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Report to the Shareholders of Grameenphone Ltd.

(As required under the BSEC Corporate Governance Guidelines)

We have examined the compliance status to the Corporate Governance Code by Grameenphone Ltd. for the year ended on 31 December 2018. This Code relates to the Notification No,BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;

b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;

c) Proper books and records have been kept by the Company as required under the Companies Act, 1994, the securities laws and other relevant laws; and

d) The Governance of the Company is satisfactory.

This is also no endorsement about quality of contents in the Annual Report of the Company for 2018.

Abu Sayeed Mohammad Nayeem, FCA
Partner
ACNABIN
Chartered Accountants

27 January 2019

FINANCIAL STATEMENTS 2018

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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 2018, 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 2018, 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

We draw attention to Note 45 to the financial statements, where management explains the circumstances of claim from Bangladesh Telecommunication Regulatory Commission (BTRC), claim from National Board of Revenue (NBR) for SIM tax on replacement SIMs, the uncertainties of getting rebate of input VAT related to 2G licence renewal fee and claim from Large Taxpayers Unit (LTU) – VAT based on assessment by office of the Comptroller and Auditor General (C&AG), interest claim on SIM tax from NBR and management's position on the same. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements for 2018. These matters were addressed in the context of the audit of the financial statements as a whole, 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.

Appropriateness of revenue recognition and disclosures on the impact of the initial application of IFRS 15

Revenue of BDT 132.80 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, customer loyalty rewards, 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.

In addition, the application of the new standard on revenue recognition, "International Financial Reporting Standard 15 – Revenue from Contracts with Customers" (IFRS 15), will have a significant impact from the financial year 2018 onward, which has been presented in the Note 3.18.2 to the financial statements for the financial year 2018. Grameenphone Ltd. has exercised the option of initial application to recognise the cumulative effect of contract assets and the costs of obtaining contracts using the modified approach. In view of the expected material impact and the complexity of the company wide implementation of the new standard, the presentation of the actual impact was of particular importance for our audit.

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 recognising revenue as part of our audit. Furthermore, in order to mitigate the inherent risk in this audit area, our audit approach included testing of the controls and substantive audit procedures, including:

- Assessing the environment of the measurement as well as other relevant systems supporting the accounting of revenue, including the implemented controls of system changes.
- Assessing controls for IT-systems and procedures supporting revenue recognition.
- Assessing the invoicing and measurement systems up to entries in the general ledger.
- Examining customer invoices and receipts of payment on a test basis.
- Testing 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 assured ourselves of the appropriateness of the systems, processes, and controls in place and that the estimates and assumptions made by management are sufficiently documented and substantiated to ensure that revenue is properly recognised.

With regard to the impact of the initial application of IFRS 15 from the financial year 2018 onward, we assessed the impact determined after the implementation of the new standard. Our audit approach included, among other items:

- Assessing the accounting estimates made for the different business models of the Company.
- Assessing the design of the processes set up to account for the transactions in accordance with the new standard.
- Reviewing and assessing management's calculation which were used to adjust the opening balance of equity.

Claims, litigations and contingent liabilities

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 regulatory matters are under further review of relevant regulatory committee and review of legal or arbitrational proceedings; and they are uncertain in timing of resolutions and amount or consequences.

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 or not a liability should be recognised involves judgment 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;
- Analysis of responses in legal letters independently obtained from the external legal counsels of the Company;
- Analysis of the minutes of meetings of the Board of Directors and the Board Audit Committee;
- Analysis of assessment of contingent liabilities and changes in provisions for claims and litigations which are updated on a quarterly basis;
- Assess disclosures in the financial statements which are potentially of material contingent nature and their measurement.

Uncertain tax positions

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 unfavourable 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 have taken into consideration the complexity of accounting and tax issues, internal control; 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:

- Discussing with the management regarding tax matters, tax jurisdictions and tax communications;
- Identifying and testing relevant controls over tax accounts and financial statement disclosures;
- Analysis of responses in letters independently obtained from the tax consultant and external counsels of the Company on various matters;
- Substantive procedures performed including vouching account reconciliations and tracing amounts to the appropriate underlying support and trial balances; and
- Analysis of the accounting of the pre-tax effects of transactions and the tax technical application to specific transactions.

Other matters

The financial statements of Grameenphone Ltd. for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 29 January 2018.

Other information included in the Company's 2018 Annual Report

Other information consists of the information included in The Company's 2018 Annual Report other than the financial statements and our auditor's report thereon. We obtained 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 judgment and maintain professional skepticism 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.

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.

A. Qasem & Co.
Chartered Accountants

Dhaka, 27 January 2019

Grameenphone Ltd.
Statement of financial position
As at 31 December 2018

Assets	Notes	31 December 2018 BDT (000)	31 December 2017 BDT (000)
Non-current assets			
Property, plant and equipment	4	69,775,619	70,483,407
Intangible assets	5	47,311,582	35,229,998
Contract cost	7	4,438,240	-
Other non-current assets	8	3,819,233	3,848,495
Total non-current assets		125,344,674	109,561,900
Current assets			
Inventories	9	224,359	462,440
Trade receivables and others	10	7,212,047	7,781,236
Cash and cash equivalents	11	5,932,292	12,414,668
Total current assets		13,368,698	20,658,344
Total assets		138,713,372	130,220,244
Equity and liabilities			
Shareholders' equity			
Share capital	13	13,503,000	13,503,000
Share premium	14	7,840,226	7,840,226
Capital reserve	15	14,446	14,446
Deposit from shareholders	16	1,880	1,880
Retained earnings		21,007,530	13,761,900
Total equity		42,367,082	35,121,452
Non-current liabilities			
Finance lease obligation	17	4,708,977	4,930,194
Loans and borrowings	18	2,894,157	8,539,290
Deferred tax liabilities	19	6,032,336	6,238,396
Employee benefits	20	1,599,122	426,466
Other non-current liabilities	21	3,678,998	423,735
Total non-current liabilities		18,913,590	20,558,081
Current liabilities			
Trade payables and others	22	26,393,337	24,225,379
Provisions	23	14,906,422	15,257,271
Loans and borrowings	18	5,759,145	5,679,626
Current tax liabilities	24	27,550,278	26,435,242
Other current liabilities	25	2,823,518	2,943,193
Total current liabilities		77,432,700	74,540,711
Total equity and liabilities		138,713,372	130,220,244

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 2019

Grameenphone Ltd.
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Notes	2018 BDT (000)	2017 BDT (000)
Revenue	26	132,831,967	128,435,814
Cost of material and traffic charges	27	(7,329,552)	(10,322,076)
Salaries and personnel cost	28	(8,561,724)	(8,826,168)
Operation and maintenance	29	(5,584,552)	(4,011,750)
Sales, marketing and commissions	30	(13,475,388)	(11,256,660)
Revenue sharing, spectrum charges and licence fees	31	(9,570,806)	(9,816,951)
Other operating (expenses)/income	32	(8,391,513)	(10,911,229)
Depreciation and amortisation	33	(22,539,178)	(23,336,591)
		(75,452,713)	(78,481,425)
Operating profit		57,379,254	49,954,389
Finance (expense)/income	34	(1,675,624)	(1,467,214)
Foreign exchange (loss)/gain		(114,432)	(1,164,885)
		(1,790,056)	(2,632,099)
Profit before tax		55,589,198	47,322,290
Income tax expense	35	(20,429,314)	(19,899,642)
Profit after tax		35,159,884	27,422,648
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	20	(351,088)	762,284
Related taxes		140,435	(304,914)
		(210,653)	457,370
Total comprehensive income for the year		34,949,231	27,880,018
Earnings per share			
Basic earnings per share (per value BDT 10 each in BDT)	36	26.04	20.31

