AUDITOR'S REPORT & AUDITED FINANCIAL STATEMENTS

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Independent Auditor's Report to the shareholders of Grameenphone Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Grameenphone Ltd., which comprise the statement of financial position as at 31 December 2016, 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 a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and Bangladesh Financial Reporting Standards (BFRS).

Emphasis of matter

We draw users' attention to Note 42 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 qualified in this regard.

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:

a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;

c) the statement of financial position 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

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

Rahman Rahman Huq
Chartered Accountants
Dhaka, 31 January 2017

Grameenphone Ltd.
Statement of financial position
as at 31 December 2016

	Notes	31 December 2016 BDT'000	31 December 2015 BDT'000
Assets			
Non-current assets			
Property, plant and equipment, net	4	76,787,577	74,204,532
Intangible assets, net	5	38,183,422	41,045,545
Investment in associate	6	-	710,643
Other non-current assets	7	4,587,271	4,561,035
Total non-current assets		119,558,270	120,521,755
Current assets			
Inventories	8	565,404	435,340
Trade and other receivables	9	7,463,977	7,339,372
Cash and cash equivalents	10	2,911,860	4,153,100
Total current assets		10,941,241	11,927,812
Total assets		130,499,511	132,449,567
Equity and liabilities			
Shareholders' equity			
Share capital	11	13,503,000	13,503,000
Share premium	12	7,840,226	7,840,226
Capital reserve	13	14,446	14,446
Deposit from shareholders	14	1,880	1,880
Retained earnings		12,212,732	9,265,706
Total equity		33,572,284	30,625,258
Non-current liabilities			
Finance lease obligation	15	5,093,612	5,207,147
Loans and borrowings	16	13,556,284	18,964,209
Deferred tax liabilities	17	8,235,939	7,910,630
Employee benefits	18	1,335,086	1,444,641
Other non-current liabilities	19	626,972	672,505
Total non-current liabilities		28,847,893	34,199,132
Current liabilities			
Trade and other payables	20	25,363,165	22,575,339
Provisions	21	14,274,056	14,077,929
Loans and borrowings	16	8,100,084	9,975,569
Current tax payable	22	18,942,559	19,785,655
Other current liabilities	23	1,399,470	1,210,685
Total current liabilities		68,079,334	67,625,177
Total equity and liabilities		130,499,511	132,449,567

The annexed notes 1 to 43 form an integral part of these financial statements.

Director   Director   Chief Executive Officer   Company Secretary

As per our report of same date.

Auditor

Dhaka, 31 January 2017

Grameenphone Ltd.
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2016

	Notes	2016 BDT'000	2015 BDT'000
Revenue	24	114,862,160	104,754,372
Operating expenses			
Cost of material and traffic charges	25	(10,661,819)	(10,693,577)
Salaries and personnel cost	26	(8,276,052)	(6,373,253)
Operation and maintenance	27	(3,757,496)	(4,419,129)
Sales, marketing and commissions	28	(12,497,326)	(12,913,376)
Revenue sharing, spectrum charges and licence fees	29	(8,902,203)	(8,255,606)
Other operating (expenses)/income, net	30	(8,202,961)	(6,128,054)
Depreciation and amortisation	31	(20,998,180)	(19,007,679)
		(73,296,037)	(67,790,674)
Operating profit		41,566,123	36,963,698
Share of profit/(loss) of associate	32	(223,815)	15,119
Impairment loss on investment in associate	6	(486,828)	-
Finance (expense)/income, net	33	(2,591,068)	(1,940,737)
Foreign exchange (loss)/gain		(86,006)	(115,721)
		(3,387,717)	(2,041,339)
Profit before tax		38,178,406	34,922,359
Income tax expense	34	(15,652,051)	(15,215,468)
Profit after tax		22,526,355	19,706,891
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan	18	35	(1,444,641)
Related taxes		(14)	577,856
		21	(866,785)
Total comprehensive income for the year		22,526,376	18,840,106
Earnings per share			
Basic and diluted earnings per share (par value BDT 10 each in BDT)	35	16.68	14.59

The annexed notes 1 to 43 form an integral part of these financial statements.

Director | Director | Chief Executive Officer | Company Secretary

As per our report of same date.

Auditor

Dhaka, 31 January 2017

Grameenphone Ltd.
Statement of changes in equity
for the year ended 31 December 2016

	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 1 January 2015	13,503,000	7,840,226	14,446	1,880	10,004,950	31,364,502
Transactions with the equity holders:						
Final dividend for 2014	-	-	-	-	(8,776,950)	(8,776,950)
Interim dividend for 2015					(10,802,400)	(10,802,400)
Total comprehensive income for 2015						
Profit for the year	-	-	-	-	19,706,891	19,706,891
Other comprehensive income	-	-	-	-	(866,785)	(866,785)
Balance as at 31 December 2015	13,503,000	7,840,226	14,446	1,880	9,265,706	30,625,258
Balance as at 1 January 2016	13,503,000	7,840,226	14,446	1,880	9,265,706	30,625,258
Transactions with the equity holders:						
Final dividend for 2015	-	-	-	-	(8,101,800)	(8,101,800)
Interim dividend for 2016					(11,477,550)	(11,477,550)
Total comprehensive income for 2016						
Profit for the year	-	-	-	-	22,526,355	22,526,355
Other comprehensive income	-	-	-	-	21	21
Balance as at 31 December 2016	13,503,000	7,840,226	14,446	1,880	12,212,732	33,572,284

