.

Impact on the statement of financial position

As at 31 December 2019 in BDT (000)

	As reported	Adjustments	Amounts without adoption of IFRS 16
Assets			
Non-current assets			
Property, plant and equipment	62,396,558	4,387,159	66,783,717
Intangible assets	2,274,803	44,453,857	46,728,660
Right of Use Assets	58,028,533	(58,028,534)	(1)
Total non-current assets	**127,735,251**	**(9,187,518)**	**118,547,733**
Current assets			
Trade receivables and others	7,013,053	538,454	7,551,507
Total current assets	**20,999,171**	**538,454**	**21,537,625**
Total assets	**148,734,422**	**(8,649,065)**	**140,085,357**
Equity and liabilities			
Shareholders' equity			
Retained earnings	16,987,853	106,126	17,093,979
Total equity	**38,347,405**	**106,126**	**38,453,531**
Non-current liabilities			
Lease liabilities	13,484,106	(9,046,710)	4,437,396
Deferred tax liabilities	5,216,029	70,751	5,286,780
Other non-current liabilities	323,957	2,220,438	2,544,395
Total non-current liabilities	**19,960,795**	**(6,755,521)**	**13,205,274**
Current liabilities			
Trade payables and others	22,676,406	5,349,881	28,026,287
Lease liabilities	7,349,549	(7,349,549)	-
Total current liabilities	**90,426,222**	**(1,999,668)**	**88,426,554**
Total equity and liabilitie	**148,734,422**	**(8,649,064)**	**140,085,358**

Impact on the statement of profit or loss and other comprehensive income

For the year ended 31 December 2019 in BDT (000)

	As reported	Adjustments	Amounts without adoption of IFRS 16
Revenue	143,656,271	-	143,656,271
Operation and maintenance	(5,898,863)	(11,016)	(5,909,879)
Revenue sharing, spectrum charges and licence fees	(10,107,313)	(149,480)	(10,256,793)
Other operating (expenses)/income	(6,164,349)	(3,171,105)	(9,335,454)
Depreciation and amortisation	(23,451,039)	2,412,732	(21,038,307)
Others	(31,382,879)	-	(31,382,879
	(77,004,443)	(918,869)	(77,923,312
Operating profit	66,651,828	(918,869)	65,732,959
Finance (expense)/income	(2,523,060)	1,095,745	(1,427,315)
Foreign exchange (loss)/gain	(229,809)	-	(229,809)
	(2,752,869)	1,095,745	(1,657,124)
Profit before tax	63,898,959	176,876	64,075,835
Income tax expense	(29,382,199)	(70,751)	(29,452,950)
Profit after tax	34,516,760	106,126	34,622,886
Total comprehensive income for the year	34,593,356	106,126	34,622,886

Impact on the statement of cash flows

For the year ended 31 December 2019 in BDT (000)

	As reported	Adjustments	Amounts without adoption of IFRS 16
Cash flows from operating activities			
Cash receipts from customers	144,125,682	-	144,125,682
Payments to suppliers, contractors and others	(44,161,847)	(2,877,776)	(47,039,623)
Interest paid	(2,530,502)	790,597	(1,739,905)
Net cash generated from operating activities	57,393,101	(2,087,179)	55,305,922
Cash flows from investing activities			
Payment for acquisition of property, plant and equipment, right of use and intangible assets	(14,457,903)	125,090	(14,332,813)
Net cash used in investing activities	(14,263,297)	125,090	(14,138,207)
Cash flows from financing activities			
Payment of lease liabilities	(3,157,864)	1,962,089	(1,195,775)
Net cash used in financing activities	**(35,307,903)**	**1,962,089**	**(33,345,814)**
Net change in cash and cash equivalents	**7,821,901**	**(0)**	**7,821,901**
Cash and cash equivalents as at 01 January	**5,932,292**	**-**	**5,932,292**
Effect of exchange rate fluctuations on cash held	**6,484**	**-**	**6,484**
Cash and cash equivalents as at 31 December	**13,760,677**	**(0)**	**13,760,677**

3.17.1.2 Accounting policy

Grameenphone has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of changes is disclosed in Note 3.1.1.1 (b).

Policy applicable from 1 January 2019

At inception of a contract, Grameenphone assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Grameenphone assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- Grameenphone has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- Grameenphone has the right to direct the use of the asset. Grameenphone has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, Grameenphone has the right to direct the use of the asset if either:

  (i) Grameenphone has the right to operate the asset; or
  (ii) Grameenphone designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on the reassessment of a contract that contains a lease component, Grameenphone allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. As a practical expedient, fixed non-lease components embedded in the lease contract are not separated and recognised as part of lease liabilities and right-of-use assets.

Telecom licence and spectrum

Grameenphone has chosen to apply IFRS 16 on telecom license and spectrum which was earlier accounted for under IAS 38 Intangible Assets.

Grameenphone as a lessee

Grameenphone recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is depreciated using the straight line methods from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Grameenphone's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Grameenphone is reasonably certain to exercise, lease payments in an optional renewal period if Grameenphone is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Grameenphone is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Grameenphone's estimate of the amount expected to be payable under a residual value guarantee, or if Grameenphone changes its assessment of whether it will exercise purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right to use asset, or is recorded in profit or loss if the carrying amount of the right to use asset has been reduced to zero.

Grameenphone presents right of use assets and lease liabilities as separate captions in the statement of financial position.

Short-term leases and leases of low-value assets
Grameenphone has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets for which the underlying asset is of BDT 400,000 or less. Grameenphone recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
Grameenphone determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Grameenphone applies judgement in evaluating whether it is reasonably certain to exercise an option not to terminate the lease and an option to renew a lease contract. Grameenphone considers all relevant factors before exercising any option. After the commencement date, Grameenphone reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the options (e.g. a change in business strategy).

Grameenphone considered the lease term for active leases at the date of initial application as maximum of 5 years or remaining non-cancellable period from 1 January 2019 by considering changes in technology, development in regulatory environment etc. Leases which will expire before 5 years from 1 January 2019, the lease term has been considered upto the expiry of lease.

Leases which commence on or after 1 January 2019, the lease term will be limited to either their non-cancellable period or 31 December 2023 whichever is later.

Grameenphone as a lessor
When Grameenphone acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Grameenphone makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, Grameenphone considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, Grameenphone applies IFRS 15 to allocate the consideration in the contract.

Grameenphone recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

Sub lease
When Grameenphone is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Grameenphone applies the exemption described in "Short-term leases and leases of low-value assets", then it classifies the sub-lease as an operating lease.

Grameenphone as an intermediate lessor accounts for the sublease as follows:

(i) if the sublease is classified as an operating lease, Grameenphone continues to account for the lease liability and right-of-use asset on the head lease like any other lease; or
(ii) if the sublease is classified as a finance lease, Grameenphone derecognises the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting model. Grameenphone, as the sublessor, recognizes a net investment in the sublease.

The accounting policies applicable to Grameenphone as a lessor in the comparative period were not different from IFRS 16. However, when Grameenphone was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

3.18 Correction of errors

Grameenphone has discovered some erroneous omissions with regards to sales, marketing and commission payments and associated costs relating to non-deductible expenses for prior periods. As a consequence, its sales, marketing and commission expenses and associated non-deductible costs were understated. The errors have been corrected by restating each of the affected financial statements line items.

The following tables summarizes the impacts on the GP's financial statements.

Statement of financial position

1 January 2018	Impact of correction of error		
In BDT (000)	**As previously reported***	**Adjustments**	**As restated**
Total assets	134,391,445	-	134,391,445
Provisions	15,257,270	3,776,229	19,033,499
Current tax liabilities	26,435,242	(42,862)	26,392,380
Others	54,899,332	-	54,899,332
Total liabilities	**96,591,844**	**3,733,367**	**100,325,211**
Retained earnings	16,440,049	(3,733,367)	12,706,682
Others	21,359,552	-	21,359,552
Total equity	**37,799,601**	**(3,733,367)**	**34,066,234**

31 December 2018			
In BDT (000)	**As previously reported***	**Adjustments**	**As restated**
Total assets	138,713,372	-	138,713,372
Provisions	14,906,423	4,517,372	19,423,795
Current tax liabilities	27,550,278	1,013,310	28,563,588
Others	53,889,590	-	53,889,590
Total liabilities	**96,346,291**	**5,530,682**	**101,876,973**
Retained earnings	21,007,529	(5,530,682)	15,476,847
Others	21,359,552	-	21,359,552
Total equity	**42,367,081**	**(5,530,682)**	**36,836,399**

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018	Impact of correction of error		
In BDT (000)	**As previously reported***	**Adjustments**	**As restated**
Sales, marketing and commissions	(13,475,388)	(602,271)	(14,077,659)
Finance (expense)/income	(1,675,624)	(138,872)	(1,814,496)
Income tax expense	(20,429,314)	(1,056,173)	(21,485,487)
Other	70,740,210	-	70,740,210
Profit	**35,159,884**	**(1,797,316)**	**33,362,568**
Total comprehensive income	**34,949,231**	**(1,797,316)**	**33,151,915**

*Balance as of 1 January 2018 includes adjustment and reclassification on initial application of IFRS 15 as at 1 January 2018.

4 Property, plant and equipment

31 December 2019

Name of assets	Cost					Depreciation					Carrying amount
	As at 01 January 2019	Additions during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2019	As at 01 January 2019	Charged during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2019	As at 31 December 2019
	BDT (000)	BDT (000)	BDT (000)		BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Land (Note 4.1)	807,050	203,558	-	-	1,010,608	-	-	-	-	-	1,010,608
Building	4,048,914	12,269	(14,807)	-	4,046,376	1,603,206	212,614	(11,493)	-	1,804,327	2,242,049
Base station	130,659,066	11,226,383	(7,718,604)	-	134,166,845	84,989,725	10,480,889	(7,618,457)	-	87,852,157	46,314,688
Transmission equipment	37,321,905	732,959	(4,686,329)	-	33,368,535	31,180,206	2,612,979	(4,686,214)	-	29,106,971	4,261,564
Computers and other IT equipment	7,965,572	715,450	(522,194)	-	8,158,828	6,061,439	978,453	(521,422)	-	6,518,470	1,640,358
Furniture and fixtures (including office equipment)	3,014,847	131,389	(212,978)	-	2,933,258	2,573,176	204,892	(212,978)	-	2,565,090	368,168
Vehicles	1,835,407	88,119	(428,876)	-	1,494,650	1,190,735	137,762	(338,235)	-	990,262	504,388
	185,652,761	13,110,127	(13,583,788)	-	185,179,100	127,598,487	14,627,589	(13,388,799)	-	128,837,277	56,341,823
Capital work in progress (Note 4.2)	6,895,340	12,269,521	(13,110,126)	-	6,054,735	-	-	-	-	-	6,054,735
	192,548,101	25,379,648	(26,693,914)		191,233,835	127,598,487	14,627,589	(13,388,799)	-	128,837,277	62,396,558
Fibre Optic Network under finance lease	10,384,982	-	-	(10,384,982)	-	5,558,977	-	-	(5,558,977)	-	-
	202,933,083	25,379,648	(26,693,914)	(10,384,982)	191,233,835	133,157,464	14,627,589	(13,388,799)	(5,558,977)	128,837,277	62,396,558