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 2019

Grameenphone Ltd.
Statement of changes in equity
for the year ended 31 December 2018

	Share capital	Share premium	Capital reserve	Deposit from shareholders	Retained earnings	Total
	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Balance as at 01 January 2017	13,503,000	7,840,226	14,446	1,880	12,212,732	33,572,284
Transactions with the equity holders:						
Final dividend for 2016	-	-	-	-	(12,152,700)	(12,152,700)
Interim dividend for 2017	-	-	-	-	(14,178,150)	(14,178,150)
Total comprehensive income for 2017						
Profit for the year	-	-	-	-	27,422,648	27,422,648
Other comprehensive income/(loss)	-	-	-	-	457,370	457,370
Balance as at 31 December 2017	13,503,000	7,840,226	14,446	1,880	13,761,900	35,121,452
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
Restated balance as at 01 January 2018	13,503,000	7,840,226	14,446	1,880	16,440,049	37,799,601
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	-	-	-	-	35,159,884	35,159,884
Other comprehensive income/(loss)	-	-	-	-	(210,653)	(210,653)
Balance as at 31 December 2018	13,503,000	7,840,226	14,446	1,880	21,007,530	42,367,082

Grameenphone Ltd.
Statement of cash flows
For the year ended 31 December 2018

	2018 BDT (000)	2017 BDT (000)
Cash flows from operating activities		
Cash receipts from customers	132,599,654	127,506,605
Payroll and other payments to employees	(7,780,088)	(8,581,995)
Payments to suppliers, contractors and others*	(42,241,425)	(44,993,252)
Interest received	398,295	397,940
Interest paid	(1,690,713)	(1,848,595)
Income tax paid	(20,872,955)	(14,709,416)
	(72,186,886)	(69,735,318)
Net cash generated from operating activities	60,412,768	57,771,287
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment and intangible assets	(30,378,864)	(13,086,584)
Proceeds from sale of property, plant and equipment	179,266	241,347
Investment in preference shares	-	(99,000)
Net cash used in investing activities	(30,199,598)	(12,944,237)
Cash flows from financing activities		
Proceeds from/(Payment) of short-term bank loan	-	(2,688,200)
Payment of long-term loan	(5,833,955)	(5,653,890)
Payment of dividend	(30,381,750)	(26,330,850)
Payment of finance lease obligation	(483,089)	(663,359)
Net cash used in financing activities	(36,698,794)	(35,336,299)
Net change in cash and cash equivalents	(6,485,624)	9,490,751
Cash and cash equivalents as at 01 January	12,414,668	2,911,860
Effect of exchange rate fluctuations on cash held*	3,248	12,057
Cash and cash equivalents as at 31 December (Note 11)	5,932,292	12,414,668

* Comparative figures have been rearranged to segregate the effect of exchange rate fluctuations on cash held in foreign currency denominated bank account.

Grameenphone Ltd.
Notes to the financial statements
for the year ended 31 December 2018

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 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 2018. Hence, for understanding of Grameenphone's stand-alone financial performance, a separate statement of profit or loss and other comprehensive income is not necessary.

These financial statements have been prepared 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 2019.

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 a lease agreement with Bangladesh Railway for Fibre Optic Network (FON) and this lease has been treated as finance lease. For details, please see note 17 to these financial statements.
2. The company has significant influence over Accenture Communications Infrastructure Solutions Ltd. (ACISL).
3. The company has entered into lease agreements for base stations, switch locations and office space. After evaluation of the terms and conditions of these agreements, the company has determined that it does not have substantial risks and rewards related to the assets. For operating lease commitments, please see note 32.2 to these financial statements.

Estimates and assumptions

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

1. Applicable tax rate for Income Year 2018 will be declared by Finance Act 2019. For the purpose of these financial statements, management has assumed that the existing corporate tax rate (40%) will be applicable for Income Year 2018 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 2018.
3. Key assumptions about the likelihood and magnitude of outflow of resources have been used to recognise and measure provisions and contingencies.
4. Recoverable amount of Investment in Associate.

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:

	2018	2017
	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
Leased asset		
Fibre Optic Network (FON)	22.5 - 30	22.5 - 30

(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:

	2018 Years	2017 Years
Software and others		
Pulse Code Modulation (PCM)	5	5
Billing software	5	5
Other operational software	3-7	3-7
Network management software	7	7
Telecom licence and spectrum		
Spectrum-2008	18	18
Telecom licence and spectrum -2011	15	15
3G licence and spectrum	15	15
4G licence and spectrum	15	N/A

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. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

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

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

Impairment of financial assets

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

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

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

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

Measurement of Expected Credit Losses (ECL)

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

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

Presentation of impairment

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

Impairment losses related to trade 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)

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
2018	40%
2017	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. These are disclosed in the notes to the financial statements.

3.13 Revenue from contract with customers

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

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

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

Nature of goods and services

The following is a description of the principal activities from which the company generates its revenue *(a) Subscription and traffic fees*

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

(b) Connection fees

A connection fee received in the beginning is not considered a separate performance obligation as the connection or SIM card is not a distinct goods or service that is delivered initially. Connection fees that are charged and not allocated to the other elements of an arrangement are deferred and recognised over the periods in which the fees are expected to be earned. The earning period is the average expected lifetime of the customer i.e. four years.

(c) Commission income

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

(d) Customer equipment

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

(e) Discounts

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

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 stand-alone 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 capitalised but to the extent of connection revenue earned. These costs are amortised 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.

3.14 Leases

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

(a) The company as lessee

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

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

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

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

(b) The company as lessor

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

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

3.15 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/BAS 21 *The Effects of Changes in Foreign Exchange Rates.*

3.16 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.

3.17 Events after the reporting period

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

3.18 Changes in Significant accounting policies

3.18.1 IFRS 9 Financial Instruments

3.18.1.1 Nature and effect of changes

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

3.18.2 IFRS 15 Revenue from Contracts with Customers

3.18.2.1 Nature and effect of changes

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

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

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

Below is the summary of the impact of transition to IFRS 15 on retained earnings.

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

(b) The following table summarises the impact of adopting IFRS 15 on the Grameenphone's statement of financial position as at 31 December 2018 and its statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There is no impact of adopting IFRS 15 on Grameenphone's statement of cash flows for the year ended 31 December 2018.

Impact on the statement of financial position

As at 31 December 2018 in BDT (000)

	As reported	Adjustments	Amounts without adoption of IFRS 15
Assets			
Non-current assets			
Contact cost	4,438,240	(4,438,240)	-
Total non-current assets	125,344,674	(4,438,240)	120,906,434
Current assets			
Trade receivables and others	7,212,047	525,012	7,737,059
Total current assets	13,368,698	525,012	13,893,710
Total assets	138,713,372	(3,913,228)	134,800,144
Equity and liabilities			
Shareholders' equity			
Retained earnings	21,007,530	(2,396,654)	18,610,876
Total equity	42,367,082	(2,396,654)	39,970,428
Non-current liabilities			
Deferred tax liabilities	6,032,336	(774,857)	5,257,479
Total non-current liabilities	18,913,590	(774,857)	18,138,733
Current liabilities			
Current tax liabilities	27,550,278	(741,718)	26,808,560
Total current liabilities	77,432,700	(741,718)	76,690,982
Total equity and liabilities	138,713,372	(3,913,229)	134,800,143

Impact on the statement of profit or loss and other comprehensive income for the year ended 31 December 2018 in BDT (000)