Grameenphone Ltd.
Statement of cash flows
for the year ended 31 December 2016

	2016 BDT'000	2015 BDT'000
Cash flows from operating activities		
Cash receipts from customers	115,707,956	106,354,277
Payroll and other payments to employees	(8,345,516)	(7,985,573)
Payments to suppliers, contractors and others	(42,531,964)	(43,126,234)
Interest received	153,435	211,870
Interest paid	(2,662,556)	(2,099,166)
Income tax paid	(16,169,852)	(14,564,025)
	(69,556,453)	(67,563,128)
Net cash generated by operating activities	46,151,503	38,791,149
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment and intangible assets	(19,962,199)	(19,919,482)
Proceeds from sale of property, plant and equipment	122,894	12,106
Net cash used in investing activities	(19,839,305)	(19,907,376)
Cash flows from financing activities		
Proceeds from/(payment of) short-term bank loan	(1,911,800)	3,100,000
Payment of long-term loan	(5,402,010)	(2,682,203)
Payment of dividend	(19,579,350)	(19,579,350)
Payment of finance lease obligation	(660,278)	(329,022)
Net cash used in financing activities	(27,553,438)	(19,490,575)
Net change in cash and cash equivalents	(1,241,240)	(606,802)
Cash and cash equivalents as at 1 January	4,153,100	4,759,902
Cash and cash equivalents as at 31 December	2,911,860	4,153,100

Grameenphone Ltd.
Notes to the financial statements
for the year ended 31 December 2016

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. In November 2009, Grameenphone listed its shares with both Dhaka and Chittagong Stock Exchanges. The immediate parent of Grameenphone is Telenor Mobile Communications AS and the ultimate parent is Telenor ASA; both the companies are incorporated in Norway.

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

2 Basis of preparation

These financial statements are unconsolidated financial statements (also known as individual financial statements) of Grameenphone as at and for the year ended 31 December 2016. These unconsolidated financial statements present the financial position and performance of Grameenphone and Grameenphone's investment in Accenture Communications Infrastructure Solutions Ltd. (ACISL) being accounted for under the equity method in accordance with (IAS/BAS) 28 Investment in Associates and Joint Ventures.

For understanding of Grameenphone's stand-alone financial performance, a separate statement of profit or loss and other comprehensive income has been appended to these financial statements as supplementary information.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws in Bangladesh. The requirements of IFRS and BFRS, to the extent relevant to these financial statements, do not vary from each other.

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 were authorised for issue by the Board of Directors of the company on 31 January 2017.

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 judgments, 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.

Judgments

In the process of applying the accounting policies, management has made the following judgments, 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 15 to these financial statements.
2. The company has significant influence over Accenture Communications Infrastructure Solutions Ltd.
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 30.2 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 2016 will be declared by Finance Act 2017. For the purpose of these financial statements, management has assumed that the existing corporate tax rate (40%) will be applicable for Income Year 2016 as well.
2. Appropriate financial and demographic assumptions have been used in consultation with a certified actuary to measure defined benefit obligation as at the reporting date.
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 periods presented in these financial statements. Comparative information has been rearranged wherever considered necessary to conform to the current period'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 make 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 Property, plant and equipment

(a) Recognition and measurement

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

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

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

(b) Subsequent costs

The cost of replacing or upgradation of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the company and its 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. 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:

	2016 Years	2015 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	4	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/BAS 23 Borrowing Costs, directly attributable borrowing costs are capitalised during construction period for all qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.5 Intangible assets

(a) Recognition and measurement

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

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

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

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

	2016 Years	2015 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

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.

3.6 Investment in associate

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the investor's share of net assets of the associate since the acquisition date. The statement of 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 separate financial statements until is realised through dividend. Dividend income is recognised when Grameenphone's right to receive payment is established.

These financial statements have been prepared considering unaudited financial performance of the associate (ACISL) for the same reporting period as Grameenphone's. The financial statements of ACISL are also prepared following Bangladesh Financial Reporting Standards (BFRS).

3.7 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.7.1 Financial assets

The company classifies non-derivative financial assets into financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' financial assets, 'loans and receivables' or 'available-for-sale' financial assets.

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

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

i. Financial assets at fair value through profit or loss

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

As at the date of statement of financial position the company had no financial assets at fair value through profit or loss.

ii. Held-to-maturity financial assets

If the company has positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity financial assets. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

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

iii. Loans and receivables

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in the active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. This is the most relevant category of financial asset to the company and includes trade and other receivables. Trade receivables with no stated interest rate are recognised at the original invoice amount when the impact of discounting is not material.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets.

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

As at the date of statement of financial position the company had no financial assets available-for-sale.

3.7.2 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Company's financial liabilities mainly include trade and other payables, loans and borrowings.

i. Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS/BAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS/BAS 39 are satisfied.

Financial liabilities at fair value through profit or loss (FVTPL) are subsequently measured at fair value with gains or losses arising on remeasurement are recognised in profit or loss. The company has not designated any financial liabilities as at fair value through profit or loss.

ii. Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Other financial liabilities include loans and borrowings, trade and other payables.

3.7.3 Equity instruments

An equity instrument is any contract that gives rise to a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs. No gain or loss is recognised in profit or loss on the sale, repurchase or cancellation of the company's own equity instruments.