4 Property, plant and equipment

31 December 2018

Name of assets	Cost					Depreciation					Carrying amount
	As at 01 January 2018	Additions during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2018	As at 01 January 2018	Charged during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2018	As at 31 December 2018
	BDT (000)	BDT (000)	BDT (000)		BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Land (Note 4.1)	807,050	-	-	-	807,050	-	-	-	-	-	807,050
Building	4,048,914	-	-	-	4,048,914	1,402,979	200,227	-	-	1,603,206	2,445,708
Base station	116,956,345	14,890,134	(1,187,413)	-	130,659,066	75,382,593	10,792,294	(1,185,162)	-	84,989,725	45,669,341
Transmission equipment	35,336,436	1,985,469	-	-	37,321,905	26,996,781	4,183,425	-	-	31,180,206	6,141,699
Computers and other IT equipment	7,102,203	996,526	(133,157)	-	7,965,572	5,322,790	871,469	(132,820)	-	6,061,439	1,904,133
Furniture and fixtures (including office equipment)	2,883,275	197,359	(65,787)	-	3,014,847	2,425,491	211,273	(63,588)	-	2,573,176	441,671
Vehicles	1,984,308	164,503	(313,404)	-	1,835,407	1,226,291	201,980	(237,536)	-	1,190,735	644,672
	169,118,531	18,233,991	(1,699,761)		185,652,761	112,756,925	16,460,668	(1,619,106)		127,598,487	58,054,274
Capital work in progress (Note 4.2)	8,984,311	16,145,019	(18,233,990)	-	6,895,340	-	-	-	-	-	6,895,340
	178,102,842	34,379,010	(19,933,751)		192,548,101	112,756,925	16,460,668	(1,619,106)		127,598,487	64,949,614
Fibre Optic Network under finance lease	10,136,149	248,833	-	-	10,384,982	4,998,659	560,318	-	-	5,558,977	4,826,005
	188,238,991	34,627,843	(19,933,751)	-	202,933,083	117,755,584	17,020,986	(1,619,106)	-	133,157,464	69,775,619

4.1 Land

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

4.2 Capital work in progress (CWIP)

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

4.2.1 Capital work in progress - transferred

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

Name of assets	2019 BDT (000)	2018 BDT (000)
Land (Note 4.1)	203,558	-
Building	12,269	-
Base station	11,226,383	14,890,134
Transmission equipment	732,959	1,985,469
Computers and other IT equipment	715,450	996,526
Furniture and fixtures	131,389	197,359
Vehicles	88,119	164,503
	13,110,127	**18,233,991**

4.2.2 Capital work in progress - components

Capital work in progress as at 31 December 2019 included capital inventory of BDT 3,409,990,777 (2018: BDT 3,495,069,519) and work-in-progress of BDT 2,644,744,150 (2018: BDT 3,400,270,450).

5 Intangible assets

31 December 2019

Name of assets	Cost					Depreciation					Carrying amount
	As at 01 January 2019	Additions during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2019	As at 01 January 2019	Charged during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2019	As at 31 December 2019
	BDT (000)	BDT (000)	BDT (000)		BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Software and others (Note 5.1)	10,245,735	1,244,563	-	-	11,490,298	8,924,554	981,884	-	-	9,906,438	1,583,860
Telecom licence and spectrum (Note 5.2)	70,187,066	-	-	(70,187,066)	-	24,493,540	-	-	(24,493,540)	-	-
	80,432,801	1,244,563	-	(70,187,066)	11,490,298	33,418,094	981,884	-	(24,493,540)	9,906,438	1,583,860
Capital work in progress (Note 5.3)	296,875	1,638,631	(1,244,563)	-	690,943	-	-	-	-	-	690,943
	80,729,676	2,883,194	(1,244,563)	(70,187,066)	12,181,241	33,418,094	981,884	-	(24,493,540)	9,906,438	2,274,803

31 December 2018

Name of assets	Cost					Depreciation					Carrying amount
	As at 01 January 2018	Additions during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2018	As at 01 January 2018	Charged during the year	Disposals/ Adjustments during the year	Reclassification during the year	As at 31 December 2018	As at 31 December 2018
	BDT (000)	BDT (000)	BDT (000)		BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Software and others (Note 5.1)	9,417,585	828,150	-	-	10,245,735	8,057,799	866,755	-	-	8,924,554	1,321,181
Telecom licence and spectrum (Note 5.2)	53,049,258	17,137,808	-	-	70,187,066	19,842,102	4,651,438	-	-	24,493,540	45,693,526
	62,466,843	17,965,958	-	-	80,432,801	27,899,901	5,518,193	-	-	33,418,094	47,014,707
Capital work in progress (Note 5.3)	663,056	17,599,777	(17,965,958)	-	296,875	-	-	-	-	-	296,875
	63,129,899	35,565,735	(17,965,958)	-	80,729,676	27,899,901	5,518,193	-	-	33,418,094	47,311,582

5.1 Software and others

Software includes business software and network management software. Business software includes mainly billing software, oracle financial software, data mining software, campaign automation software, DNS Software, Huawei GGSN SW, Charging System Upgrade etc.

5.2 Telecom licence and spectrum

The tenure of Mobile Cellular Licence and 14.6 MHz of spectrum acquired in 1996 expired on 10 November 2011. The tenure of this 2G licence and spectrum was renewed for another 15 years on 7 August 2012 effective from 11 November 2011. This 2G licence and spectrum was recognised in accordance with IAS 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.

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

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

Grameenphone acquired 5 MHz spectrum in 1800 MHz band for 15 years at the spectrum auction held by Bangladesh Telecommunications Regulatory Commission (BTRC) on 19 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 installments 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.

5.3 Capital work in progress (CWIP)

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

6 Leases

A. Leases as lessee

Grameenphone leases land, rooftop, office & residential spaces, warehouse, tower infrastructure facilities and fibre optical network. Telecom licences and spectrums have also been chosen to consider as lease after implementation of IFRS 16. The land, rooftop, office & residential spaces, warehouse, tower infrastructure facilities leases have been entered into since many years ago. Previously, these leases were classified as operating leases under IAS 17. Grameenphone leases fibre optical network which were classified as finance leases under IAS 17. Information about leases for which Grameenphone is a lessee is presented below.

(i) Right-of-use assets

31 December 2019

Name of assets	Cost						Amortization					Carrying amount	
	As at 01 January 2019	Reclassification	Adjustment on initial application of IFRS 16 as at 01 January 2019	Addition during the year	Disposal/ adjustment during the year	As at 31 December 2019	As at 01 January 2019	Reclassification	Charged during the year	Disposal/ adjustment during the year	As at 31 December 2019	As at 31 December 2019	As at 31 December 2018
	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Fibre Optic Network (Note 4)	-	10,384,982	-	112,281	-	10,497,263	-	5,558,977	551,466	-	6,110,443	4,386,820	-
Telecom licence, annual licence renewal fees and spectrum (Note 5)	-	70,187,067	953,261	3,596,844	-	74,737,172	-	24,493,540	4,969,011	-	29,462,551	45,274,621	-
Base transceiver station - Green Field	-	-	763,806	57,941	(16,412)	805,335	-	-	164,795	(3,725)	161,070	644,265	-
Base transceiver station - Roof Top	-	-	2,842,324	479,698	(106,972)	3,215,050	-	-	717,793	(33,781)	684,012	2,531,038	-
Infrastructure sharing site	-	-	5,923,282	(31,143)	-	5,892,139	-	-	1,216,478	-	1,216,478	4,675,661	-
Office/residential space	-	-	680,918	111,514	(77,761)	714,671	-	-	222,023	(23,480)	198,543	516,128	-
	-	80,572,049	11,163,591	4,327,135	(201,145)	95,861,630	-	30,052,517	7,841,566	(60,986)	37,833,097	58,028,533	-

Right-of-use assets addition

Right-of-use assets addition for the year ended 31 December 2019 is BDT 4,327,135,000. BDT 1,804,425,398 has been paid at the time of acquisition and has been classified as part of investing activities in the Statement of Cash Flows. The remaining amount of BDT 2,522,709,602 is paid when falls due and is classified as part of financing activities.

(ii) Lease liabilities

	2019 BDT (000)	2018 BDT (000)
Lease liabilities - non-current portion	13,484,106	4,708,977
Lease liabilities - current portion	7,349,549	-
	20,833,655	4,708,977

(iii) Amounts recognised in profit or loss

	2019 BDT (000)	2018 BDT (000)
Interest on lease liabilities	2,121,092	-
Expense relating to variable lease payments not included in measurement of lease liabilities:		
Revenue sharing, spectrum charges and licence fees	10,107,313	-
Fuel and energy costs	406,413	-
	12,634,818	-

(iv) Amounts recognised in statement of cash flows

	2019 BDT (000)
Total cash outflow for leases (including variable lease payment)	15,419,175

7 Investment in associate

Grameenphone disposed of 51% of its stake in its only subsidiary, Grameenphone IT Ltd. now known as ACISL on 1 September 2013 and retains significant influence over ACISL with its remaining 49% stake.

In accordance with the requirements of IAS 36 Impairment of Assets, the carrying amount of investment in ACISL as at 31 October 2016 was re-assessed for impairment considering the financial performance of ACISL for the period to 31 October 2016 and estimated the recoverable amount from the investment. Based on the assessment, the carrying amount of investment in ACISL (BDT 486,828,493) has been fully impaired. The assessment of recoverable amount from investment in associate remained unchanged as at 31 December 2019 and 31 December 2018.

8 Contract cost

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Opening balance	4,438,240	-
Adjustment on initial application of IFRS 15 as at 1 January 2018	-	4,171,201
Reclassification of deferred costs related to connection revenue on initial application of IFRS 15	-	859,145
Additions during the year	2,231,493	2,193,703
Amortisation during the year	(2,189,576)	(2,785,809)
	4,480,157	4,438,240

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.

9 Other non-current assets

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Appeal deposits	532,910	-
Input VAT claim (Note 9.1)	-	3,807,204
Security deposits for utility services and other investments	22,290	12,029
	555,200	3,819,233

9.1 Input VAT claim

This represents input VAT claim against VAT already deposited at the time of 2G licence renewal in pursuant to the order of the High Court referred to under note 45(c). Considering the fact that resolution of such issues in the regular legal process often takes considerable amount of time and that Grameenphone believes the deposited amount would be recoverable. Despite the discussed facts, Grameenphone is not virtually certain about the recoveribility of the amount and hence it has been treated as a contingent asset under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

10 Inventories

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Handset, data card and other devices	78,171	89,437
SIM card	132,610	117,263
Scratch card	14,660	17,659
	225,441	224,359

10.1 Movement of inventories

	Handset, data card and other device BDT (000)	SIM card BDT (000)	Scratch card BDT (000)
Balance as at 1 January 2018 (Gross)	393,250	128,849	19,699
Purchase during 2018	74,300	437,131	143,976
Issue during 2018	(288,630)	(436,906)	(144,020)
	178,920	129,074	19,655
Adjustment/write-off	(89,482)	(11,810)	(1,995)
Balance as at 31 December 2018 (Net)	89,438	117,264	17,660
Balance as at 1 January 2019 (Gross)	178,920	129,074	19,655
Purchase during 2019	147,940	352,835	143,389
Issue during 2019	(221,655)	(331,981)	(146,281)
	105,205	149,928	16,763
Adjustment/write-off	(27,034)	(17,318)	(2,103)
Balance as at 31 December 2019 (Net)	78,171	132,610	14,660

10.2 Number of inventories

	As at 31 December 2019 Units	As at 31 December 2018 Units
Handset, data card and other device	54,971	59,958
SIM card	5,805,717	5,320,908
Scratch card	139,530,442	142,477,556

10.3 SIM card

SIM cards include SIMs for new connections and replacement SIMs. Both new connection and replacement SIM attract SIM tax. Value added tax (VAT) and supplementary duty (SD) imposed on SIM cards are popularly known as SIM tax.