	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue	132,831,967	-	132,831,967
Operating expenses			
Cost of material and traffic charges	(7,329,552)	(67,486)	(7,397,038)
Sales, marketing and commissions	(13,475,388)	325,459	(13,149,929)
Operating profit	57,379,254	257,973	57,637,227
Profit before tax	55,589,198	257,973	55,847,171
Income tax expense	(20,429,314)	23,522	(20,405,792)
Profit after tax	35,159,884	281,495	35,441,379
Total comprehensive income for the period	34,949,231	281,495	35,230,726

4 Property, plant and equipment

31 December 2018

Name of assets	Cost				Depreciation				Carrying amount
	As at 1 January 2018	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2018	As at 1 January 2018	Charged during the year	Disposal/ Adjustment 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)
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 Property, plant and equipment

31 December 2017

Name of assets	Cost: As at 1 January 2017	Cost: Addition during the year	Cost: Disposal/ Adjustment during the year	Cost: As at 31 December 2017	Depreciation: As at 1 January 2017	Depreciation: Charged during the year	Depreciation: Disposal/ Adjustment during the year	Depreciation: As at 31 December 2017	Carrying amount: As at 31 December 2017
	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	4,050,657	-	(1,743)	4,048,914	1,204,901	198,078	-	1,402,979	2,645,935
Base station	110,501,615	9,290,617	(2,835,887)	116,956,345	66,422,116	11,652,069	(2,691,591)	75,382,593	41,573,752
Transmission equipment	33,573,136	1,763,300	-	35,336,436	21,822,928	5,173,852	-	26,996,781	8,339,656
Computers and other IT equipment	6,440,528	722,620	(60,945)	7,102,203	4,536,567	843,947	(57,724)	5,322,790	1,779,413
Furniture and fixtures (including office equipment)	2,787,604	135,385	(39,714)	2,883,275	2,345,144	120,061	(39,714)	2,425,491	457,784
Vehicles	1,998,059	162,497	(176,247)	1,984,308	1,124,788	229,629	(128,125)	1,226,291	758,017
	160,158,649	12,074,418	(3,114,536)	169,118,531	97,456,444	18,217,636	(2,917,155)	112,756,924	56,361,607
Capital work in progress (Note 4.2)	9,306,246	12,125,457	(12,447,392)	8,984,311	-	-	-	-	8,984,311
	169,464,895	24,199,875	(15,561,928)	178,102,842	97,456,444	18,217,636	(2,917,155)	112,756,924	65,345,917
Fibre Optic Network under finance lease	9,267,245	868,904	-	10,136,149	4,488,119	510,540	-	4,998,659	5,137,490
	178,732,140	25,068,779	(15,561,928)	188,238,991	101,944,563	18,728,176	(2,917,155)	117,755,583	70,483,407

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	2018 BDT (000)	2017 BDT (000)
Base station	14,890,134	9,290,617
Transmission equipment	1,985,469	1,763,300
Computers and other IT equipment	996,526	722,620
Furniture and fixtures	197,359	135,385
Vehicles	164,503	162,497
	18,233,991	12,074,419

Total transfer of CWIP during 2018 does not include any capital inventory write off/adjustment (2017: BDT 372,973,680).

4.2.2 Capital work in progress - components

Capital work in progress as at 31 December 2018 included capital inventory of BDT 3,495,069,519 (2017: BDT 4,002,677,696) and work-in-progress of BDT 3,400,270,450 (2017: BDT 4,981,632,920).

5 Intangible assets

31 December 2018

Name of assets	Cost: As at 1 January 2018	Cost: Addition during the year	Cost: Disposal/ Adjustment during the year	Cost: As at 31 December 2018	Amortisation: As at 1 January 2018	Amortisation: Charged during the year	Amortisation: Disposal/ Adjustment during the year	Amortisation: As at 31 December 2018	Carrying amount: As at 31 December 2018
	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

31 December 2017

Name of assets	Cost: As at 1 January 2017	Cost: Addition during the year	Cost: Disposal/ Adjustment during the year	Cost: As at 31 December 2017	Amortisation: As at 1 January 2017	Amortisation: Charged during the year	Amortisation: Disposal/ Adjustment during the year	Amortisation: As at 31 December 2017	Carrying amount: As at 31 December 2017
	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Software and others (Note 5.1)	8,352,333	1,065,252	-	9,417,585	6,969,481	1,088,318	-	8,057,799	1,359,786
Telecom licence and spectrum (Note 5.2)	53,049,258	-	-	53,049,258	16,322,005	3,520,097	-	19,842,102	33,207,156
	61,401,592	1,065,252	-	62,466,844	23,291,486	4,608,415	-	27,899,901	34,566,942
Capital work in progress (Note 5.3)	73,317	1,654,991	(1,065,252)	663,056	-	-	-	-	663,056
	61,474,908	2,720,244	(1,065,252)	63,129,900	23,291,486	4,608,415	-	27,899,901	35,229,998

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 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 Licence 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 the 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 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 2018 and 31 December 2017.

7 Contract cost

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Opening balance	-	-
Adjustment on initial application of IFRS 15 as at 1 January 2018	4,171,201	-
Reclassification of deferred costs related to connection revenue	859,145	-
Additions during the year	2,193,703	-
Amortisation during the year	(2,785,809)	-
	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.

8 Other non-current assets

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Input VAT claim (Note 8.1)	3,807,204	3,807,204
Security deposits for utility services and other investments	12,029	41,291
	3,819,233	3,848,495

8.1 Input VAT claim

This represents input VAT claim against VAT already deposited at the time of 2G licence acquisition in accordance with 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, this amount has been classified as non-current asset.

9 Inventories

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Handset, data card and other devices	89,437	323,169
SIM card	117,263	119,605
Scratch card	17,659	19,666
	224,359	462,440

9.1 Movement of inventories

	Handset, data card and other device BDT (000)	SIM card BDT (000)	Scratch card BDT (000)
Balance as at 1 January 2017 (Gross)	521,360	143,933	62,304
Purchase during 2017	2,256,431	914,261	292,817
Issue during 2017	(2,384,541)	(929,345)	(335,422)
	393,250	128,849	19,699
Adjustment/write-off	(70,081)	(9,244)	(33)
Balance as at 31 December 2017 (Net)	323,169	119,605	19,666
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

9.2 Number of inventories

	As at 31 December 2018 Units	As at 31 December 2017 Units
Handset, data card and other device	59,958	65,497
SIM card	5,320,908	5,847,659
Scratch card	142,477,556	134,522,778

9.3 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.

10 Trade receivables and others

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Trade receivables		
Trade receivables, gross (Note 39.1.2)	7,196,312	6,806,204
Impairment loss allowance (Note 39.1.3)	(1,763,556)	(1,718,669)
	5,432,756	5,087,535
Other receivables		
Receivables from employees	5,530	4,366
Other non-interest-bearing receivables	1,183,343	1,162,466
	1,188,873	1,166,832
Other non-financial assets		
Deferred costs related to connection revenue	-	859,145
Prepaid expenses	590,418	667,724
	590,418	1,526,869
Total trade receivables and other	7,212,047	7,781,236

10.1 Future minimum lease payments receivables

Future minimum lease payments receivables during non-cancellable period from operating leases are as follows:

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
(i) Not later than one year	1,359,588	733,650
(ii) Later than one year but not later than five years	404,632	521,529
	1,764,220	1,255,179

11 Cash and cash equivalents

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Cash in hand	6,898	9,961
Cash at bank	5,925,394	12,404,707
	5,932,292	12,414,668

11.1 Restricted cash balance

Cash at bank as at 31 December 2018 includes BDT 25,893,574 (2017: BDT 18,982,159) equivalent to unused Mobicash points in customer wallet and is therefore treated as restricted cash balance.