3.8 Impairment

(a) Financial assets

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

i. Financial assets measured at amortised cost

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

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

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

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

ii. Available-for-sale financial assets

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

(b) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, the company considers Grameenphone as the smallest identifiable groups of assets (CGU).
Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

3.9 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 affect 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
2015	40%
2016	40%

(b) Deferred tax

Deferred tax is recognised in compliance with IAS/BAS 12 Income Taxes, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting 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 and other payables.

(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.

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

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

Revenues primarily comprise sale of:

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

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

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

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

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

(e) Multiple element arrangements

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

(f) Interest and dividend 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).

Presentation

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

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

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

3.14 Leases

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

(a) The 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.

4 Property, plant and equipment, net

31 December 2016

Name of assets	Cost				Depreciation				Carrying amount
	As at 1 January 2016	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2016	As at 1 January 2016	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2016	As at 31 December 2016
	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000
Land (Note 4.1)	807,497	-	(447)	807,050	-	-	-	-	807,050
Building	4,058,116	58,690	(66,149)	4,050,657	1,114,566	156,485	(66,149)	1,204,901	2,845,756
Base station	96,724,395	15,352,135	(1,574,914)	110,501,615	57,277,698	10,695,330	(1,550,913)	66,422,116	44,079,500
Transmission equipment	28,070,339	5,502,798	-	33,573,136	17,468,725	4,354,203	-	21,822,928	11,750,208
Computers and other IT equipment	5,145,846	1,312,939	(18,257)	6,440,528	3,786,535	768,112	(18,080)	4,536,567	1,903,961
Furniture and fixtures (including office equipment)	2,681,971	139,198	(33,565)	2,787,604	2,244,545	134,164	(33,565)	2,345,144	442,460
Vehicles	1,872,699	339,530	(214,171)	1,998,059	1,077,825	220,317	(173,354)	1,124,788	873,270
	139,360,863	22,705,290	(1,907,503)	160,158,649	82,969,894	16,328,611	(1,842,060)	97,456,444	62,702,205
Capital work in progress (Note 4.3)	13,082,473	19,241,950	(23,018,177)	9,306,246	-	-	-	-	9,306,246
	152,443,336	41,947,239	(24,925,679)	169,464,895	82,969,894	16,328,611	(1,842,060)	97,456,444	72,008,451
Fibre Optic Network under finance lease	8,757,398	509,847	-	9,267,245	4,026,309	461,810	-	4,488,119	4,779,126
	161,200,734	42,457,086	(24,925,679)	178,732,140	86,996,202	16,790,421	(1,842,060)	101,944,563	76,787,577

4 Property, plant and equipment, net

31 December 2015

Name of assets	Cost				Depreciation				Carrying amount
	As at 1 January 2015	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2015	As at 1 January 2015	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2015	As at 31 December 2015
	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000
Land (Note 4.1)	807,497	-	-	807,497	-	-	-	-	807,497
Building	4,058,116	-	-	4,058,116	873,515	241,051	-	1,114,566	2,943,550
Base station	84,725,450	13,178,693	(1,179,749)	96,724,395	48,997,905	9,433,801	(1,154,008)	57,277,698	39,446,697
Transmission equipment	24,808,303	3,262,036	-	28,070,339	13,517,788	3,950,937	-	17,468,725	10,601,614
Computers and other IT equipment	4,002,248	1,190,209	(46,612)	5,145,846	3,366,503	466,277	(46,245)	3,786,535	1,359,311
Furniture and fixtures (including office equipment)	2,589,066	328,811	(235,906)	2,681,971	2,285,028	195,402	(235,885)	2,244,545	437,426
Vehicles	1,765,999	233,551	(126,850)	1,872,699	1,001,002	176,177	(99,354)	1,077,825	794,874
	122,756,679	18,193,300	(1,589,117)	139,360,863	70,041,741	14,463,645	(1,535,492)	82,969,894	56,390,969
Capital work in progress (Note 4.3)	13,013,918	18,301,265	(18,232,710)	13,082,473	-			-	13,082,473
	135,770,597	36,494,565	(19,821,827)	152,443,336	70,041,741	14,463,645	(1,535,492)	82,969,894	69,473,442
Fibre Optic Network under finance lease	8,160,435	596,964	-	8,757,398	3,582,642	443,666	-	4,026,308	4,731,090
	143,931,032	37,091,529	(19,821,827)	161,200,734	73,624,383	14,907,311	(1,535,492)	86,996,202	74,204,532

4.1 Land

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

4.2 Disposal/adjustment during the year

Disposal/adjustment of base station amounting BDT 1,574,914,234 (2015: BDT 1,179,749,762) included disposal of BDT 224,389,813 (2015: BDT 946,412,429) for derecognition of fully depreciated assets not yet disposed of and no longer in use.

4.3 Capital work in progress (CWIP)

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

4.3.1 Capital work in progress - transferred

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

Name of assets	2016 BDT'000	2015 BDT'000
Building	58,690	-
Base station	15,352,135	13,178,693
Transmission equipment	5,502,798	3,262,036
Computers and other IT equipment	1,312,939	1,190,209
Furniture and fixtures	139,198	328,811
Vehicles	339,530	233,551
	22,705,290	18,193,300

Total transfer of CWIP during 2016 also includes capital inventory write off of BDT 312,887,161 (2015: BDT 39,410,816).

4.3.2 Capital work in progress - components

Capital work in progress as at 31 December 2016 included capital inventory of BDT 3,024,436,050 (2015: BDT 5,051,011,287) and work-in-progress of BDT 6,281,809,639 (2015: BDT 8,031,461,227).