11 Trade receivables and others

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Trade receivables		
Trade receivables, gross	6,415,255	7,196,312
Impairment loss allowance	(1,763,119)	(1,763,556)
	4,652,136	5,432,756
Other receivables		
Receivables from employees	9,007	5,530
Other non-interest-bearing receivables	1,720,645	1,183,343
	1,729,652	1,188,873
Other non-financial assets		
Prepaid expenses	631,265	590,418
	631,265	590,418
Total trade receivables and others	7,013,053	7,212,047

12 Cash and cash equivalents

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Cash in hand	4,373	6,898
Cash at bank	13,756,304	5,925,394
	13,760,677	5,932,292

12.1 Restricted cash balance

Cash at bank as at 31 December 2019 includes BDT 59,551,312 (2018: BDT 25,893,574) equivalent to unused Mobicash points in customer wallet and is therefore treated as restricted cash balance.

Additionally, Cash at bank as at 31 December 2019 includes BDT 126,331,259 (2018: BDT 111,272,241) equivalent to dividend unclaimed amount, BDT 6,780,675,321 equivalent to unpaid dividend to foreign shareholders due to pending approval from Bangladesh Bank and BDT 12,761,511 (2018: BDT 12,761,511) 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.

13 Net asset value per share

	As at 31 December 2019 BDT	As at 31 December 2018 BDT Restated
Net Asset (BDT)	38,347,405,000	36,836,399,000
Weighted average number of ordinary shares outstanding during the year	1,350,300,022	1,350,300,022
Net asset value per share (par value BDT 10 each) (BDT)	**28.40**	**27.28**

14 Share capital

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Authorised:		
4,000,000,000 ordinary shares of BDT 10 each	40,000,000	40,000,000
	40,000,000	40,000,000
Issued, subscribed, called up and paid up:		
1,350,300,022 ordinary shares of BDT 10 each	13,503,000	13,503,000
	13,503,000	13,503,000

The company was initially registered with ordinary shares of BDT 43.00 each. These shares were subsequently converted into BDT 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 year.

14.1 Shareholding position

a) Percentage of shareholdings

Name of shareholders	% of holding As at 31 December 2019	% of holding As at 31 December 2018	Value of shares (BDT) As at 31 December 2019	Value of shares (BDT) As at 31 December 2018	Date of issue/ Transfer of Shares
Telenor Mobile Communications AS, Norway	55.8%	55.8%	7,534,077,240	7,534,077,240	10 October 1996 24 September 1997 25 August 1998 7 December 1998 19 April 2004 21 October 2004 21 December 2004 31 May 2007 15 July 2008 02 July 2009
Nye Telenor Mobile Communications II AS, Norway	0.0%	0.0%	2,150	2,150	31 May 2007 15 July 2008
Nye Telenor Mobile Communications III AS, Norway	0.0%	0.0%	2,150	2,150	31 May 2007 15 July 2008
Telenor Asia Pte Ltd, Singapore	0.0%	0.0%	2,150	2,150	31 May 2007 15 July 2008
Grameen Telecom, Bangladesh	34.2%	34.2%	4,617,664,090	4,617,664,090	10 October 1996 24 September 1997 25 August 1998 7 December 1998 19 April 2004 21 October 2004 27 November 2004 31 May 2007 15 July 2008 02 July 2009
Grameen Kalyan, Bangladesh	0.0%	0.0%	220	220	31 May 2007 15 July 2008 02 July 2009
Grameen Shakti, Bangladesh	0.0%	0.0%	220	220	31 May 2007 15 July 2008 02 July 2009
General public, Grameenphone employees and institutional	10.0%	10.0%	1,351,252,000	1,351,252,000	28 Oct 2009
	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 2019	No. of shareholders As at 31 December 2018	No. of shares As at 31 December 2019	No. of shares As at 31 December 2018
1-500	24,220	24,438	4,479,685	4,658,294
501-5,000	5,412	5,680	8,565,541	9,108,800
5,001-10,000	467	492	3,347,114	3,557,895
10,001-20,000	237	252	3,318,103	3,591,203
20,001-30,000	99	82	2,452,984	2,020,320
30,001-40,000	49	40	1,732,404	1,392,897
40,001-50,000	34	33	1,564,380	1,544,832
50,001-100,000	71	82	5,130,538	6,194,611
100,001-1,000,000	122	120	38,467,261	36,400,256
1,000,001-1,000,000,000	19	21	1,281,242,012	1,281,830,914
	30,730	31,240	1,350,300,022	1,350,300,022

15 Share premium

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

16 Capital reserve

In 1999, Grameenphone issued 5,086,779 preference shares of BDT 45.84 each, which were converted into ordinary shares of BDT 43.00 each in 2004. The balance BDT 2.84 per share was transferred to capital reserve account. The conversion was in accordance with provisions of Articles of Association of Grameenphone. 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 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 nine installments have been repaid since October 2015 and current outstanding loan balance is USD 34.5 Million (2018: USD 103.50 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 recognised at amortized cost as per IFRS 9 Financial Instruments: Recognition and Measurement.

Current portion of loans and borrowings include part of the above long-term syndicated loan falling due for repayment in next 12 months and as at 31 December 2019 there was no short-term bank loan (2018: Nil).

19 Deferred tax liabilities

Deferred tax assets and liabilities have been recognised and measured in accordance with the provisions of IAS 12 Income Taxes. Related deferred tax (expense)/income have been disclosed in Note 35. The components of deferred tax assets and liabilities are given below:

	Carrying amount	Tax base	Taxable/(deductible) temporary difference
	BDT (000)	BDT (000)	TBDT (000)
As at 31 December 2019			
Property, plant and equipment (excluding land, CWIP and leased assets) (Note 4)	55,331,212	37,609,758	17,721,454
Difference for vehicle (Note 19.1)	(144,028)	-	(144,028)
			17,577,426
Right of use assets (Note 6)	58,028,533	39,150,821	18,877,712
Trade receivables (Note 11)	(1,763,119)	-	(1,763,119)
Lease liabilities including current portion (Note 6)	(21,065,897)	-	(21,065,897)
Other current liabilities (profit sharing plan)	(297,876)	-	(297,876)
Employee benefit plans (funded)	(936,702)	-	(936,702)
Contract acquisition cost (deferred)	940,822	-	940,822
Recoverable income tax on certain aged trading liability	(292,294)	-	(292,294)
Net taxable temporary difference			13,040,073
Net deferred tax liability @40% tax rate (Note 3.11)			5,216,029

	Carrying amount BDT (000)	Tax base BDT (000)	Taxable/(deductible) temporary difference BDT (000)
As at 31 December 2018			
Property, plant and equipment (excluding land, CWIP and leased assets) (Note 4)	57,247,222	39,078,610	18,168,612
Property, plant and equipment under finance lease	4,826,006	-	4,826,006
Difference for vehicle (Note 19.1)	(157,147)	-	(157,147)
			22,837,471
Telecom licence, spectrum, software and others	47,014,707	43,256,103	3,758,604
Liabilities against Telecom License, spectrum, software and others	(4,743,695)	-	(4,743,695)
Trade receivables (Note 11)	(1,763,556)	-	(1,763,556)
Finance lease obligation including current portion (Note 6)	(5,068,060)	-	(5,068,060)
Other current liabilities (profit sharing plan)	(277,946)	-	(277,946)
Employee benefit plans (funded)	(1,599,122)	-	(1,599,122)
Contract Acquisition Cost (deferred)	1,937,143	-	1,937,143
Net taxable temporary difference			15,080,839
Net deferred tax liability @40% tax rate (Note 3.11)			6,032,336

19.1 Difference for vehicle

This represents the permanent difference related to sedan cars, not plying for hire, owned by Grameenphone. As per the provisions of Income Tax Ordinance 1984, depreciation on such cars is allowed only up to certain limit of cost (currently BDT 2.5 million per car) of such cars for tax purpose. Difference for vehicle represents the amount of depreciated cost exceeding such limits.

19.2 Actuarial gain/loss from re-measurement of defined benefit obligations

Deferred tax liabilities as at 31 December 2019 includes net deferred tax asset of BDT 259,958,008 (2018: BDT 311,021,604) for actuarial gain/loss from re-measurement of defined benefit obligations corresponding impact of which has been recognised under other comprehensive income.

20 Employee benefits

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Amounts recognised in the statement of financial position		
Defined benefit obligation	(4,007,132)	(3,996,697)
Fair value of plan assets	3,070,429	2,397,575
Net defined benefit obligation	(936,703)	(1,599,122)
Change in benefit obligation		
Benefit obligation at end of prior year	(3,996,697)	(3,598,814)
Service cost	(352,492)	(585,485)
Interest expense	(298,764)	(245,781)
Benefit payments from plan assets	357,166	245,725
Settlement payments from plan assets	-	293,571
Remeasurements due to change in demographic assumptions	-	485
Remeasurements due to change in financial assumptions	513,147	113,633
Remeasurements due to experience adjustments	(229,492)	(220,031)
Defined benefit obligation at end of year	(4,007,132)	(3,996,697)
Change in fair value of plan assets		
Fair value of plan assets at end of prior year	2,397,575	3,172,348
Interest income	235,332	196,365
Employer contributions	950,685	40,000
Benefit payments from plan assets	(357,166)	(245,725)
Settlement payments from plan assets	-	(293,571)
Remeasurements for return on assets (excluding interest income)	(155,997)	(471,842)
Fair value of plan assets at end of year	3,070,429	2,397,575
Fair value of plan assets		
Cash and cash equivalents	552,720	255,673
Debt instruments	2,517,708	2,141,900
Total	3,070,428	2,397,573
Components of Defined Benefit Cost (DBO)		
Service cost	352,492	585,485
Interest expense on DBO	298,764	245,781
Interest (income) on plan assets	(235,332)	(196,365)
Defined benefit cost included in profit or loss	415,924	634,901

Remeasurements (recognised in other comprehensive income (OCI))		
Due to change in demographic assumptions	-	(485)
Due to change in financial assumptions	(513,147)	(113,634)
Due to change in experience adjustments	229,492	220,031
(Return) on plan assets (excl. interest income)	155,996	471,842
Total remeasurements in OCI	(127,659)	577,754
Total defined benefit cost recognised in profit or loss and OCI	288,265	1,212,655