Additionally, Cash at bank as at 31 December 2018 includes BDT 111,272,241 (2017: BDT 102,840,174) equivalent to dividend unclaimed amount and BDT 12,761,511 (2017: BDT 12,777,564) equivalent to unclaimed IPO subscription amount. According to Articles of Association (AoA) of Grameenphone, if dividend has not been claimed for three years after passing of either the resolution at a General Meeting declaring the dividend or the resolution of the Board of Directors providing for payment for that dividend, the Board of Directors may invest the unclaimed dividend or use it in some other way for the benefit of the Company until the dividend is claimed.

12 Net asset value per share

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Net Asset (BDT)	42,367,082,000	35,121,452,490
Weighted average number of ordinary shares outstanding during the period	1,350,300,022	1,350,300,022
Net asset value per share (par value BDT 10 each) (BDT)	31.38	26.01

13 Share capital

	As at 31 December 2018 BDT (000)	As at 31 December 2017 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 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.

13.1 Shareholding position

a) Percentage of shareholdings

Name of shareholders	% of holding As at 31 December 2018	% of holding As at 31 December 2017	Value of shares (BDT) As at 31 December 2018	Value of shares (BDT) As at 31 December 2017	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 October 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 2018	No. of shareholders As at 31 December 2017	No. of shares As at 31 December 2018	No. of shares As at 31 December 2017
1-500	24,438	23,964	4,658,294	4,618,667
501-5,000	5,680	5,250	9,108,800	8,443,991
5,001-10,000	492	450	3,557,895	3,271,249
10,001-20,000	252	238	3,591,203	3,392,632
20,001-30,000	82	76	2,020,320	1,846,202
30,001-40,000	40	56	1,392,897	1,954,986
40,001-50,000	33	22	1,544,832	1,013,502
50,001-100,000	82	65	6,194,611	4,664,490
100,001-1,000,000	120	115	36,400,256	36,535,713
1,000,001-1,000,000,000	21	28	1,281,830,914	1,284,558,590
	31,240	30,264	1,350,300,022	1,350,300,022

14 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.

15 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.

16 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.

17 Finance lease obligation

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

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

Apart from the above, Grameenphone has obtained total 1,153.60 Km of fibre optic network (FON) from Summit Communications Limited against a lease contract for 30 years. This lease has been treated as finance lease as per IAS 17 Leases. There was no lease obligation as of 31 December 2018 for this FON (2017: BDT Nil).

	As at 31 December 2018	As at 31 December 2017
	BDT (000)	BDT (000)
Finance lease obligation	4,931,494	5,413,283
Less: Current portion (Note 22)	222,517	483,089
	4,708,977	4,930,194

	Future minimum lease payments	Interest	Present value of minimum lease payments
	BDT (000)	BDT (000)	BDT (000)
Future minimum lease payments and their present value as at 31 December 2018 were as follows:			
(i) Not later than one year	950,539	728,022	222,517
(ii) Later than one year but not later than five years	4,098,301	2,428,805	1,669,496
(iii) Later than five years	3,977,763	938,282	3,039,481
	9,026,603	4,095,108	4,931,494
Future minimum lease payments and their present value as at 31 December 2017 were as follows:			
(i) Not later than one year	1,238,775	755,686	483,089
(ii) Later than one year but not later than five years	3,977,763	2,646,899	1,330,864
(iii) Later than five years	5,047,540	1,448,210	3,599,330
	10,264,078	4,850,794	5,413,283

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 seven installments have been repaid since October 2015 and current outstanding loan balance is USD 103.50 Million (2017: USD 172.50 Million). The final installment is scheduled to be paid in April 2020. The syndicate members include IFC, DEG, FMO, Proparco, CDC and OFID. This financial liability has been recognised at amortised 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 2018 there was no short-term bank loan (2017: Nil).

19 Deferred tax liabilities

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

	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 (Note 4)	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 Licence, spectrum, software and others	(4,743,695)	-	(4,743,695)
Trade receivables (Note 10)	(1,763,556)	-	(1,763,556)
Finance lease obligation including current portion (Note 17)	(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
Deferred tax liability @40% tax rate (Note 3.11)			6,032,336
As at 31 December 2017			
Property, plant and equipment (excluding land, CWIP and leased assets) (Note 4)	55,554,556	36,443,874	19,110,683
Property, plant and equipment under finance lease (Note 4)	5,137,490	-	5,137,490
Difference for vehicle (Note 19.1)	(152,845)	-	(152,845)
			24,095,328
Telecom licence, spectrum, software and others	34,566,942	35,271,271	(704,328)
Trade receivables (Note 10)	5,087,535	6,806,204	(1,718,670)
Finance lease obligation including current portion (Note 17)	(5,413,283)	-	(5,413,283)
Other current liabilities (profit sharing plan)	(236,591)	-	(236,591)
Employee benefit plans (funded)	(426,466)	-	(426,466)
Net taxable temporary difference			15,595,990
Deferred tax liability @40% tax rate (Note 3.11)			6,238,396

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 2018 includes net deferred tax asset of BDT 311,021,604 (2017: BDT 170,586,508) 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 2018 BDT (000)	As at 31 December 2017 BDT (000)
Amounts recognised in the statement of financial position		
Defined benefit obligation	(3,996,695)	(3,598,814)
Fair value of plan assets	2,397,573	3,172,347
Net defined benefit obligation	(1,599,122)	(426,466)
Change in benefit obligation		
Benefit obligation at end of prior year	(3,598,814)	(4,000,142)
Service cost	(585,485)	(285,354)
Interest expense	(245,781)	(265,560)
Benefit payments from plan assets	245,725	49,866
Benefit payments from employer	-	-
Settlement payments from plan assets	293,571	407,769
Remeasurements due to change in demographic assumptions	485	187,458
Remeasurements due to change in financial assumptions	113,634	566,007
Remeasurements due to experience adjustments	(220,031)	(258,858)
Defined benefit obligation at end of year	(3,996,696)	(3,598,814)
Change in fair value of plan assets		
Fair value of plan assets at end of prior year	3,172,347	2,665,056
Interest income	196,365	184,254
Total employer contributions	-	-
(i) Employer contributions	40,000	512,994
(ii) Employer direct benefit payments	-	-
Benefit payments from plan assets	(245,725)	(49,866)
Benefit payments from employer	-	-
Settlement payments from plan assets	(293,571)	(407,769)
Remeasurements for return on assets (excluding interest income)	(471,842)	267,677
Fair value of plan assets at end of year	2,397,574	3,172,347
Fair value of plan assets		
Cash and cash equivalents	255,673	780,000
Debt instruments	2,141,900	2,392,347
Total	2,397,573	3,172,347
Components of Defined Benefit Cost (DBO)		
Service cost	585,485	285,354
Interest expense on DBO	245,781	265,560
Interest (income) on plan assets	(196,365)	(184,254)
Defined benefit cost included in profit or loss	634,901	366,659
Remeasurements (recognised in other comprehensive income (OCI))		
Due to change in demographic assumptions	(485)	(187,458)
Due to change in financial assumptions	(113,634)	(566,007)
Due to change in experience adjustments	220,031	258,858
(Return) on plan assets (excl. interest income)	471,842	(267,677)
Total remeasurements in OCI	577,754	(762,284)
Total defined benefit cost recognised in profit or loss and OCI	1,212,655	(395,625)
Net defined benefit liability (asset) reconciliation		
Opening balance of net defined benefit liability (asset)	426,466	1,335,086
Defined benefit cost included in profit or loss	634,901	366,659
Total remeasurements included in OCI	577,754	(762,285)
Employer contributions	(40,000)	(512,994)
Employer direct benefit payments	-	-
Net defined benefit liability (asset) as of end of year	1,599,122	426,466