5 Intangible assets, net

31 December 2016

Name of assets	Cost: As at 1 January 2016	Cost: Addition during the year	Cost: Disposal/ Adjustment during the year	Cost: As at 31 December 2016	Amortisation: As at 1 January 2016	Amortisation: Charged during the year	Amortisation: Disposal/ Adjustment during the year	Amortisation: As at 31 December 2016	Carrying amount: As at 31 December 2016
	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000
Software and others (Note 5.1)	6,908,532	1,443,801	-	8,352,333	6,281,819	687,662	-	6,969,481	1,382,852
Telecom licence and spectrum (Note 5.2)	53,049,258	-	-	53,049,258	12,801,908	3,520,097	-	16,322,005	36,727,253
	59,957,790	1,443,801	-	61,401,592	19,083,727	4,207,759	-	23,291,486	38,110,105
Capital work in progress (Note 5.3)	171,482	1,345,636	(1,443,801)	73,317	-	-	-	-	73,317
	60,129,272	2,789,437	(1,443,801)	61,474,908	19,083,727	4,207,759	-	23,291,486	38,183,422

31 December 2015

Name of assets	Cost: As at 1 January 2015	Cost: Addition during the year	Cost: Disposal/ Adjustment during the year	Cost: As at 31 December 2015	Amortisation: As at 1 January 2015	Amortisation: Charged during the year	Amortisation: Disposal/ Adjustment during the year	Amortisation: As at 31 December 2015	Carrying amount: As at 31 December 2015
	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000
Software and others (Note 5.1)	6,400,269	508,263	-	6,908,532	5,666,994	614,825	-	6,281,819	626,713
Telecom licence and spectrum (Note 5.2)	53,049,258	-	-	53,049,258	9,316,366	3,485,542	-	12,801,908	40,247,350
	59,449,527	508,263	-	59,957,790	14,983,360	4,100,367	-	19,083,727	40,874,063
Capital work in progress (Note 5.3)	308,014	371,731	(508,263)	171,482	-	-	-	-	171,482
	59,757,541	879,994	(508,263)	60,129,272	14,983,360	4,100,367	-	19,083,727	41,045,545

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

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

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

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

5.3 Capital work in progress (CWIP)

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

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. Grameenphone's remaining stake in ACISL has been measured at fair value at the date when 51% of ACISL was disposed. The fair value (BDT 540,235,154) has been determined based on the transaction price of 51% after adjustment for factors such as control premium. This fair value is regarded as the cost on initial recognition of 'investment in associate'. Initial carrying amount of investment has increased/(decreased) by Grameenphone's share of investee's post-acquisition profit/loss not yet distributed.

In accordance with the requirements of IAS/BAS 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 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 2016.

7 Other non-current assets

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Trade receivables, net of impairment loss (Note 7.1)	741,617	717,524
Input VAT claim (Note 7.2)	3,807,204	3,807,204
Security deposits for utility services and other investments	38,450	36,307
	4,587,271	4,561,035

7.1 Trade receivables, net of impairment loss

This represents the amount of receivable balance recognised at amortised cost which has been delayed beyond contractual terms.

7.2 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 42(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.

8 Inventories

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Handset, data card and other devices	431,912	229,373
SIM card	88,208	142,867
Scratch card	45,284	63,100
	565,404	435,340

8.1 Movement of inventories

	Handset, data card and other device BDT'000	SIM card BDT'000	Scratch card BDT'000
Balance as at 1 January 2015 (Gross)	262,948	151,611	126,865
Purchase during 2015	2,096,229	736,216	406,582
Issue during 2015	(2,032,750)	(703,672)	(453,366)
	326,427	184,155	80,080
Adjustment/write-off	(97,054)	(41,288)	(16,980)
Balance as at 31 December 2015 (Net)	229,373	142,867	63,100
Balance as at 1 January 2016 (Gross)	326,427	184,156	80,080
Purchase during 2016	2,729,427	457,537	405,276
Issue during 2016	(2,534,494)	(497,760)	(423,052)
	521,360	143,933	62,304
Adjustment/write-off	(89,448)	(55,725)	(17,020)
Balance as at 31 December 2016 (Net)	431,912	88,208	45,284

8.2 Number of inventories

	As at 31 December 2016 Units	As at 31 December 2015 Units
Handset, data card and other device	70,705	112,967
SIM card	3,733,641	4,310,307
Scratch card	146,679,479	150,846,230

8.3 SIM card

SIM cards include SIMs for new connections and replacement SIMs. Both new connection and replacement SIM attract SIM tax of BDT 100. Value added tax (VAT) and supplementary duty (SD) imposed on SIM cards are popularly known as SIM tax.