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Net defined benefit liability (asset) reconciliation		
Opening balance of net defined benefit liability (asset)	1,599,122	426,466
Defined benefit cost included in profit or loss	415,924	634,901
Total remeasurements included in OCI	(127,659)	577,755
Employer contributions	(950,685)	(40,000)
Net defined benefit liability (asset) as of end of year	936,702	1,599,122
Expected cash flows for following year		
Expected employer contributions	352,492	250,000
Expected total benefit payments		
Year 1	523,464	372,273
Year 2	440,979	408,991
Year 3	470,957	441,371
Year 4	496,959	469,849
Year 5	540,713	491,923
Next 5 years	2,976,672	2,848,047
Significant actuarial assumptions		
Discount rate in %	9.30%	7.60%
Future salary growth in %	8.5%	8.5%
Future turnover in %		
Up to age 30	12.5%	12.5%
Age 31-45	10.0%	10.0%
Above 45	10.0%	10.0%
Expected average remaining working lives of employees	9 years	9 years

Sensitivity analysis

A change of 50 basis points in following significant assumptions would have increased/ (decreased) defined benefit obligation of the company by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	As at 31 December 2019		As at 31 December 2018	
	50 bp increase BDT (000)	50 bp decrease BDT (000)	50 bp increase BDT (000)	50 bp decrease BDT (000)
Discount rate in %	(240,517)	29,639	(153,236)	164,034
Future salary growth in %	21,031	(233,590)	152,306	(143,802)

Significant characteristics of plan

Plan sponsor	:	Grameenphone Ltd.
Nature of benefits	:	Final salary defined benefit plan
Risks associated with the plan	:	Plan sponsor bears all the risks associated with the plan
Vesting criteria	:	5 year of continuous service
Applicable salary	:	Last drawn monthly basic salary
Maximum limit of benefit paid	:	No upper limit on benefit
Basis of gratuity	:	Accrued benefit
Normal retirement age	:	60 years
Benefit calculation	:	- Past service of 5 years to 5.5 years: 1 month applicable basic salary for each completed years of service - Up to 10 years: 1.5 month applicable basic salary for each completed years of service - More than 10 years: 2 month applicable basic salary for each completed years of service

21 Other non-current liabilities

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Liability for spectrum acquisition	-	3,445,913
Asset retirement obligations (Note 21.1)	152,391	144,275
Other non-current liabilities	171,566	88,810
	323,957	3,678,998

21.1 Asset retirement obligations (ARO)

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Opening balance	144,275	139,651
Provision made during the year	8,116	4,624
	152,391	144,275
Provision released during the year	-	-
Closing balance	152,391	144,275

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 outflows required to settle such obligations. Unwinding of the discount is charged as finance expense in the profit or loss.

22 Trade payables and others

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Finanacial liabilities		
Trade payables including liability for capital expenditure	10,480,455	12,450,949
Accrued expenses	5,648,100	6,274,734
Lease liabilities	-	222,517
Indirect taxes	1,353,003	1,766,718
	17,481,558	20,714,918
Other non-financial liabilities		
Deferred connection revenue	204,860	581,943
Unearned revenue	4,989,988	5,096,476
	5,194,848	5,678,419
Total trade payables and others	22,676,406	26,393,337

23 Provisions (Restated)

A provision is a liability of uncertain timing or amount. Grameenphone takes provision for those items for which it has obtained related goods or service but vendor is formally yet to bill it. The amount concerning provision is almost certain to both parties and uncertainties exist regarding the timing of billing by vendor. Provisions includes provision for BTRC revenue share, annual operating licence fee, office running, other operational expenses and capital expenditure.

24 Current tax liabilities

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000) Restated
Movement of current tax liabilities is shown as below:		
Opening balance	28,563,588	26,392,380
Provision made during the year including transactions for other comprehensive income	29,028,970	25,506,618
	57,592,558	51,898,998
Paid during the year (incl. tax deducted at source)	(30,675,929)	(20,872,955)
Provision released during the year	1,220,596	(2,462,455)
Closing balance	28,137,225	28,563,588

25 Other current liabilities

Accruals for profit sharing plan	297,876	277,946
Payable for bills pay receipts	518,691	541,580
Dividend unclaimed	126,331	111,272
Security deposits from subscribers and channel partners	537,093	491,614
Dividend payable	6,780,675	-
Others	2,228,990	1,401,106
	10,489,656	2,823,518

26 Revenue

	2019 BDT (000)	2018 BDT (000)
The following is an analysis of revenue for the year:		
Revenue from contract with customers (Note 26.1)	142,117,999	131,192,070
Lease revenues	1,538,272	1,639,897
	143,656,271	132,831,967

26.1 Disaggregation of revenue from contract with customers

Type of goods/ services		
Revenue from mobile communication (Note 26.2)	141,546,924	130,789,466
Revenue from customer equipment (Note 26.3)	185,351	193,589
Other revenues (Note 26.4)	385,724	209,015
	142,117,999	131,192,070
Type of subscription		
Prepaid	135,527,213	125,758,921
Contract	6,019,711	5,030,545
Other	571,075	402,604
	142,117,999	131,192,070
Type of customer		
Consumer	124,697,439	114,450,582
Business	17,420,560	16,741,488
	142,117,999	131,192,070

26.2 Revenue from mobile communication

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

26.3 Revenue from customer equipment

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

26.4 Other revenues

This mainly includes revenue from commission and other income.

27 Cost of material and traffic charges

	2019 BDT (000)	2018 BDT (000)
Traffic charges	7,253,612	6,054,085
Cost of materials and services	1,211,671	1,275,467
	8,465,283	7,329,552

Traffic charges mainly include national and international interconnection cost.

Cost of materials and services includes cost of SIM card, scratch card, devices and contents.

28 Salaries and personnel cost

28.1 Salaries and personnel cost includes salaries, bonuses, different employment benefits including provident, gratuity, profit sharing (WPPF), employee share programme for employees, long term incentive programme for key personnel, training and other related costs. Additionally, gratuity expense includes BDT 820,193,023 (2018: BDT 236,064,243) for voluntary retirement of 154 (2018: 53) employees during the year. The WPPF expense for the year ended 2019 is BDT 3,193,872,380 (2018: BDT 2,779,459,909).

28.2 Number of employees

Total number of employees having annual salary of BDT 36,000 or above each was 2,161 as at 31 December 2019 and 2,313 as at 31 December 2018.

29 Operation and maintenance

	2019 BDT (000)	2018 BDT (000)
Service maintenance fee	3,407,893	3,716,495
Vehicle maintenance expense	369,210	169,201
Other operation and maintenance	2,121,760	1,698,856
	5,898,863	5,584,552

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

30 Sales, marketing and commissions

	2019 BDT (000)	2018 BDT (000)
Sales, marketing and representation costs	135,123	2,011,874
Advertisement and promotional expenses	1,569,233	933,273
Commissions	11,775,662	11,132,513
	13,480,018	14,077,660

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

31 Revenue sharing, spectrum charges and licence fees

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

32 Other operating expenses/(income)

	2019 BDT (000)	2018 BDT (000)
Consultancy and professional services (Note 32.1)	930,032	899,690
Statutory audit fees	2,500	2,500
Rental expense for property, plant and equipment	426,232	3,246,071
Fuel and energy costs	3,840,835	3,565,373
Impairment loss on trade receivables (Note 32.2)	155,302	156,711
Rental and other income	(128,421)	(169,435)
(Gain)/loss on disposal of assets	(47,514)	(98,609)
Others (Note 32.3)	985,383	789,212
	6,164,349	8,391,513

32.1 Consultancy and professional services

This includes fees for accounting and legal services, technical and business consultancy, costs related to settlement of contract and other professional services.

32.2 Impairment loss on trade receivables

	2019	2018
Allowance for impairment of trade receivables during the year (Note 39.1.3)	195,822	189,529
Recovery of impaired trade receivables during the year	(40,520)	(32,818)
	155,302	156,711

Allowance for impairment has been made as per policy of the company mentioned in Note 3.8

32.3 Others

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

33 Depreciation and amortisation

	2019	2018
Property, plant and equipment	14,627,589	17,020,985
Intangible assets	981,884	5,518,193
Right-of-use assets	7,841,566	
	23,451,039	22,539,178

34 Finance expense/(income)

		Restated
Interest income	(597,542)	(398,295)
Interest expense	804,706	2,038,804
Net interest cost on defined benefit obligation	63,432	49,415
Interest expenses on lease liabilities	2,121,092	-
Other finance expenses	131,372	124,572
	2,523,060	1,814,496

35 Income tax expense

		Restated
Current tax expense		
Income tax expenses for the year	29,028,970	25,506,618
Adjustments / provision released during the year	1,220,596	(2,462,455)
	30,249,566	23,044,163
Deferred tax expense/(income)		
Deferred tax expense/(income) relating to origination and reversal of temporary differences	(867,367)	(1,558,677)
	29,382,199	21,485,486

35.1 Reconciliation of effective tax rate

	2019 Percentage	2019 BDT (000)	2018 Percentage Restated	2018 BDT (000) Restated
Profit before tax		63,898,959		54,848,054
Tax using the Company's tax rate	40.00%	25,559,584	40.00%	21,939,222
Tax effect of:				
Provision for non-deductible expenses	2.91%	1,859,790	3.63%	1,991,205
Adjustments / provision released during the year	2.05%	1,312,548	-4.49%	(2,462,454)
Other components of tax as per Income Tax Ordinance 1984	0.99%	634,235	0.00%	-
Permanent difference as per Income Tax Ordinance 1984	0.03%	16,043	0.03%	17,514
	45.98%	29,382,200	39.17%	21,485,487

36 Earnings per share

	2019 BDT (000)	2018 BDT (000)
Profit for the year (in BDT)	34,516,760,000	33,362,568,000
Weighted average number of shares (Note 36.1)	1,350,300,022	1,350,300,022
Basic earnings per share (in BDT)	25.56	24.71
Impact of correction of errors: basic earnings per share (in BDT)	-	1.33
Reported basic earnings per share (in BDT)	25.56	26.04

36.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year 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 year.

36.2 Diluted earnings per share

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

37 Reconciliation of net operating cash flow

	2019 BDT (000)	2018 BDT (000) Restated
Profit after tax	34,516,760	35,159,884
Income tax expense	29,382,199	20,429,314
Profit before tax	63,898,959	55,589,198
Adjustment for:		
Depreciation & Amortization	23,451,039	22,539,178
(Gain)/Loss on Sale of Fixed Assets	(47,514)	(98,609)
Finance (expense)/income, net	2,523,060	1,675,624
Other adjustments	(953,353)	242,757
	88,872,191	79,948,148
Changes in:		
Inventories	(1,082)	238,081
Trade receivables and others	198,994	569,189
Trade payables and others	1,703,414	2,293,247
Provisions	(1,656,989)	(350,849)
Other current liabilities	885,463	(119,675)
Cash generated from operating activities	90,001,990	82,578,141
Interest received	597,542	398,295
Interest paid	(2,530,502)	(1,690,713)
Income tax paid	(30,675,929)	(20,872,955)
Net cash generated from operating activities	57,393,101	60,412,768

38 Net operating cash flow per share

Net operating cash flow (BDT)	57,393,101,000	60,412,767,851
Weighted average number of ordinary shares outstanding during the period	1,350,300,022	1,350,300,022
Net operating cash flow per share (par value BDT 10 each) (BDT)	42.50	44.74

39 Financial risk management

Company's financial risk management is governed by Treasury Policy as approved by the Board of Directors. Company's principal financial assets include trade receivables and others, cash and short-term deposits that arise directly from its operations. Company's financial liabilities mainly include trade payables and others, finance lease obligation and loans and borrowings. The main purpose of these financial liabilities is to finance the company's operations. The company is exposed to credit risk, liquidity risk and market risk in relation to its financial instruments.