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Expected cash flows for following year		
Expected employer contributions	250,000	350,000
Expected total benefit payments		
Year 1	372,273	417,476
Year 2	408,991	340,788
Year 3	441,371	374,711
Year 4	469,849	404,500
Year 5	491,923	431,056
Next 5 years	2,848,047	2,503,270

	As at 31 December 2018	As at 31 December 2017
Significant actuarial assumptions		
Discount rate in %	7.60%	7.25%
Future salary growth in %	8.5%	8.5%
Future turnover in %		
Up to age 30	12.5%	12.0%
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 2018		As at 31 December 2017	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
	BDT (000)	BDT (000)	BDT (000)	BDT (000)
Discount rate in %	(153,236)	164,034	(138,872)	149,007
Future salary growth in %	152,306	(143,802)	138,204	(130,214)

Significant characteristics of plan

Plan sponsor	:	Grameenphone
Nature of benefits	:	Final salary defined benefit plan
Risks associated with the plan	:	Plan sponsor bears interest rate risks associated of the plan
Vesting criteria	:	5 year of continuous service
Applicable salary	:	Last drawn monthly 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 2018 BDT (000)	As at 31 December 2017 BDT (000)
Liability for spectrum acquisition	3,445,913	-
Asset retirement obligations (Note 21.1)	144,275	139,651
Other non-current liabilities	88,810	284,084
	3,678,998	423,735

21.1 Asset retirement obligations (ARO)

Opening balance	139,651	124,157
Provision made during the year	4,624	19,442
	144,275	143,599
Provision released during the year	-	(3,948)
Closing balance	144,275	139,651

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

Financial liabilities		
Trade payables including liability for capital expenditure	12,450,949	11,293,719
Accrued expenses	6,274,734	5,122,408
Finance lease obligation	222,517	483,089
Indirect taxes	1,766,718	1,645,305
	20,714,918	18,544,521
Other non-financial liabilities		
Deferred connection revenue	581,943	953,712
Unearned revenue	5,096,476	4,727,146
	5,678,419	5,680,858
Total trade payables and others	26,393,337	24,225,379

23 Provisions

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

Movement of current tax liabilities is shown as under:

Opening balance	26,435,242	18,942,559
Provision made during the year including transactions for other comprehensive income	25,062,791	22,320,271
	51,498,033	41,262,830
Paid during the year (incl. tax deducted at source)	(20,872,955)	(14,709,415)
Provision released during the year	(3,074,800)	(118,173)
Closing balance	27,550,278	26,435,242

25 Other current liabilities

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Accruals for profit sharing plan	277,946	236,591
Payable for bills pay receipts	541,580	694,199
Dividend unclaimed	111,272	102,840
Security deposits from subscribers and channel partners	491,614	455,709
Others	1,401,106	1,453,854
	2,823,518	2,943,193

26 Revenue

The following is an analysis of revenue for the year:	2018 BDT (000)	2017 BDT (000)
Revenue from contract with customers (Note 26.1)	131,192,070	126,700,355
Lease revenues	1,639,897	1,735,459
	132,831,967	128,435,814

26.1 Disaggregation of revenue from contract with customers

	2018 BDT (000)	2017 BDT (000)
Type of goods/services		
Revenue from mobile communication (Note 26.2)	130,789,466	123,716,181
Revenue from customer equipment (Note 26.3)	193,589	2,475,132
Other revenues (Note 26.4)	209,015	509,042
	131,192,070	126,700,355
Type of subscription		
Prepaid	125,758,921	118,904,772
Contract	5,030,545	4,811,409
Other	402,604	2,984,174
	131,192,070	126,700,355
Type of customer		
Consumer	114,450,582	108,810,530
Business	16,741,488	17,889,825
	131,192,070	126,700,355

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

	2018 BDT (000)	2017 BDT (000)
Traffic charges	6,054,085	5,599,981
Cost of materials and services	1,275,467	4,722,095
	7,329,552	10,322,076

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 236,064,243 (2017: BDT 1,062,079,853) for voluntary retirement of 53 (2017: 276) employees during the year. The WPPF expense for the year ended 2018 is BDT 2,779,459,909 (2017: BDT 2,361,754,805)

28.2 Number of employees

Total number of employees having annual salary of BDT 36,000 or above each was 2,313 as at 31 December 2018 and 2,397 as at 31 December 2017.

29 Operation and maintenance

	2018 BDT (000)	2017 BDT (000)
Service maintenance fee	3,716,495	2,588,980
Vehicle maintenance expense	169,201	298,131
Other operation and maintenance	1,698,856	1,124,639
	5,584,552	4,011,750

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

30 Sales, marketing and commissions

Sales, marketing and representation costs	2,011,874	344,021
Advertisement and promotional expenses	933,273	867,029
Commissions	10,530,241	10,045,610
	13,475,388	11,256,660

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 licencing conditions. Licencing conditions also require Grameenphone to pay annual licence fee and annual spectrum fee and charges.

32 Other operating expenses/(income)

Consultancy and professional services (Note 32.1)	899,690	2,191,038
Statutory audit fees	2,500	2,500
Rental expense for property, plant and equipment	3,246,071	3,323,749
Fuel and energy costs	3,565,373	2,885,095
Impairment loss on trade receivables (Note 32.3)	156,711	1,013,599
Rental and other income	(169,435)	(285,721)
(Gain)/loss on disposal of assets	(98,609)	200,183
Others (Note 32.4)	789,212	1,580,786
	8,391,513	10,911,229

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 Rental expense for property, plant and equipment

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

	2018 BDT (000)	2017 BDT (000)
(i) Not later than one year	1,419,077	1,398,676
(ii) Later than one year but not later than five years	1,640,144	-
(iii) Later than five years	1,087,890	-
	4,147,111	1,398,676

32.3 Impairment loss on trade receivables

Allowance for impairment of trade receivables during the year (Note 39.1.3)	189,529	1,043,747
Recovery of impaired trade receivables during the year	(32,818)	(30,148)
	156,711	1,013,599

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

32.4 Others

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

33 Depreciation and amortisation

Depreciation of property, plant and equipment	17,020,985	18,728,176
Amortisation of intangible assets	5,518,193	4,608,415
	22,539,178	23,336,591

34 Finance expense/(income)

Interest income	(398,295)	(397,940)
Interest expense	1,899,932	1,637,392
Net interest cost on defined benefit obligation	49,415	81,306
Other finance expenses	124,572	146,456
	1,675,624	1,467,214

35 Income tax expense

Current tax expense		
Income tax expenses for the year (Note 3.11)	25,062,791	22,378,805
Provision released during the year	(3,074,800)	(118,173)
	21,987,991	22,260,632
Deferred tax expense/(income)		
Deferred tax expense/(income) relating to origination and reversal of temporary differences	(1,558,677)	(2,360,990)
	20,429,314	19,899,642

36 Earnings per share

	2018 BDT	2017 BDT
Profit for the year (in BDT)	35,159,884,215	27,422,648,473
Weighted average number of shares (Note 36.1)	1,350,300,022	1,350,300,022
Basic earnings per share (Note 3.16) (in BDT)	26.04	20.31

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

	2018 BDT (000)	2017 BDT (000)
Profit after tax	35,159,884	27,422,648
Income tax expense	20,429,314	19,899,642
Profit before tax	55,589,198	47,322,290
Adjustment for:		
Depreciation & Amortisation	22,539,178	23,336,591
(Gain)/Loss on Sale of Fixed Assets	(98,609)	200,183
Finance (expense)/income, net	1,675,624	1,467,214
Other adjustments	242,757	797,609
	79,948,148	73,123,887
Changes in:		
Inventories	238,081	102,964
Trade receivables and others	569,189	(317,260)
Trade payables and others	2,293,247	(1,077,157)
Provisions	(350,849)	983,215
Other current liabilities	(119,675)	1,115,708
Cash generated from operating activities	82,578,141	73,931,357
Interest received	398,295	397,940
Interest paid	(1,690,713)	(1,848,595)
Income tax paid	(20,872,955)	(14,709,416)
Net cash generated from operating activities	60,412,768	57,771,287