9 Trade and other receivables

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Trade receivables		
Trade receivables, gross (Note 9.1)	4,294,404	5,425,899
Provision for bad debts/impairment (See Note 36.1)	(255,476)	(1,096,586)
Total trade receivables	4,038,928	4,329,313
Other current receivables		
Interest receivable	-	646
Receivables from employees	6,330	19,548
Other non-interest-bearing receivables	1,135,946	1,237,978
Total other current receivables	1,142,276	1,258,172
Prepayments		
Deferred costs related to connection revenue	1,164,876	303,242
Prepaid expenses	1,117,897	1,448,645
Total prepayments	2,282,773	1,751,887
Total trade and other receivables	7,463,977	7,339,372

9.1 Trade receivables, gross

This included interconnection receivables of Tk 2,220,930,877 as at 31 December 2016 (2015: Tk 3,678,779,373). The ageing of gross interconnection receivables as at the statement of financial position date was:

Not past due	1,899,019	2,162,818
0-30 days past due	166,463	133,247
31-60 days past due	41,961	135,086
61-90 days past due	2,320	22,812
91-180 days past due	6,198	103,579
181-365 days past due	10,795	96,296
over 365 days past due	94,175	1,024,941
	2,220,931	3,678,779

Other trade receivables as at 31 December 2016 was Tk 2,073,472,831 (2015: Tk 1,747,119,517). The ageing of other trade receivables as at the statement of financial position date was:

Not past due	897,789	503,055
0-30 days past due	472,792	250,896
31-60 days past due	142,217	129,831
61-90 days past due	107,785	158,217
91-180 days past due	147,687	196,545
181-365 days past due	146,410	323,802
over 365 days past due	158,793	184,774
	2,073,473	1,747,120

Total not past due trade receivables (gross) as at 31 December 2016 includes receivables of BDT 1,836,372,568 (2015: BDT 1,126,383,191) from customers against whom receivables of BDT 239,988,614 (2015: BDT 229,880,585) became over 365 days past due and provision for bad debt of BDT 12,367,695 (2015: BDT 54,668,707) provided against those customers. However, as per BTRC guidelines we are obligated to provide services to the inter connection service providers.

9.2 Security against trade receivables

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Good and secured	433,679	421,273
Good with personal security/unsecured	3,605,249	3,908,040
Doubtful and bad	255,476	1,096,586
Gross trade receivables	4,294,404	5,425,899
Provision for bad and doubtful debts	(255,476)	(1,096,586)
Trade receivables, net	4,038,928	4,329,313

9.3 Future minimum lease payments receivables

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

(i) Not later than one year	940,865	858,653
(ii) Later than one year but not later than five years	274,201	464,821
(iii) Later than five years	-	-
	1,215,066	1,323,474

10 Cash and cash equivalents

Cash in hand	7,958	5,478
Cash at bank	2,903,902	4,147,622
	2,911,860	4,153,100

10.1 Cash and cash equivalents comprise cash balances and call deposits with maturity of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short term commitments. Bank overdrafts that are repayable on demand and form an integral part of company's cash management are included as a component of cash and cash equivalents for the statement of cash flows. Bank overdraft as at 31 December 2016 was nil and 31 December 2015 was BDT 4,483,799.

10.2 Restricted cash balance

Cash at bank as at 31 December 2016 include BDT 12,216,838 (2015: BDT 6,632,729) equivalent to unused Mobicash points in customer wallet and is therefore treated as restricted cash balance.

Additionally, Cash at bank as at 31 December 2016 included BDT 93,058,154 (2015: BDT 92,755,407) equivalent to dividend unclaimed amount and BDT 12,867,366 (2015: BDT 12,873,070) 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.

11 Share capital

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

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

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

11.1 Shareholding position

a) Percentage of shareholdings

Name of shareholders	% of holding As at 31 December 2016	% of holding As at 31 December 2015	Value of shares (BDT) As at 31 December 2016	Value of shares (BDT) As at 31 December 2015
Telenor Mobile Communications AS, Norway	55.8%	55.8%	7,534,077,240	7,534,077,240
Nye Telenor Mobile Communications II AS, Norway	0.0%	0.0%	2,150	2,150
Nye Telenor Mobile Communications III AS, Norway	0.0%	0.0%	2,150	2,150
Telenor Asia Pte Ltd., Singapore	0.0%	0.0%	2,150	2,150
Grameen Telecom, Bangladesh	34.2%	34.2%	4,617,664,090	4,617,664,090
Grameen Kalyan, Bangladesh	0.0%	0.0%	220	220
Grameen Shakti, Bangladesh	0.0%	0.0%	220	220
General public, GP employees and institutional	10.0%	10.0%	1,351,252,000	1,351,252,000
	100%	100%	13,503,000,220	13,503,000,220

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

Shareholding range	No. of shareholders As at 31 December 2016	No. of shareholders As at 31 December 2015	No. of shares As at 31 December 2016	No. of shares As at 31 December 2015
1-500	27,809	33,663	5,680,606	6,810,761
501-5,000	6,547	8,658	10,249,805	13,382,775
5,001-10,000	557	676	4,053,176	4,852,474
10,001-20,000	256	328	3,652,905	4,654,189
20,001-30,000	65	76	1,596,958	1,886,756
30,001-40,000	54	60	1,898,182	2,120,457
40,001-50,000	31	31	1,448,791	1,423,172
50,001-100,000	79	78	5,939,381	5,750,294
100,001-1,000,000	126	124	37,768,926	68,986,198
1,000,001-1,000,000,000	25	4	1,278,011,292	1,240,432,946
	35,549	43,698	1,350,300,022	1,350,300,022

12 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/BAS 32 Financial Instruments: Presentation.

13 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.

14 Deposit from shareholders

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

15 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 934.86 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/ BAS 17 Leases. Total lease obligation as of 31 December 2016 for this FON amounted to BDT 129,416,363 (2015: BDT 80,542,375).