39.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's exposure to credit risk primarily relates to trade receivables and balances with banks including short and long term deposits.

Customer credit risk, where appropriate, is assessed by using qualitative and quantitative criteria. Outstanding trade receivables are regularly monitored and appropriate impairment charge is considered as per company's policy.

Credit risk relating to balances with banks is managed by treasury department in accordance with company's policy. Minimizing counterparty risk is given more importance to yield on investment in making investment decisions. Counterparty limits are reviewed and approved by the Board of Directors.

39.1.1 Company's maximum exposure to credit risk for the components of the statement of financial position is represented by the carrying amounts as illustrated below:

	As at 31 December 2019	As at 31 December 2018
	BDT (000)	BDT (000)
Trade receivables (Note 11)	4,652,136	5,432,757
Other current receivables (Note 11)		
Receivables on Employees - Non-Interest Bearing	9,007	5,530
Other non-interest-bearing receivables	1,720,645	1,183,343
	1,729,652	1,188,873
Cash at bank (Note 12)	13,760,677	5,925,394
	20,142,465	12,547,024

39.1.2 Trade receivables, gross

This included interconnection receivables of BDT 3,496,132,460 as at 31 December 2019 (2018: BDT 3,421,019,962). The ageing of gross interconnection receivables as at the statement of financial position date was:

Not past due	1,543,125	1,426,591
0-30 days past due	74,047	84,882
31-60 days past due	59,667	130,538
61-90 days past due	58,214	26,218
91-180 days past due	164,920	67,230
181-365 days past due	39,821	46,470
over 365 days past due	1,556,338	1,639,091
	3,496,132	3,421,020

Other trade receivables (other than receivable from interconnection) as at 31 December 2019 was BDT 2,919,122,965 (2018: BDT 3,775,292,423) The ageing of other trade receivables as at the statement of financial position date was:

Not past due	994,133	788,038
0-30 days past due	854,839	1,968,223
31-60 days past due	255,053	229,882
61-90 days past due	85,409	97,177
91-180 days past due	194,309	158,100
181-365 days past due	208,148	208,166
over 365 days past due	327,232	325,706
	2,919,123	3,775,292

Total not past due trade receivables (gross) as at 31 December 2019 includes receivables of BDT 994,133,000 (2018: BDT 907,023,719) from customers against whom receivables of BDT 1,629,076,998 (2018: BDT 1,701,944,793) became over 365 days past due and provision for bad debt of BDT 1,473,522,573 (2018: BDT 1,489,213,132) provided against those customers. However, as per BTRC guidelines we are obligated to provide services to the inter connection service providers.

39.1.3 Movements in the allowance for impairment of trade receivables during the year was as follows:

Opening balance	1,763,556	1,718,669
Net remeasurement of loss allowance	(195,822)	189,530
	1,567,734	1,908,199
Amounts written off	195,385	(144,643)
Closing balance	1,763,119	1,763,556

39.1.4 Security against trade receivables

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Good and secured	559,817	533,939
Good with personal security/unsecured	4,092,319	4,898,818
Impaired	1,763,119	1,763,555
Gross trade receivables	6,415,255	7,196,312
Impairment loss allowance	(1,763,119)	(1,763,555)
Trade receivables, net	4,652,136	5,432,757

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

Domestic	4,581,939	5,266,336
Asia	35,530	93,955
Europe	24,682	29,700
Australia	878	11,877
America	7,922	30,513
Africa	1,185	376
	4,652,136	5,432,757

39.2 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations as they fall due. The company forecasts its cash flow requirements and ensures that it has sufficient cash and cash equivalents and loan facilities to cover expected needs for liquidity during the next 12 months. The company maintains a balanced maturity profile of debt obligations and in general minimizes current excess cash.

The table below gives the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

As at 31 December 2019

	Carrying amount BDT (000)	Maturity date	Nominal Interest rate	Contractual Cash flows BDT (000)	6 months or less BDT (000)	6-12 months BDT (000)	1-2 years BDT (000)	2-5 years BDT (000)	More than 5 years BDT (000)
Lease liabilities (including current portion)	20,833,655	Multiple	7.1%-15%	27,542,142	3,279,650	4,441,982	5,221,816	10,271,412	4,327,282
Loans and borrowings - long-term	-	-	-	-	-	-	-	-	-
Loans and borrowings - short-term									
Foreign	2,934,284	April 2020	6-month-LIBOR + 3.5%	3,009,698	3,009,698	-	-	-	-
Local	-	-	-	-	-	-	-	-	-
Trade payables and others									
Trade payables including liability for capital expenditure	10,480,455	December 2020	N/A	10,480,455	7,065,485	3,414,970	-	-	-
Accrued expenses	5,648,100	December 2020	N/A	5,648,100	4,346,875	1,301,225	-	-	-
Other current liabilities	10,489,656	December 2020	N/A	10,489,656	7,800,753	2,688,903	-	-	-
	50,386,150			**57,170,050**	**25,502,462**	**11,847,080**	**5,221,816**	**10,271,412**	**4,327,282**

As at 31 December 2018

	Carrying amount BDT (000)	Maturity date	Nominal Interest rate	Contractual Cash flows BDT (000)	6 months or less BDT (000)	6-12 months BDT (000)	1-2 years BDT (000)	2-5 years BDT (000)	More than 5 years BDT (000)
Finance lease obligation (including current portion)	4,931,494	June 2027	15%	9,025,302	467,086	482,153	979,373	4,218,839	2,877,851
Loans and borrowings - long-term	2,894,157	April 2020	6-month-LIBOR + 3.5%	2,973,938	-	-	2,973,938	-	-
Loans and borrowings - short-term									
Foreign	5,759,145	October 2019	6-month-LIBOR + 3.5%	6,216,267	3,152,374	3,063,893	-	-	-
Local	-	-	-	-	-	-	-	-	-
Trade payables and others									
Trade payables including liability for capital expenditure	12,450,949	December 2019	N/A	12,450,950	5,845,654	6,605,296	-	-	-
Accrued expenses	6,274,734	December 2019	N/A	6,274,734	2,611,951	3,662,783	-	-	-
Other current liabilities	2,823,518	December 2019	N/A	2,823,518	1,938,702	884,816	-	-	-
	35,133,997			**39,764,708**	**14,015,767**	**14,698,941**	**3,953,311**	**4,218,839**	**2,877,851**

39.3 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 risk: currency risk, interest rate risk and other price risk.

a) Currency risk

Foreign currency risk is the risk of changes in the fair vale or future cash flows of an exposure due to changes in foreign exchange rates. The company's exposure to foreign currency risk relates primarily to the company's operating activities (consultancy, roaming revenue and expense) and financing activities (borrowing in foreign currency). The company is mainly exposed to changes in USD and NOK rates. The company's exposure to foreign currency changes for other currencies is not material.

i) Exposure to currency risk

The company's exposure to monetary assets and liabilities denominated in foreign currencies was as follows (BDT in thousand):

	As at 31 December 2019					As at 31 December 2018				
	USD	NOK	GBP	EUR	JPY	USD	NOK	GBP	EUR	JPY
Foreign currency denominated assets										
Receivables from Telenor entities	333,686	-	-	-	-	242,930	-	-	-	-
Receivables	307,692	-	-	-	-	311,378	-	-	-	-
Cash at bank	680,648	-	-	-	-	464,429	-	-	-	-
	1,322,026	-	-	-	-	1,018,737	-	-	-	-
Foreign currency denominated liabilities										
Loans and borrowings	(2,934,284)					(8,653,301)				
Payables to others Telenor entities*	(1,579,658)	(4,408,224)				(1,113,078)	(3,460,100)			
Trade payables and others	(404,216)		(9,424)	(22,797)	-	(340,676)			(47,476)	(957)
	(4,918,158)	(4,408,224)	(9,424)	(22,797)		(10,107,055)	(3,460,100)	-	(47,476)	(957)
Net exposure	(3,596,132)	(4,408,224)	(9,424)	(22,797)	-	(9,088,318)	(3,460,100)	-	(47,476)	(957)

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

The following significant exchange rates have been applied:

	Exchange rate as at	
	31 December 2019	31 December 2018
	BDT	BDT
US Dollar (USD)	84.88	83.59
Norwegian Kroner (NOK)	9.67	9.65
Great Britain Pound (GBP)	111.37	106.44
EURO (EUR)	95.08	95.61
Japanese Yen (JPY)	0.78	0.76

Market risk (contd.)

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	Profit or loss		Equity	
	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease
31 December 2019	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Expenditures denominated in USD	(359,613)	359,613	(359,613)	359,613
Expenditures denominated in NOK	(440,822)	440,822	(440,822)	440,822
Expenditures denominated in GBP	(942)	942	(942)	942
Expenditures denominated in EURO	(2,280)	2,280	(2,280)	2,280
Expenditures denominated in JPY	-	-	-	-
Exchange rate sensitivity	(803,657)	803,657	(803,657)	803,657
31 December 2018				
Expenditures denominated in USD	(9,088)	9,088	(9,088)	9,088
Expenditures denominated in NOK	(3,460)	3,460	(3,460)	3,460
Expenditures denominated in GBP	-	-	-	-
Expenditures denominated in EURO	(47)	47	(47)	47
Expenditures denominated in JPY	(1)	1	(1)	1
Exchange rate sensitivity	(12,596)	12,596	(12,596)	12,596

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Exposure to fair value movement relates to fixed rate instruments subject to fair value accounting and exposure to cash flow fluctuation relates to variable rate instruments. The company is primarily exposed to cash flow fluctuation arising from variable rate borrowings. The objective of interest rate risk management for Grameenphone is to reduce financial cost and ensure predictability.

Profile

As at 31 December 2019, the interest rate profile of the company's interest bearing financial instruments was:

	Carrying amount	
	As at 31 December 2019	As at 31 December 2018
	BDT (000)	BDT (000)
Floating rate instruments		
Financial liabilities		
Loans and borrowings	2,934,284	8,653,301

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

Financial assets	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Financial assets at amortized cost		
Trade receivables	4,652,136	5,432,756
Other receivables	1,729,652	1,188,873
Financial liabilities		
Other financial liabilities		
Lease liabilities	20,833,655	4,931,494
Loans and borrowings - long-term	-	2,894,157
Liability for spectrum acquisition - long-term	-	3,445,913
Trade payables and others (except other non-financial liabilities)	17,481,558	20,714,918
Loans and borrowings - short-term	2,934,284	5,759,145
Other current liabilities	10,489,656	2,823,518

* The Company has not disclosed the fair values for financial instruments because their carrying amounts are a reasonable approximation of fair value.