38 Net operating cash flow per share

	2018 BDT	2017 BDT
Net operating cash flow (BDT)	60,412,767,851	57,771,287,228
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)	44.74	42.78

39 Financial risk management

Company's financial risk management is governed by the 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 the treasury department in accordance with company's policy. Minimising 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 2018 BDT (000)	As at 31 December 2017 BDT (000)
Trade receivables	5,432,757	5,087,535
Other current receivables		
Receivables on Employees - Non-Interest Bearing	5,530	4,366
Other non-interest-bearing receivables	1,183,343	1,162,466
	1,188,873	1,166,832
Cash at bank	5,925,394	12,404,707
	12,547,024	18,659,074

39.1.2 Trade receivables, gross

This included interconnection receivables of BDT 3,421,019,962 as at 31 December 2018 (2017: BDT 3,933,867,239). The ageing of gross interconnection receivables as at the statement of financial position date was:

	2018	2017
Not past due	1,426,591	1,873,714
0-30 days past due	84,882	105,118
31-60 days past due	130,538	93,520
61-90 days past due	26,218	16,738
91-180 days past due	67,230	61,994
181-365 days past due	46,470	274,309
over 365 days past due	1,639,091	1,508,474
	3,421,020	3,933,867

Other trade receivables (other than receivable from interconnection) as at 31 December 2018 was BDT 3,775,292,423 (2017: BDT 2,872,337,585 The ageing of other trade receivables as at the statement of financial position date was:

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Not past due	788,038	1,235,127
0-30 days past due	1,968,223	969,906
31-60 days past due	229,882	134,581
61-90 days past due	97,177	79,869
91-180 days past due	158,100	131,537
181-365 days past due	208,166	193,687
over 365 days past due	325,706	127,631
	3,775,292	2,872,338

Total not past due trade receivables (gross) as at 31 December 2018 includes receivables of BDT 907,023,719 (2017: BDT 1,307,850,541) from customers against whom receivables of BDT BDT1,701,944,793 (2017: BDT 1,509,119,354) became over 365 days past due and provision for bad debt of BDT 1,489,213,132 (2017: BDT 1,471,401,591) 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	1,718,669	997,093
Net remeasurement of loss allowance	189,530	1,043,747
	1,908,199	2,040,840
Amounts written off	(144,643)	(322,171)
Closing balance	1,763,556	1,718,669

39.1.4 Security against trade receivables

Good and secured	533,939	496,563
Good with personal security/unsecured	4,898,818	4,590,972
Impaired	1,763,555	1,718,669
Gross trade receivables	7,196,312	6,806,204
Impairment loss allowance	(1,763,555)	(1,718,669)
Trade receivables, net	5,432,757	5,087,535

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	5,266,336	5,007,870
Asia	93,955	54,255
Europe	29,700	16,894
Australia	11,877	1,289
America	30,513	6,813
Africa	376	414
	5,432,757	5,087,535

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 minimises 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 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	14,015,768	14,698,941	3,953,311	4,218,839	2,877,851

As at 31 December 2017

	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)	5,413,283	June 2027	15%	10,264,078	452,019	786,756	949,239	1,988,881	6,087,183
Loans and borrowings - long-term	8,539,290	April 2020	6-month-LIBOR+3.5%	8,994,784	-	-	6,069,094	2,925,689	-
Loans and borrowings - short-term									
Foreign	5,679,626	October2018	6-month-LIBOR+3.5%	6,358,585	3,215,578	3,143,006	-	-	-
Local	-	-	-	-	-	-	-	-	-
Trade payables and others									
Trade payables including liability for capital expenditure	11,293,719	December 2018	N/A	11,293,719	4,785,402	6,508,317	-	-	-
Accrued expenses	5,122,408	December 2018	N/A	5,122,408	2,919,773	2,202,636	-	-	-
Other current liabilities	2,943,193	December 2018	N/A	2,943,193	2,943,193	-	-	-	-
	38,991,519			44,976,766	14,315,966	12,640,715	7,018,333	4,914,571	6,087,183

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 2018					As at 31 December 2017				
	USD	NOK	GBP	EUR	JPY	USD	NOK	GBP	EUR	JPY
Foreign currency denominated assets										
Receivable from Telenor entities	242,930	-	-	-	-	196,036	-	-	-	-
Accounts receivable	311,378	-	-	-	-	177,722	-	-	-	-
Cash at bank	464,429	-	-	-	-	287,349	-	-	-	-
	1,018,737	-	-	-	-	661,106	-	-	-	-
Foreign currency denominated liabilities										
Loans and borrowings	(8,653,301)	-	-	-	-	(14,218,915)	-	-	-	-
Payable to other Telenor entities*	(1,113,078)	(3,460,100)	-	-	-	(1,573,605)	(2,187,195)	-	(2)	-
Trade payables and others	(340,676)	-	-	(47,476)	(957)	(351,527)	-	(9,695)	(64,750)	(924)
	(10,107,055)	(3,460,100)	-	(47,476)	(957)	(16,144,047)	(2,187,195)	(9,695)	(64,752)	(924)
Net exposure	(9,088,318)	(3,460,100)	-	(47,476)	(957)	(15,482,941)	(2,187,195)	(9,695)	(64,752)	(924)

* 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 2018	31 December 2017
	BDT	BDT
US Dollar (USD)	83.59	82.69
Norwegian Kroner (NOK)	9.65	10.08
Great Britain Pound (GBP)	106.44	111.93
EURO (EUR)	95.61	99.45
Japanese Yen (JPY)	0.76	0.73

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 2018	BDT (000)	BDT (000)	BDT (000)	BDT (000)
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
31 December 2017				
Expenditures denominated in USD	(15,483)	15,483	(15,483)	15,483
Expenditures denominated in NOK	(2,187)	2,187	(2,187)	2,187
Expenditures denominated in GBP	(10)	10	(10)	10
Expenditures denominated in EURO	(65)	65	(65)	65
Expenditures denominated in JPY	(1)	1	(1)	1
Exchange rate sensitivity	(17,746)	17,746	(17,746)	17,746

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 2018, the interest rate profile of the company's interest bearing financial instruments was:

	Carrying amount	
	As at 31 December 2018	As at 31 December 2017
	BDT (000)	BDT (000)
Floating rate instruments		
Financial liabilities		
Loans and borrowings	8,653,301	14,218,915

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

	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Financial assets		
Financial assets at amortised cost		
Trade receivables	5,432,756	5,087,535
Other receivables	1,188,873	1,166,832
Financial liabilities		
Other financial liabilities		
Finance lease obligation	4,931,494	5,413,283
Loans and borrowings - long-term	2,894,157	8,539,290
Liability for spectrum acquisition - long-term	3,445,913	-
Trade payables and others (except other non-financial liabilities)	20,714,918	18,544,521
Loans and borrowings - short-term	5,759,145	5,679,626
Other current liabilities	2,823,518	2,943,193

* 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:

	2018	2017
Finance lease obligation	15.00%	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 2018.

41 Related party disclosures

During the year ended 31 December 2018, the company entered into a number of transactions with related parties in the normal course of business. The names of the significant related parties, nature of these transactions [expenditures/(revenue)/, receivables/(payables) and 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

	2018 BDT (000)	2017 BDT (000)
Short term employee benefits	681,048	552,806
Post employment benefits	58,682	58,122
Other long term benefits	27,339	18,893
	767,069	629,821

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 2018, attendance fees in connection with Board and Board Sub-Committee meetings are BDT 1,325,562 (2017: BDT 1,296,122).