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Finance lease obligation	5,336,563	5,358,169
Less: Current portion (Note 20)	242,951	151,022
	5,093,612	5,207,147

	Future minimum lease payments BDT'000	Interest BDT'000	Present value of minimum lease payments BDT'000
Future minimum lease payments and their present value as at 31 December 2016 were as follows:			
(i) Not later than one year	1,018,386	775,436	242,951
(ii) Later than one year but not later than five years	3,857,225	2,818,624	1,038,600
(iii) Later than five years	6,087,183	2,032,170	4,055,012
	10,962,794	5,626,230	5,336,563
Future minimum lease payments and their present value as at 31 December 2015 were as follows:			
(i) Not later than one year	939,377	788,355	151,022
(ii) Later than one year but not later than five years	3,736,686	2,950,331	786,355
(iii) Later than five years	7,096,691	2,675,899	4,420,792
	11,772,754	6,414,586	5,358,169

16 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 3 installments have been repaid in October 2015, April 2016 and October 2016, and current outstanding loan balance is USD 241.50 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 IAS/BAS 39 Financial Instruments: Recognition and Measurement.

Current portion of loans and borrowings include short-term bank loan of BDT 2,688,200,000 (2015: BDT 4,600,000,000) and the part of the above long-term syndicated loan falling due for repayment in next 12 months.

17 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 34. The components of deferred tax assets and liabilities are given below:

	Carrying amount	Tax base	Taxable/(deductible) temporary tempory difference
	BDT'000	BDT'000	BDT'000
As at 31 December 2016			
Property, plant and equipment (excluding land, CWIP and leased assets) (Note 4)	61,895,155	37,360,423	24,534,732
Property, plant and equipment under finance lease (Note 4)	4,779,126	-	4,779,126
Difference for vehicle (Note 17.1)	(141,009)	-	(141,009)
			29,172,849
Investment in associate	-	-	-
Trade receivables, net of impairment loss	741,617	1,483,234	(741,617)
Telecom licence, spectrum, software and others	38,110,105	38,940,547	(830,442)
Trade receivables (Note 9)	4,038,928	4,170,347	(131,419)
Finance lease obligation including current portion (Note 15)	(5,336,563)	-	(5,336,563)
Other current liabilities (profit sharing plan)	(207,876)	-	(207,876)
Employee benefit plans (funded)	(1,335,086)	-	(1,335,086)
Net taxable temporary difference			20,589,846
Deferred tax liability @40% tax rate (Note 3.11)			8,235,939
Deferred tax liability @15% tax rate (Note 17.2)			-
Deferred tax liabilities (Note 17.3)			8,235,939
As at 31 December 2015			
Property, plant and equipment (excluding land, CWIP and leased assets) (Note 4)	55,583,472	31,143,840	24,439,632
Property, plant and equipment under finance lease (Note 4)	4,731,090	-	4,731,090
Difference for vehicle (Note 17.1)	(186,193)	-	(186,193)
			28,984,529
Investment in associate	710,643	36,751	673,892
Trade receivables, net of impairment loss	717,524	1,247,868	(530,344)
Telecom licence, spectrum, software and others	40,874,063	41,830,725	(956,662)
Trade receivables (Note 9)	4,329,313	5,314,808	(985,495)
Finance lease obligation including current portion (Note 15)	(5,358,169)	-	(5,358,169)
Other current liabilities (profit sharing plan)	(185,353)	-	(185,353)
Employee benefit plans (funded)	(1,444,641)	-	(1,444,641)
Net taxable temporary difference			20,197,758
Deferred tax liability @40% tax rate (Note 3.11)			7,809,546
Deferred tax liability @15% tax rate (Note 17.2)			101,084
Deferred tax liabilities (Note 17.3)			7,910,630

17.1 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.

17.2 Applicable tax rate for investment in associate

Temporary difference related to 'investment in associate' is expected to be reversed through sale of shares in Accenture Communications Infrastructure Solutions Ltd. and hence tax rate applicable to capital gain (15%) has been considered for deferred tax computation purpose. During the year 2016, in accordance with the requirements of IAS/BAS 36 Impairment of Assets, the carrying amount of investment in associate has been fully impaired as disclosed in Note 6.

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

Deferred tax liabilities as of 31 December 2016 includes net deferred tax asset of BDT 534,034,217 (2015: BDT 577,856,400) for actuarial gain/loss from re-measurement of defined benefit obligations corresponding impact of which has been recognised under other comprehensive income.

18 Employee benefits

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Amounts recognised in the statement of financial position		
Defined benefit obligation	(4,000,142)	(3,768,429)
Fair value of plan assets	2,665,056	2,323,788
Net defined benefit obligation	(1,335,086)	(1,444,641)
Change in benefit obligation		
Benefit obligation at end of prior year	(3,768,429)	(2,001,293)
Current service cost	(304,977)	(280,000)
Interest expense	(259,060)	(222,907)
Benefit payments from plan assets	34,693	87,418
Benefit payments from employer	586	98,908
Settlement payments from plan assets	337,710	-
Remeasurements due to change in demographic assumptions	72,809	-
Remeasurements due to change in financial assumptions	(224,826)	(1,288,893)
Remeasurements due to experience adjustments	111,352	(161,662)
Defined benefit obligation at end of year	(4,000,142)	(3,768,429)
Change in fair value of plan assets		
Fair value of plan assets at end of prior year	2,323,788	2,001,293
Interest income	177,753	238,907
Total employer contributions		
(i) Employer contributions	495,218	264,000
(ii) Employer direct benefit payments	586	-
Benefit payments from plan assets	(34,693)	(87,418)
Benefit payments from employer	(586)	(98,908)
Settlement payments from plan assets	(337,710)	-
Remeasurements for return on assets (excluding interest income)	40,700	5,914
Fair value of plan assets at end of year	2,665,056	2,323,788
Fair value of plan assets		
Cash and cash equivalents	388,118	279,310
Debt instruments	2,276,938	2,044,478
Total	2,665,056	2,323,788
Components of Defined Benefit Cost (DBO)		
Current service cost	304,977	280,000
Interest expense on DBO	259,060	222,907
Interest (income) on plan assets	(177,753)	(238,907)
Defined benefit cost included in profit or loss	386,284	264,000
Remeasurements (recognised in other comprehensive income (OCI))		
Due to change in demographic assumptions	(72,809)	-
Due to change in financial assumptions	224,826	1,288,893
Due to change in experience adjustments	(111,352)	161,662
Return on plan assets (excl. interest income)	(40,700)	(5,914)
Total remeasurements in OCI	(35)	1,444,641
Total defined benefit cost recognised in profit or loss and OCI	386,249	1,708,641