Interest rates used to determine amortised cost

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

	2019	2018
Lease liabilities	7.1%-15%	15.00%
Liability for spectrum acquisition	-	8.50%
Loans and borrowings		
Foreign	6-month-LIBOR + 3.5%	6-month-LIBOR + 3.5%
Local	-	-

* Fair value of such instruments is not likely to be significantly different from the carrying amounts of such instruments.

40 Capital management

For the purpose of company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the company. The primary objective of company's capital management is to support long-term strategic ambitions of the company.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividend, return capital to shareholders, issue new shares or obtain long-term debt. Company has capital structure and dividend policy approved by its Board of Directors.

There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current year.

No changes have been made in the objectives, policies or processes for managing capital during the year ended 31 December 2019.

41 Related party disclosures

During the year ended 31 December 2019, the company entered into a number of transactions with related parties in the normal course of business. The names of the significant related parties, nature of these transactions [expenditures/(revenue)/, receivables/(payables) and dividend payments] and amounts are 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 providing this disclosure.

41.1 Key management personnel compensation

	2019 BDT (000)	2018 BDT (000)
Short term employee benefits	770,240	681,048
Post employment benefits	74,462	58,682
Other long term benefits	40,870	27,339
	885,572	767,069

Key management personnel compensation includes benefits for employees of the rank of Director and above. No remuneration is given to the Board of Directors apart from attendance fees in connection with Board and Board Sub-Committee meetings. During the year 2019, attendance fees in connection with Board and Board Sub-Committee meetings are BDT 865,161 (2018: BDT 1,325,562).

41.2 Debts due from and due to key management personnel

Attendance fees of Board of Directors which are not yet paid, includes BDT 401,581 as at 31 December 2019 (2018: BDT 4,458,119). Other than that no debts were due from and due to key management personnel of the company.

Key management personnel of Grameenphone, may use mobile communication services of Grameenphone. These services may be charged on the arm's length basis after a certain usage limit and trade receivables and others may include receivables for providing mobile communication services to them.

41.3 Other related party transactions during the year

Name of related parties	Nature	Nature of transactions	2019 BDT (000)	2018 BDT (000)
Telenor Mobile Communications AS	Shareholder	Dividend payment	11,677,820	16,951,674
Nye Telenor Mobile Communications II AS	Shareholder	Dividend payment	3	5
Nye Telenor Mobile Communications III AS	Shareholder	Dividend payment	3	5
Telenor Asia Pte. Ltd.	Shareholder	Dividend payment	3	5
Grameen Telecom	Shareholder	Dividend payment	11,313,277	10,389,744
		Commission expense	211,205	187,144
Grameen Kalyan	Shareholder	Dividend payment	0.5	0.5

Name of related parties	Nature	Nature of transactions	2019 BDT (000)	2018 BDT (000)
Grameen Shakti	Shareholder	Dividend payment	0.5	0.5
Accenture Communications Infrastructure Solutions Ltd.	Associate	Purchase of IT service, equipments and softwares	-	-
		Rental income and other income	-	-
		Investment in preference shares	-	-
Telenor ASA	Telenor group entity	Consultancy and professional service fee	1,021,786	1,075,449
		IT support cost	-	103,337
Telenor Global Services AS	Telenor group entity	Consultancy and professional service fee	51,096	38,568
Telenor Myanmar	Telenor group entity	Cost of service fee	399	-
DiGi Telecommunications Sdn Bhd	Telenor group entity	Consultancy and professional service fee	425	-
Telenor Global Shared Services AS	Telenor group entity	Consultancy and professional service fee	383,029	361,039
Telenor Go Pte Ltd.	Telenor group entity	Consultancy and professional service fee including compensation of key management personnel where relevant	253,709	250,046
Telenor Digital AS	Telenor group entity	Consultancy and professional service fee	155,653	572,054
Telenor Health AS	Telenor group entity	Cost of service fee	32,667	30,619
Telenor Procurement Company	Telenor group entity	Cost of service fee	392,983	269,009
Telenor Norway	Telenor group entity	Roaming revenue net of discount	(398)	(909)
		Roaming cost net of discount	86	10
Telenor Sweden	Telenor group entity	Roaming revenue net of discount	(419)	(527)
		Roaming cost net of discount	55	4
Telenor Denmark	Telenor group entity	Roaming revenue net of discount	(462)	934
		Roaming cost net of discount	324	3
Telenor Hungary	Telenor group entity	Roaming revenue net of discount	-	(1)
		Roaming cost net of discount	-	2
Telenor Serbia	Telenor group entity	Roaming revenue net of discount	-	122
		Roaming cost net of discount	-	1

Name of related parties	Nature	Nature of transactions	2019 BDT (000)	2018 BDT (000)
Telenor Montenegro	Telenor group entity	Roaming revenue net of discount	-	(2)
		Roaming cost net of discount	-	1
Telenor Bulgaria	Telenor group entity	Roaming revenue net of discount	-	(0.1)
		Roaming cost net of discount	-	0.2
Telenor Pakistan	Telenor group entity	Roaming revenue net of discount	(13)	(1)
		Roaming cost net of discount	62	20
Telenor Myanmar	Telenor group entity	Roaming revenue net of discount	3	(468)
		Roaming cost net of discount	141	32
Dtac Thailand	Telenor group entity	Roaming revenue net of discount	(184)	(414)
		Roaming cost net of discount	3,543	1,388
Digi Malaysia	Telenor group entity	Roaming revenue net of discount	(9,034)	(4,800)
		Roaming cost net of discount	856	341
Telenor Norge AS	Joint venture of Telenor group	Consultancy and professional service fee	216,192	159,694
Tapad Incorporation	Associated companies of Telenor group	Consultancy and professional service fee	81,391	62,397
Telenor Southeast Asia Investment Limited	Telenor group entity	Technical and Support Maintenance Fees	80,314	63,758
Telenor India Private Limited	Telenor group entity	Technical and Support Maintenance Fees	5,355	15,614
Grameen Distribution	Related to Grameen Telecom through Grameen Telecom Trust	Cost of products	981	300
Grameen Communication	Related to Grameen Telecom	Software solution and maintenance	344	-
Grameen Solutions Limited	Related to Grameen Telecom	Software solution and maintenance	-	400
Snehasish Mahmud & Co.	Associated entity of a member of Board of Directors	Consultancy and professional service fee	241	609

41.4 Receivables/(payables) with other related parties

Name of related parties	Nature	Nature of transactions	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Telenor Mobile Communications AS	Shareholder	Dividend payable	(6,780,670)	-
Nye Telenor Mobile Communications II AS	Shareholder	Dividend payable	(2)	-
Nye Telenor Mobile Communications III AS	Shareholder	Dividend payable	(2)	-
Telenor Asia Pte. Ltd.	Shareholder	Dividend payable	(2)	-
Grameen Telecom	Shareholder	Accounts receivable	-	-
		Accounts payable	(200)	(15,758)
Accenture Communications Infrastructure Solutions Ltd.	Associate	Accounts receivable	5,084	6,360
		Accounts payable	(6,360)	(6,360)
Telenor ASA	Telenor group entity	Accounts receivable	30,958	11,371
		Accounts payable	(2,833,356)	(1,714,261)
Telenor Consult AS	Telenor group entity	Accounts payable	(1,968)	(2,089)
Telenor Global Services AS	Telenor group entity	Accounts receivable	50,235	44,228
		Accounts payable	(96,676)	(57,517)
Telenor Global Shared Services AS	Telenor group entity	Accounts payable	(1,164,047)	(1,499,612)
Telenor Go Pte Ltd	Telenor group entity	Accounts receivable	50,191	50,191
		Accounts payable	(59,791)	(61,969)
Telenor Digital AS	Telenor group entity	Accounts receivable	7,686	3,290
		Accounts payable	(686,524)	(572,054)
Telenor Health AS	Telenor group entity	Accounts receivable	174,076	110,194
		Accounts payable	(71,418)	(15,661)
Telenor Procurement Company	Telenor group entity	Accounts payable	(601,304)	(348,551)
DiGi Telecommunications Sdn Bhd	Telenor group entity	Accounts receivable	-	-
		Accounts payable	(8,593)	-
Telenor Norge AS	Telenor group entity	Accounts receivable	853	-
		Accounts payable	(356,607)	(159,694)
Telenor Southeast Asia Investment Limited	Telenor group entity	Accounts payable	(145,157)	(63,758)

Name of related parties	Nature	Nature of transactions	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Tapad Incorporation	Telenor group entity	Accounts payable	(126,129)	(62,397)
Telenor India Pvt Limited	Telenor group entity	Accounts payable	-	(15,614)
Telenor Norway	Telenor group entity	Accounts receivable	29	1,291
		Accounts payable	(22)	(9)
Telenor Sweden	Telenor group entity	Accounts receivable	142	442
		Accounts payable	(3)	(1)
Telenor Denmark	Telenor group entity	Accounts receivable	18	319
		Accounts payable	(10)	(2)
Telenor Pakistan	Telenor group entity	Accounts receivable	1	1
		Accounts payable	(9)	(9)
Telenor India	Telenor group entity	Accounts receivable	3,616	3,616
Telenor Myanmar	Telenor group entity	Accounts receivable	9,659	5,959
		Accounts payable	(53)	(16)
Dtac Thailand	Telenor group entity	Accounts receivable	1,423	896
		Accounts payable	(1,071)	(431)
Digi Malaysia	Telenor group entity	Accounts receivable	1,221	9,139
		Accounts payable	(486)	(517)
Grameen Distribution	Related to Grameen Telecom through Grameen Telecom Trust	Accounts payable	-	(81)
Grameen Solutions Limited	Related to Grameen Telecom	Accounts payable	(26.00)	(146)
Snehasish Mahmud & Co.	Associated entity of a member of Board of Directors	Accounts payable	(220)	(273)

41.5 Transactions with post-employment benefit plans, Workers' Profit Participation Fund and Workers' Welfare Fund

No other transaction incurred with defined benefit plan other than those disclosed in Note 20. During the year, BDT 548,866,392 (2018: BDT 487,102,883) was transferred to defined contribution plan, BDT 2,555,097,904 (2018: BDT 2,223,567,927) was transferred to Workers' Profit Participation Fund and BDT 319,387,238 (2018: 277,945,991) was transferred to Workers' Welfare Fund.

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

	2019 BDT (000)	2018 BDT (000)
CIF value of imports		
Telecommunication equipment	5,766,109	9,836,198
Expenditure in foreign currency		
Consultancy fee	1,267,976	1,515,179
Consultancy fee - expatriate	259,741	250,046
Other fee (travel and training)	47,774	85,196
Technical know how	1,284,640	1,247,386
International roaming cost net of discount	54,408	37,450
Interest on foreign loan	375,154	687,374
Foreign earnings		
Revenue net of discount from roaming partners	(85,266)	(139,223)

43 Short-term credit facilities available as at 31 December 2019

The company enjoys composite working capital facilities including both funded and non-funded facilities from 11 banks (2018: 11 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 and short term loan. Import loans, though funded in nature, have been incorporated under non-funded facilities given that they are availed solely for the purpose of settlement of LC. The aggregate amount of arranged composite working capital facilities is BDT 40,880 million (2018: BDT 41,118 million) of which non-funded limit is BDT 22,850 million (2018: BDT 23,031 million) and funded limit is BDT 25,440 million (2018: BDT 25,497 million). The limits maintained with some banks are omnibus in nature.