41.2 Debts due from and due to key management personnel

Attendance fees of Board of Directors which are not yet paid, includes BDT 4,458,119 as at 31 December 2018 (2017: BDT 3,729,456). 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	2018 BDT (000)	2017 BDT (000)
Telenor Mobile Communications AS	Shareholder	Dividend payment	16,951,674	14,691,451
Nye Telenor Mobile Communications II AS	Shareholder	Dividend payment	5	4
Nye Telenor Mobile Communications III AS	Shareholder	Dividend payment	5	4
Telenor Asia Pte. Ltd.	Shareholder	Dividend payment	5	4
Grameen Telecom	Shareholder	Dividend payment	10,389,744	9,004,445
		Commission expense	187,144	190,755
Grameen Kalyan	Shareholder	Dividend payment	0.5	0.4
Grameen Shakti	Shareholder	Dividend payment	0.5	0.4
Accenture Communications Infrastructure Solutions Ltd.	Associate	Purchase of IT service, equipments and softwares	-	636,361
		Rental income and other income	-	(25,344)
		Investment in preference shares	-	99,000

Name of related parties	Nature	Nature of transactions	2018 BDT (000)	2017 BDT (000)
Telenor ASA	Telenor group entity	Consultancy and professional service fee	1,075,449	684,252
		IT support cost	103,337	301,343
Telenor Global Services AS	Telenor group entity	Consultancy and professional service fee	38,568	38,343
Telenor Global Shared Services AS	Telenor group entity	Consultancy and professional service fee	361,039	579,770
Telenor Go Pte Ltd.	Telenor group entity	Consultancy and professional service fee including compensation of key management personnel where relevant	250,046	314,258
Telenor Digital AS	Telenor group entity	Consultancy and professional service fee	572,054	(99,136)
Telenor Health AS	Telenor group entity	Cost of service	30,619	42,399
Telenor Procurement Company	Telenor group entity	Cost of service	269,009	21,530
Telenor Norway	Telenor group entity	Roaming revenue net of discount	(909)	(482)
		Roaming cost net of discount	10	216
Telenor Sweden	Telenor group entity	Roaming revenue net of discount	(527)	(249)
		Roaming cost net of discount	4	72
Telenor Denmark	Telenor group entity	Roaming revenue net of discount	934	264
		Roaming cost net of discount	3	87
Telenor Hungary	Telenor group entity till 31 July 2018	Roaming revenue net of discount	(1)	(22)
		Roaming cost net of discount	2	0.4
Telenor Serbia	Telenor group entity till 31 July 2018	Roaming revenue net of discount	122	82
		Roaming cost net of discount	1	3
Telenor Montenegro	Telenor group entity till 31 July 2018	Roaming revenue net of discount	(2)	(3)
		Roaming cost net of discount	1	0.01
Telenor Bulgaria	Telenor group entity till 31 July 2018	Roaming revenue net of discount	(0.1)	(1)
		Roaming cost net of discount	0.2	1
Telenor Pakistan	Telenor group entity	Roaming revenue net of discount	(1)	(4)
		Roaming cost net of discount	20	26

Name of related parties	Nature	Nature of transactions	2018 BDT (000)	2017 BDT (000)
Telenor India	Telenor group entity	Roaming revenue net of discount	-	21
		Roaming cost net of discount	-	(61)
Telenor Myanmar	Telenor group entity	Roaming revenue net of discount	(468)	(102)
		Roaming cost net of discount	32	(6)
Dtac Thailand	Telenor group entity	Roaming revenue net of discount	(414)	(166)
		Roaming cost net of discount	1,388	724
Digi Malaysia	Telenor group entity	Roaming revenue net of discount	(4,800)	(5,970)
		Roaming cost net of discount	341	2,019
SNT holdings	Joint venture of Telenor group till 30 June 2017	Revenue from mobile communication	-	(1,272)
VEON Ltd.	Associated companies of Telenor group till 7 April 2017	Roaming revenue net of discount	-	(218)
		Roaming cost net of discount	-	36
Telenor Norge AS	Joint venture of Telenor group	Consultancy and professional service fee	159,694	-
Tapad Incorporation	Associated companies of Telenor group	Consultancy and professional service fee	62,397	-
Telenor Southeast Asia Investment Limited	Telenor group entity	Technical and Support Maintenance Fees	63,758	-
Telenor India Private Limited	Telenor group entity	Technical and Support Maintenance Fees	15,614	-
Grameen Distribution	Related to Grameen Telecom through Grameen Telecom Trust	Cost of products	300	734,076
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	609	-

41.4 Receivables/(payables) with other related parties

Name of related parties	Nature	Nature of transactions	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Grameen Telecom	Shareholder	Accounts receivable	-	3,170
		Accounts payable	(15,758)	(15,852)
Accenture Communications Infrastructure Solutions Ltd.	Associate	Accounts receivable	6,360	26,149
		Accounts payable	(6,360)	(27,649)
Telenor ASA	Telenor group entity	Accounts receivable	11,371	-
		Accounts payable	(1,714,261)	(2,102,569)
Telenor Consult AS	Telenor group entity	Accounts payable	(2,089)	(2,051)
Telenor Global Services AS	Telenor group entity	Accounts receivable	44,228	11,080
		Accounts payable	(57,517)	(38,343)
Telenor Global Shared Services AS	Telenor group entity	Accounts payable	(1,499,612)	(1,317,342)
Telenor Go Pte Ltd.	Telenor group entity	Accounts receivable	50,191	50,191
		Accounts payable	(61,969)	(245,449)
Telenor Digital AS	Telenor group entity	Accounts receivable	3,290	1,131
		Accounts payable	(572,054)	-
Telenor Health AS	Telenor group entity	Accounts receivable	110,194	109,070
		Accounts payable	(15,661)	(17,212)
Telenor Procurement Company	Telenor group entity	Accounts payable	(348,551)	(21,530)
Telenor International Centre AS	Telenor group entity	Accounts receivable	-	12,324
Telenor Norway	Telenor group entity	Accounts receivable	1,291	270
		Accounts payable	(9)	(5)
Telenor Sweden	Telenor group entity	Accounts receivable	442	257
		Accounts payable	(1)	(6)
Telenor Denmark	Telenor group entity	Accounts receivable	319	62
		Accounts payable	(2)	(2)
Telenor Hungary	Telenor group entity till 31 July 2018	Accounts receivable	-	28
		Accounts payable	-	(15,663)

Name of related parties	Nature	Nature of transactions	As at 31 December 2018 BDT (000)	As at 31 December 2017 BDT (000)
Telenor Serbia	Telenor group entity till 31 July 2018	Accounts receivable	-	1
		Accounts payable	-	0.2
Telenor Montenegro	Telenor group entity till 31 July 2018	Accounts receivable	-	3
		Accounts payable	-	(0.8)
Telenor Bulgaria	Telenor group entity till 31 July 2018	Accounts receivable	-	0.1
		Accounts payable	-	(2)
Telenor Pakistan	Telenor group entity	Accounts receivable	1	0
		Accounts payable	(9)	(13)
Telenor India	Telenor group entity	Accounts receivable	3,616	3,616
Telenor Myanmar	Telenor group entity	Accounts receivable	5,959	59
		Accounts payable	(16)	(1)
Dtac Thailand	Telenor group entity	Accounts receivable	896	273
		Accounts payable	(431)	(434)
Digi Malaysia	Telenor group entity	Accounts receivable	9,139	4,387
		Accounts payable	(517)	(153)
Telenor Norge AS	Telenor group entity	Accounts payable	(159,694)	-
Telenor Southeast Asia Investment Limited	Telenor group entity	Accounts payable	(63,758)	-
Tapad Incorporation	Telenor group entity	Accounts payable	(62,397)	-
Telenor India Pvt Limited	Telenor group entity	Accounts payable	(15,614)	-
Grameen Distribution	Related to Grameen Telecom through Grameen Telecom Trust	Accounts payable	(81)	-
Grameen Solutions Limited	Related to Grameen Telecom	Accounts payable	(146)	-
Snehasish Mahmud & Co.	Associated entity of a member of Board of Directors	Accounts payable	(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 487,102,883 (2017: BDT 516,587,186) was transferred to defined contribution plan, BDT 2,223,567,927 (2017: BDT 1,892,725,485) was transferred to Workers' Profit Participation Fund and BDT 277,945,991 (2017: 236,590,686) was transferred to Workers' Welfare Fund.