Employee benefits (contd.)

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Net defined benefit liability (asset) reconciliation		
Opening balance of net defined benefit liability (asset)	1,444,641	-
Defined benefit cost included in profit or loss	386,284	264,000
Total remeasurements included in OCI	(35)	1,444,641
Employer contributions	(495,218)	(264,000)
Employer direct benefit payments	(586)	-
Net defined benefit liability (asset) as of end of year	1,335,086	1,444,641
Expected cash flows for following year		
Expected employer contributions	250,000	200,000
Expected total benefit payments		
Year 1	285,338	260,300
Year 2	299,339	289,378
Year 3	337,134	321,729
Year 4	375,322	355,475
Year 5	395,635	390,380
Next 5 years	2,310,804	2,168,892

	As at 31 December 2016	As at 31 December 2015
Significant actuarial assumptions		
Discount rate in %	6.90%	7.40%
Future salary growth in %	10.0%	10.0%
Future turnover in %		
Up to age 30	11%	15%
Age 31-45	10%	10%
Above 45	5%	3%
Expected average remaining working lives of employees	10 years	10 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 2016		As at 31 December 2015	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
	BDT'000	BDT'000	BDT'000	BDT'000
Discount rate in %	(204,396)	222,448	(201,744)	220,427
Future salary growth in %	205,387	(191,103)	223,012	(206,154)

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 - Upto 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

19 Other non-current liabilities

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Security deposits from subscribers and channel partners	428,016	419,249
Asset retirement obligations (Note 19.1)	124,073	126,699
Other non-current liabilities	74,883	126,557
	626,972	672,505

19.1 Asset retirement obligations (ARO)

Opening balance	126,699	123,610
Provision made during the year	20,164	4,210
	146,863	127,820
Provision released during the year	(22,706)	(1,121)
Closing balance	124,157	126,699

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.

20 Trade and other payables

Trade payables including liability for capital expenditure	12,135,515	11,021,307
Accrued expenses	5,871,661	5,238,083
Finance lease obligation	242,951	151,022
	18,250,127	16,410,412
Indirect taxes	1,512,521	1,073,113
Deferred connection revenue	1,291,941	324,198
Unearned revenue	4,308,576	4,767,616
	25,363,165	22,575,339

21 Provisions

Provisions includes provision for BTRC revenue share, annual operating licence fee, office running, other operational expenses and capital expenditure.

22 Current tax payable

Movement of income tax provision is shown as under:

Opening balance	19,785,655	19,629,253
Provision made during the year including transactions for other comprehensive income	16,005,063	14,720,427
	35,790,718	34,349,680
Paid during the year (incl. tax deducted at source)	(16,169,852)	(14,564,025)
Provision released during the year	(678,307)	-
Closing balance	18,942,559	19,785,655

23 Other current liabilities

Other current liabilities mainly include accruals for profit sharing plan BDT 207,853,964 (2015: BDT 185,352,716), payable for bills pay receipts BDT 756,539,891 (2015: BDT 754,499,752) and dividend unclaimed BDT 93,058,154 (2015: BDT 92,755,407).

24 Revenue

	2016 BDT'000	2015 BDT'000
The following is an analysis of revenue for the year:		
Revenue from mobile communication (Note 24.1)	109,691,382	100,409,598
Revenue from customer equipment (Note 24.2)	2,750,952	2,050,316
Other revenues (Note 24.3)	2,419,826	2,294,458
	114,862,160	104,754,372

24.1 Revenue from mobile communication

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

24.2 Revenue from customer equipment

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

24.3 Other revenues

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

25 Cost of material and traffic charges

Traffic charges	(5,732,536)	(5,705,995)
Cost of materials and services	(4,929,283)	(4,987,582)
	(10,661,819)	(10,693,577)

Traffic charges mainly include national and international interconnection cost.
Cost of materials and services includes cost of SIM card, scratch card, devices and contents.

26 Salaries and personnel cost

Salaries and personnel cost includes salaries, bonuses, different employment benefits including provident, gratuity, profit sharing (WPPF), training and other related costs. Additionally, gratuity expense of 2016 includes BDT 944,605,087 for voluntary retirement of 348 employees during the year.

26.1 Number of employees

Total number of employees having annual salary of BDT 36,000 or above each was 2,651 as at 31 December 2016 and 3,002 as at 31 December 2015.