As per the approval of the Board of Directors of Grameenphone, the total amount of short-term funded facilities is limited to BDT 25,500 million (2018: BDT 25,500 million).

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.

44 Commitments

	As at 31 December 2019 BDT (000)	As at 31 December 2018 BDT (000)
Capital commitment (open purchase order) for Property, plant and equipment	3,202,421	3,485,181
Capital commitment (open purchase order) for intangible assets	269,993	228,923

The company as lessee has finance and operating lease commitments as disclosed in Note 17 and Note 32.2.

45 Contingencies

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

(a) BTRC audit

During 2011, Bangladesh Telecommunication Regulatory Commission (BTRC) carried out an information system audit of Grameenphone through BTRC's appointed auditor and issued a demand notice to Grameenphone on 03 October, 2011 claiming an amount of BDT 30,341,108,581 as outstanding dues on various categories. During and after the audit, Grameenphone clarified to both BTRC and their auditors, that those observations were framed on incorrect basis. Thereafter, Grameenphone disagreed to the claim made by BTRC and responded to the letter requesting BTRC to withdraw the notice. Subsequently, Grameenphone filed a Title Suit before the learned District Court, Dhaka challenging the BTRC demand. In an Appeal arising out of the Title Suit, the Hon'ble High Court Division (HCD) passed an order of status quo on the demand, which is effective till disposal of the matter at the Hon'ble HCD.

It is to be noted that in a separate Writ Petition filed by another audit firm challenging the auditor appointment process of BTRC, the appointment of the said auditor by BTRC was declared illegal by the Hon'ble HCD in 2011 for non-compliance with the relevant procurement laws which was later on upheld by the Hon'ble Appellate Division (AD)in 2013. On 30 September, 2018, BTRC filed an application for dismissal of the case without going into the merit. The hearing of the application has not taken place yet.

In 2015, BTRC appointed a new auditor through a fresh appointment process to conduct an information system audit on Grameenphone since inception i.e. 1997 to 2014. As part of the audit process, BTRC appointed auditor shared a summary of the draft audit observations for Grameenphone's feedback on 11 December, 2017. Grameenphone provided feedback clarifying its position against the observations on 18 January, 2018. Subsequently, on 26 August, 2018, BTRC shared the full audit report for Grameenphone's feedback and Grameenphone responded to the same in September 2018.Despite numerous interactions with BTRC and full cooperation to the BTRC appointed auditors, Grameenphone's concerns regarding the audit findings were not addressed by BTRC."

On 02 April, 2019, Grameenphone received a demand (Audit Demand) of BDT 125,799,476,135 from BTRC for payment of BDT 84,940,104,730 (including interest of BDT 61,943,079,371 till Dec 2017) to BTRC and BDT 40,859,371,405 to National Board of Revenue (NBR) within 10 (ten) working days. Pointing out the errors in the methodologies, procedure and substance of the audit exercise, Grameenphone disputed the whole Audit Demand and on 16 April, 2019, replied against the demand requesting BTRC to withdraw the demand and to engage in discussions with a view to find an amicable resolution. On 12 May, 2019, BTRC further directed Grameenphone to make the full payment without any delay. On 20 June, 2019, BTRC again asked Grameenphone to pay the full amount within 10 days. Thereafter, on 23 June, 2019, as a legal recourse, Grameenphone served a notice of arbitration upon BTRC. On 30 June, 2019, Grameenphone again sent a letter to the Secretary, Ministry of Posts and Telecommunication seeking his support in resolving the matter through arbitration process.

On 04 July, 2019, without participating in the arbitration proceedings, BTRC directed International Internet Gateway operators to reduce Grameenphone's internet bandwidth capacity roughly by 30% on the ground of non-payment of the demanded amount. The direction was subsequently withdrawn on 17 July, 2019 considering the impact on subscribers. However, on 22 July, 2019, BTRC imposed operational restrictions through stopping No Objection Certificates (NOCs) and approvals on products and services and equipment import. In this context, on 30 July, 2019, two arbitration applications were moved by Grameenphone before the Hon'ble HCD for appointment of arbitrator on behalf of BTRC and for interim measures against the suspension of approval & NOCs by the BTRC. On 21 October, 2019, the Hon'ble HCD rejected both the applications.

In the meantime, on 14 August, 2019, a proposal letter was sent to BTRC for withdrawal of earlier demand based on 2011 audit and discontinuation of the Title Suit in relation to the 2011 audit in order to remove any perceived road block for BTRC to participate in arbitration on the current audit demand. The letter remains unanswered.

On 26 August, 2019, Grameenphone filed a Title Suit against the Audit Demand, and on 28 August, 2019 Grameenphone moved an application for injunction in the learned District Court with the prayer to stay the suspension of NOCs and to restrain BTRC from taking any steps based on, or pursuant to, or for the realization or enforcement of the Audit Demand. The said application was rejected by the District Court. Against the rejection order, on 17 September, 2019, Grameenphone filed an appeal(First Miscellaneous Appeal) before the Hon'ble HCD.

On 05 September 2019, BTRC issued a show cause notice to Grameenphone as to why Grameenphone's 2G & 3G licenses should not be cancelled. Grameenphone responded timely to the show cause notice on 03 October, 2019.

In parallel, Grameenphone has been continuing engagement with the authorities with a view to find a transparent and amicable resolution. On 18 September, 2019, the Finance Minister in the presence of Minister of Post and Telecommunication, NBR Chairman, BTRC Chairman and representatives of Grameenphone, got involved to pursue a constructive path towards resolving the issue. There, it was expressed that BTRC would withdraw the show cause and impositions to resume normal operations immediately and that Grameenphone would suspend its legal efforts to facilitate a transparent process towards an amicable solution. Despite these constructive efforts BTRC had not lifted any of the operational restrictions imposed by BTRC or the show cause notice.

On 17 October, 2019, in the First Miscellaneous Appeal filed earlier by Grameenphone, the Hon'ble HCD passed an interim order of injunction restraining BTRC, for a period of two months, from taking any steps on the basis of, or pursuant to, or for the realization of or enforcement of the Audit Demand dated 02 April, 2019.The Hon'ble HCD also stayed, for a period of two months, operation of the BTRC letter dated 22 July, 2019 (regarding suspension of NOC for importation of equipment/ software and suspension of tariff/service package etc. approvals).

Challenging the said interim order of stay and injunction passed by the Hon'ble HCD, BTRC moved to the Hon'ble AD and on 24 November, 2019, the Hon'ble AD pronounced its Order that the interim order of stay and injunction dated 17 October, 2019 passed by the Hon'ble HCD is maintained subject to the condition that Grameenphone shall pay BDT 20,000,000,000 to BTRC within a period of three months; in default of the payment of the said money within the specified time the interim order of stay and injunction passed by the Hon'ble HCD shall stand vacated.

On 18 December, 2019, the Hon'ble HCD has extended the interim order and injunction for one month in the absence of the certified copy of the Order passed by the Hon'ble AD. Upon receiving the certified copy of the Order passed by the Hon'ble AD, the Hon'ble HCD has adjourned hearing of the First Miscellaneous Appeal (along with the injunction application) till 24 February, 2020.

On 26 January 2020, GP filed a Review Petition before the Hon'ble AD of the Supreme Court of Bangladesh. Grameenphone has requested the Hon'ble AD so that the Order dated 24 November 2019 may kindly be reviewed so as to allow Grameenphone to instead deposit 25% of the principal amount demanded by BTRC, which amounts to BDT 5,749,256,339.75, to be paid in 12 equal monthly installments from the date of order to be passed by the Court on the review application. This does not reflect Grameenphone's view on the substance or merit of the matter.

The original Title Suit pending at the learned District Court is fixed on 03 March, 2020 for reply (written statement) of defendants i.e. BTRC & Auditor.

As follows from the above, despite GP disagreeing with the audit demand as a basis for the audit claim, GP has consistently tried to engage the authorities to find a transparent process towards an amicable solution based on the merits of the audit findings. BTRC has, however, refused to meet to discuss the substance of the claims following the feedback GP provided against the audit observations in 2018; in 2019 BTRC rejected to enter into an agreement to refer the matter to arbitration and in October, 2019, BTRC did not follow up on pursuing the constructive path towards a solution initiated in the 18 September 2019 meeting and subsequent invitations for continued dialogue have been rejected. In light of these events, at this stage GP has concerns over the prospects of an amicable solution based on merit. Grameenphone has performed a detailed assessment of the BTRC and NBR demands and obtained legal advice for each of the various matters / demands received. Overall, the BTRC Audit Demand is comprised of claims against 26 line items of which 22 line items are related to BTRC payments (BDT 22,997,025,359 as principal amount and BDT 61,943,079,371 as interest amount) and are fully unjustified from Grameenphone's position; and no provision has been recorded based on the audit demand dated 02 April, 2019 as such.

The other 4 line items (with a total amount of BDT 40,859,371,405) are unauthorized and erroneously claimed by BTRC and are related to already resolved matter or where NBR has no claim against GP or matters pending in ongoing formal resolution processes (sub-judice) with the NBR. In the NBR matters, Grameenphone had already made the relevant provisions.

Pointing out the errors in the substance, methodologies and procedures of the audit exercise Grameenphone disputed the whole Audit Demand and requested the BTRC to engage in discussion for an amicable resolution. Thereafter, due to non-response by BTRC, applications for arbitration under local law and thereafter Civil Suit and appeal were filed in Bangladesh Courts. As of now, there has not been any judicial determination of the merits of the demand dated 02 April 2019 based on the disputed audit report nor any substantive discussion before any regulatory forum.

The errors in the audit-findings, the unprecedented long period covered by the audit (more than 20 years backwards), the inclusion of already settled/resolved items, the erroneous claim on behalf of third parties, the inclusion of sub-judice items in conjunction with the absence of merit based determination through any solution process create significant uncertainty about the validity of the demand and outcome of the dispute. Therefore, as of now no reliable estimation of liability can be derived.

(b) SIM tax on replacement SIMs

Large Taxpayers' Unit (LTU)-VAT through a letter dated 16 May, 2012 claimed SIM tax of BDT 15,804,391,570 including interests of BDT 5,454,810,667 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. The said demand was made based on extrapolating the outcome of only five randomly purchased SIMs by LTU-VAT. Grameenphone challenged the demand by a Writ Petition before the Hon'ble High Court Division (HCD) and the Hon'ble HCD on 6 June, 2013 disposed of the Writ Petition directing the Commissioner, LTU-VAT to decide on this matter within 120 days and make no demand in the meantime. Consequently a SIM Replacement Review Committee was constituted by the Commissioner. The LTU-VAT authority in January, 2014 finalized their observations without changing their earlier position significantly.

The mobile operators expressed their dissatisfaction over the findings and the way LTU-VAT members of the Review Committee disregarded the spirit of the 'Terms of Reference' and agreed methodology as endorsed by BTRC in carrying out the review.