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

	2018 BDT (000)	2017 BDT (000)
CIF value of imports		
Telecommunication equipment	9,836,198	6,019,419
Expenditure in foreign currency		
Consultancy fee	1,515,179	743,854
Consultancy fee - expatriate	250,046	314,258
Other fee (travel and training)	85,196	110,231
Technical know how	1,247,386	1,209,331
International roaming cost net of discount	37,450	48,522
Interest on foreign loan	687,374	852,166
Foreign earnings		
Revenue net of discount from roaming partners	(139,223)	(101,661)

43 Short-term credit facilities available as at 31 December 2018

The company enjoys composite working capital facilities, including both funded and non-funded facilities from 11 banks (2017: 18 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 41,118 million (2017: BDT 38,016 million) of which non-funded limit is BDT 23,031 million (2017: BDT 21,714 million) and funded limit is BDT 25,497 million (2017: BDT 24,202 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 (2017: 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 2018 BDT (000)	As at 31 December 2017 BDT (000)
Capital commitment (open purchase order) for Property, plant and equipment	3,485,181	3,381,325
Capital commitment (open purchase order) for intangible assets	228,923	67,683

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, BTRC carried out an information system audit of Grameenphone through BTRC's appointed auditor and issued a notice to Grameenphone on 3 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 wrong basis. Thereafter, Grameenphone disagrees 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 Judge Court, Dhaka challenging the BTRC demand. In an Appeal arising out of the Title Suit, the Hon'ble High Court Division passed an order of status quo on the demand, which is effective till disposal of the matter at the Hon'ble High Court Division.

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 High Court Division for non-compliance with the relevant procurement laws which was later on upheld by the Hon'ble Appellate Division. On 30 September 2018, BTRC filed an application for dismissal of the case without going into 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 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.

(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 5 (five) randomly purchased SIMs by LTU-VAT. Grameenphone challenged the demand by a Writ Petition before the Hon'ble High Court Division and the Hon'ble High Court Division 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 finalised 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 finalise 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 order. 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 as part of the appeal procedure prescribed by law. Since the claim is not likely to be legally enforceable, any payment related to this claim is likely to be recoverable after the resolution of this issue. We 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 judgment was communicated to Grameenphone on 18 July 2017. Subsequently on 19 July 2017, challenging the said Judgment & Order of the Tribunal, Grameenphone filed a VAT Appeal before the Hon'ble High Court Division wherein the Hon'ble High Court Division has stayed the operation of the Judgment & Order of the Tribunal. The Hon'ble High Court Division 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 High Court Division in an earlier filed VAT appeal. Subsequently, the Commissioner of LTU-VAT issued the final demand for BDT 3,789,537,820. On 20 February 2018, Grameenphone filed appeal before the Customs, Excise and VAT Appellate Tribunal against the demand upon depositing 10% of the demand as appeal fee and considered the deposit as a contingent asset under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Subsequently during November 2017, the commissioner of LTU-VAT issued a separate show-cause notice for the similar issue but for the period of January 2012 to June 2012 amounting BDT 823,342,916. As per provision of the VAT Act-1991, LTU-VAT cannot claim any due beyond 5 years, hence the claim is time barred. Grameenphone replied to the show cause notice accordingly. Subsequently LTU-VAT issued notice fixing hearing on 1 January 2019, on that date Grameenphone sought time.

(c) VAT rebate on 2G licence renewal fee

Grameenphone was under legal obligation to deduct 15% VAT at source from the payments to any licencing 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 and BTRC accepted such deductions. However, the dispute arose in 2011 at the time of Grameenphone's 2G Licence Renewal when BTRC stipulated in Licence 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 wherein the Court allowed Grameenphone to exercise the right to claim rebate of VAT. However, Grameenphone, BTRC and NBR filed separate Civil Petition for Leave to Appeals before the Hon'ble Appellate Division. The Appellate Division granted leave and accordingly Grameenphone filed Civil

Appeal.
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 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 still pending before the Hon'ble High Court Division.

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 VAT paid.

However, the lawsuit over the VAT rebate mechanism is still pending before the Appellate Division. If the Hon'ble Appellate Division 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 capitalised Licence Renewal Fee for this would increase by 15% (i.e. BDT 4,876,800,000).

(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 and the Hon'ble High Court Division on 15 December 2014 passed the judgment 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 and on 5 March 2017 the Hon'ble Appellate Division 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.

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

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 and the Hon'ble High Court Division 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 High Court Division passed judgment declaring the imposition of SIM Tax on SIM Card as illegal. Upon a Civil Petition filed by the NBR, the judgment of the Hon'ble High Court Division was initially stayed by the Hon'ble Appellate Division on 27 March 2007 and finally on 1 August 2012 the Hon'ble Appellate Division reversed the judgment of Hon'ble High Court Division declaring the imposition of SIM Tax as legal. NBR issued a demand notice after the judgment of the Hon'ble Appellate Division 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 Appellate Division 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. We have 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 judgment on 11 April 2018. Subsequently, Grameenphone filed a VAT Appeal before Hon'ble High Court Division, challenging the said judgment of the Tribunal on 31 May 2018. On 10 July 2018, High Court Division stayed the judgment of the Tribunal till disposal of the VAT Appeal.

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

(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 AD and subject to adjustment, if any, as per the decision of the Review.

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

Now Grameenphone is assessing the merit of the claim and exploring appropriate step in this regard.

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 202nd meeting held on 27 January 2019 recommended a final cash dividend amounting to BDT 20,929,650,341 being 155% of the paid-up capital (i.e. BDT 15.50 per share) for the year 2018. Total cash dividend including this final cash dividend stands at 280% of the paid-up capital (i.e. BDT 28.00 per share) for the year 2018. These dividends are subject to final approval by the shareholders at the forthcoming annual general meeting of the company.

46.3 Accounting standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Grameenphone's financial statements are disclosed below. Grameenphone intends to adopt these, if applicable, when they become effective.

(a) IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16; however, Grameenphone has not yet early adopted the new or amended standards in preparing these financial statements.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The most significant impact identified is that Grameenphone will recognise new assets and liabilities for its operating leases of site sharing contract, BTS sites, GPC/office space, house rent etc.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. No impact is there on Grameenphone's existing finance leases; where these will be reclassified as right-of-use asset.

As a lessee, Grameenphone can either apply the standard using a retrospective approach or modified retrospective approach with optional practical expedients. Grameenphone will apply the election consistently to all of its leases.

Grameenphone will apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings or right of use assets, as the case may be, at 1 January 2019, with no restatement of comparative information. When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, Grameenphone may elect, on a lease-by-lease basis, to apply a number of practical expedients on transition.

Grameenphone is currently assessing the impact of initially applying the standard on the elements of financial statements.