Thereafter, the Commissioner, LTU-VAT issued an order dated 18 May, 2015 purporting to dispose of the show cause notice and finalize the demand at BDT 10,232,331,083 as SIM tax. The revised demand includes substantially all replacements done by Grameenphone between July, 2007 and December, 2011.

At this juncture, Grameenphone filed an appeal before the Customs, Excise & VAT Appellate Tribunal under Section 42(1)(Kha) of the VAT Act 1991 against the demand. Even though Grameenphone believes that the claim against it is not likely to be legally enforceable, 10% of the disputed amount had to be deposited at the time of appeal due to statutory requirement. 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. Grameenphone considered the deposit as a contingent asset under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

On 5 June, 2017, the VAT Appellate Tribunal dismissed the Appeals filed by Grameenphone and other mobile operators. The judgement was communicated to Grameenphone on 18 July, 2017. Subsequently on 19 July, 2017, challenging the said Judgement & Order of the Tribunal, Grameenphone filed a VAT Appeal before the Hon'ble HCD wherein the Hon'ble HCD has stayed the operation of the Judgement & Order of the Tribunal. The Hon'ble HCD fixed the appeal for hearing which will be concluded as per accommodation of the court.

Further, 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 HCD 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 demand upon depositing 10% of the demanded amount as appeal fee due to statutory requirement and considered the deposit as a contingent asset under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. On 23 March, 2019 the Tribunal passed judgement against Grameenphone and on 27 June, 2019 Grameenphone filed appeal before the Hon'ble HCD. On 27 August, 2019, the Hon'ble HCD stayed the operation of the judgement passed by the Tribunal. The appeal is now pending before the Hon'ble HCD for adjudication.

Subsequently during November, 2017, the commissioner of LTU-VAT issued a separate show-cause notice for the similar issue covering the period from January, 2012 to June, 2012 for an amount of BDT 823,342,916. As per provision of the VAT Act-1991 which was prevailing at that point of time, LTU-VAT cannot claim any amount beyond 5 years, hence the claim is time barred. Grameenphone replied to the show cause notice accordingly. Subsequently the hearing before the LTU-VAT Commissioner took place on 31 January, 2019 following which LTU-VAT has not concluded on the demand yet although the statutory limitation to conclude such demand was 120 days from issuance of the show-cause i.e. 23 November, 2017.

Out of this NBR claim, BDT 10,232,331,083 are also part of BTRC audit claim dated 02 April, 2019 as discussed in Note 45(a) above.

(c) VAT rebate on 2G licence renewal fee

Grameenphone was under legal obligation to deduct 15% VAT at source from the payments to any licensing authorities including BTRC pursuant to insertion of Rule 18(Uma) in Value Added Tax Rules, 1991 which became effective from 1 July 2010. Since then Grameenphone complied with the same. However, the dispute arose in 2011 at the time of Grameenphone's 2G License Renewal when BTRC stipulated in License Renewal Guideline to make the payment 'without any deduction'. In 2011 mobile operators including Grameenphone challenged such stipulation in separate Writ Petitions before the Hon'ble High Court Division (HCD) wherein the Court allowed Grameenphone to exercise the right to claim rebate subject to payment of VAT in addition to BTRC's claim amount. However, Grameenphone, BTRC and NBR filed separate appeals before the Hon'ble Appellate Division (AD) which are now pending for hearing. It should be noted that after amendments in Value Added Tax Rules, 1991, in 2012 at the time of making payment for 2nd installment of 2G Spectrum Assignment Fee, Grameenphone exercised its right to claim rebate of VAT which was subsequently cancelled by the Large Taxpayers' Unit (LTU)-VAT since

BTRC, not being a VAT registered entity, could not provide legally required VAT Challan i.e. Mushak-11. Grameenphone challenged such cancellation by another Writ Petition which is pending before the Hon'ble HCD.

100% of the Licence Renewal Fee has been capitalised based on the assumption that Grameenphone's VAT exposure will be nil. This assumption is based on the Hon'ble High Court's verdict which allowed Grameenphone to exercise its right to claim rebate against the paid VAT.

However, the lawsuit over the VAT mechanism is still pending before the AD for BDT 2,397,282,000 and Grameenphone's rebate right case for BDT 1,409,922,000 is pending before the Hon'ble HCD. Grameenphone considered the deposited VAT amount of BDT 3,807,204,000 as a contingent asset under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

If the Hon'ble AD rules that Grameenphone would be required to pay VAT and would not be able to exercise the right to claim rebate for this VAT, Grameenphone's financial exposure on capitalized License Renewal Fee for this would increase by BDT 1,069,596,000.

Out of this dispute, BDT 4,876,800,000 are also part of BTRC audit claim dated 02 April, 2019 as discussed in Note 45(a) above.

(d) Claim for VAT based on C&AG audit

Large Taxpayers' Unit (LTU)-VAT on 14 May, 2014 issued 8 demand-cum-show cause notices for a total amount of BDT 16,597,269,891 referring to an audit report prepared by Local and Revenue Audit Directorate of Comptroller and Auditor General (C&AG) office of Bangladesh. C&AG office made this audit report for the fiscal year 2010-11 and 2011-12. Grameenphone disagreed to the findings of the audit report referred by LTU-VAT due to lack of jurisdiction of C&AG office to conduct audit on the matters of private entity under the Constitution of Bangladesh. Moreover, improper procedures were followed during the course of the assessment and relevant facts as well as legal provisions were misconstrued in reaching the conclusion. Grameenphone challenged the notices by filing a Writ Petition before Hon'ble High Court Division HCD and the Hon'ble HCD on 15 December 2014 passed the judgement by making the rule absolute in favour of Grameenphone and setting aside the demand notices.

Thereafter, NBR filed a Civil Petition for Leave to Appeal before the Hon'ble Appellate Division (AD) and on 5 March, 2017 the Hon'ble AD disposed of the said Civil Petition for Leave to Appeal. Subsequently in connection with the demand-cum-show cause notices dated 14 May, 2014 Grameenphone provided information and documentation to the VAT authority which they have reviewed, which we believe should be to their satisfaction.

BTRC audit claim dated 02 April, 2019 as discussed in Note 45(a) above also includes this issue as well which Grameenphone believes is now resolved with the NBR and the Hon'ble AD also disposed of the said Civil Petition for Leave to Appeal.

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

National Board of Revenue (NBR) through a General Order dated 9 June, 2005 fixed Tariff Value determining SIM Tax (Supplementary Duty and VAT) on SIM Card at BDT 2,172.20. Challenging the legality of such imposition of SIM Tax, one subscriber filed a Writ Petition before the Hon'ble High Court Division (HCD) and the Hon'ble HCD on 25 June, 2005 by an interim order stayed the operation of the General Order. Accordingly the mobile operators including Grameenphone could not collect SIM Tax from the customers since the collection of SIM Tax was suspended. Subsequently, on 24 August, 2006 Hon'ble HCD passed judgement declaring the imposition of SIM Tax on SIM Card as illegal. Upon a Civil Petition filed by the NBR, the judgement of the Hon'ble HCD was initially stayed by the Hon'ble Appellate Division (AD) on 27 March, 2007 and finally on 1 August, 2012 the Hon'ble AD reversed the judgement of Hon'ble HCD declaring the imposition of SIM Tax as legal. NBR issued a demand notice after the judgement of the Hon'ble AD and BDT 3,480,971,703 was paid by Grameenphone on 12 September, 2012 on protest.

On 9 May, 2016 Large Tax Payers' Unit (LTU)-VAT issued a show cause notice on Grameenphone for interest amounting BDT 4,525,263,202 for the delay in payment of SIM Tax on sale of SIM during the period August, 2006 to March, 2007 for a period of 65 months, i.e. the period between 1 April, 2007 and the day before the date of the payment made by Grameenphone, i.e. 11 September, 2012 during which the matter was pending before the Hon'ble AD for disposal. Subsequently, NBR issued a demand notice on 22 June, 2016 for the same amount which was challenged by Grameenphone through filing an appeal before the Hon'ble Customs, Excise & VAT Appellate Tribunal. 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. Grameenphone has considered the deposit as a contingent asset under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The appeal was heard before the Hon'ble Customs, Excise and VAT Appellate Tribunal on 28 March, 2017.

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 judgement on 11 April 2018. Subsequently, Grameenphone filed a VAT Appeal before Hon'ble HCD, challenging the said judgement of the Tribunal on 31 May 2018. On 10 July 2018, HCD stayed the judgement of the Tribunal till disposal of the VAT Appeal.

As per direction of the Hon'ble HCD, Grameenphone has submitted the relevant documents. The Hon'ble HCD fixed the appeal for hearing which will be heard as per accommodation of the court.

In January, 2019, International Financial Reporting Interpretations Committee (IFRIC) published Committee's agenda decisions addressing accounting treatment for the deposits relating to indirect taxes. After a thorough analysis, the appeal deposit of 10% has been reinstated to long term receivables by crediting profit or loss account.

(f) 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 Fibre 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 Hon'ble AD and subject to adjustment, if any, as per the decision of the Review. However, after assessment, Grameenphone decided not to pursue for Review Petition against the decision of the AD.

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. Pursuant to the said demand letter, on 24 May, 2018, Grameenphone sent a letter to BR for resolution of the dispute by stating its legal position. Thereafter, BR refused the proposal for amicable resolution on 29 July, 2018. After assessment, Grameenphone decided to resolve the dispute through arbitration and Grameenphone is now taking preparation to initiate arbitration proceedings.

(g) Large Taxpayers' Unit (LTU)-VAT audit

In October, 2018, LTU-VAT authorities initiated a VAT audit covering the period from January, 2014 to June, 2018. On 18 September, 2019 LTU-VAT authorities issued an audit report covering the period from January, 2014 to December, 2018 and issued four show cause notices demanding BDT 6,884,626,451 in different areas including VAT on commission. Grameenphone replied to the notices on 3 October 2019. Following Grameenphone's reply, the hearing before the LTU-VAT Commission took place on 5 November, 2019. Thereafter, Grameenphone assessed the exposure being BDT 2,632,947,932 and proposed a full and final settlement of this amount towards LTU-VAT. LTU-VAT and Grameenphone engaged in a transparent and amicable resolution process under which on 28 November, 2019 GP made a partial payment of BDT 1,000,000,000 towards the final settlement. Subsequently, LTU-VAT formed a committee to review the matter.

46 Other disclosures

46.1 Segment information

Grameenphone essentially provides similar products and services to customers across the country and its products and services essentially have similar risk profile. Grameenphone's business is not organised in product or geographical components and its operating result is reviewed as a whole by its management. Hence, segment information is not relevant.

46.2 Events after the reporting period

The Board of Directors of Grameenphone Ltd. at its 216th meeting held on 27 January 2020 recommended a final cash dividend amounting to BDT 5,401,200,088 being 40% of the paid-up capital (i.e. BDT 04.00 per share) for the year 2019. Total cash dividend including this final cash dividend stands at 130% of the paid-up capital (i.e. BDT 13.00 per share) for the year 2019. These dividends are subject to final approval by the shareholders at the forthcoming annual general meeting of the company.