27 Operation and maintenance

Service maintenance fee	(1,767,564)	(3,064,675)
Vehicle maintenance expense	(368,010)	(266,400)
Other operation and maintenance	(1,621,922)	(1,088,054)
	(3,757,496)	(4,419,129)

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

28 Sales, marketing and commissions

Sales, marketing and representation costs	(1,768,930)	(3,035,990)
Advertisement and promotional expenses	(1,903,281)	(1,934,192)
Commissions	(8,825,115)	(7,943,194)
	(12,497,326)	(12,913,376)

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

29 Revenue sharing, spectrum charges and licence fees

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

30 Other operating (expenses)/income, net

	2016 BDT'000	2015 BDT'000
Consultancy and professional services (Note 30.1)	(963,853)	(982,062)
Statutory audit fees	(2,000)	(2,000)
Rental expense for property, plant and equipment (Note 30.2)	(2,698,401)	(1,759,128)
Fuel and energy costs	(3,080,001)	(2,228,105)
Bad debt expense (Note 30.3)	(204,515)	(279,826)
Rental and other income	360,048	277,776
Gain/(loss) on disposal of assets	(255,118)	(80,929)
Others (Note 30.4)	(1,359,121)	(1,073,780)
	(8,202,961)	(6,128,054)

30.1 Consultancy and professional services

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

30.2 Rental expense for property, plant and equipment

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

	2016	2015
(i) Not later than one year	367,980	468,942
(ii) Later than one year but not later than five years	-	-
(iii) Later than five years	-	-
	367,980	468,942

30.3 Bad debt expense

	2016	2015
Provision (made)/reversed during the year	(238,764)	(307,260)
Recovery of bad debt during the year	34,249	27,434
Bad debt expense	(204,515)	(279,826)

Provision for doubtful debts has been made as per policy of the company mentioned in Note 3.8.

30.4 Others

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

31 Depreciation and amortisation

	2016	2015
Depreciation of property, plant and equipment	(16,790,421)	(14,907,311)
Amortisation of intangible assets	(4,207,759)	(4,100,368)
	(20,998,180)	(19,007,679)

32 Share of profit/loss of associate

Share of profit/loss of associate represents Grameenphone's share of Accenture Communications Infrastructure Solutions Ltd.'s (previously known as GPIT) profit/loss for ten month period ended 31 October 2016. Thereafter, the carrying amount of investment in associate has been fully impaired as disclosed in Note 6 and recognition of Grameenphone's share of further losses has been discontinued.

33 Finance (expense)/income, net

	2016	2015
Interest income	152,879	211,892
Unwinding/(rewinding) of discount on non-current trade receivable (Note 36.1)	(93,590)	93,590
Interest expense	(2,499,797)	(2,070,241)
Net interest cost on defined benefit obligation	(81,306)	16,000
Other finance expenses	(69,254)	(191,978)
	(2,591,068)	(1,940,737)

34 Income tax expense

	2016 BDT'000	2015 BDT'000
Current tax expense		
Income tax expenses for the year (Note 3.11)	(16,048,893)	(14,720,427)
Provision released during the year	678,307	-
	(15,370,586)	(14,720,427)
Deferred tax (expense)/income		
Deferred tax (expense)/income relating to origination and reversal of temporary differences	(281,465)	(495,041)
	(15,652,051)	(15,215,468)

35 Earnings per share

	2016	2015
Profit for the year (in BDT)	22,526,355,043	19,706,891,276
Weighted average number of shares (Note 35.1)	1,350,300,022	1,350,300,022
Basic and diluted earnings per share (Note 3.16) (in BDT)	16.68	14.59

35.1 Weighted average number of ordinary shares

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

35.2 Diluted earnings per share

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

36 Financial risk management

Company's financial risk management is governed by Treasury Policy as approved by the Board of Directors. Company's principal financial assets include trade and other receivables, cash and short-term deposits that arise directly from its operations. Company's financial liabilities mainly include trade and other payables, 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.

36.1 Credit risk

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

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

Credit risk relating to balances with banks is managed by treasury department in accordance with company's policy. 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.

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

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Trade receivables - non-current	741,617	717,524
Trade receivables - current	4,038,928	4,329,313
Other current receivables		
Interest receivable	-	646
Receivables on Employees - Non-Interest Bearing	6,330	19,548
Other non-interest-bearing receivables	1,135,946	1,237,978
	1,142,276	1,258,172
Cash at bank	2,903,902	4,147,622
	8,826,723	10,452,632

Movement of the provisions and allowances against trade receivables during the year was as follows:

	2016	2015
Opening balance	1,626,930	1,482,094
Provision made during the year	238,764	307,260
Adjustment due to rewinding/(unwinding) of discount	93,590	(93,590)
	1,959,284	1,695,764
Amounts written off	(962,191)	(68,834)
Closing balance	997,093	1,626,930

The above provisions and allowances include both provision for uncollectibles and allowances for impairment of receivables from delayed collection.

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

	2016	2015
Domestic	4,706,851	4,675,453
Asia	39,136	174,063
Europe	30,772	173,752
Australia	573	913
America	2,615	22,316
Africa	598	340
	4,780,545	5,046,837

36.2 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 2016

	Carrying amount	Maturity date	Nominal Interest rate	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	BDT'000			BDT'000	BDT'000	BDT'000	BDT'000	BDT'000	BDT'000
Finance lease obligation (including current portion)	5,336,563	June 2027	15%	10,962,793	566,368	452,019	919,104	2,938,120	6,087,183
Loans and borrowings - long-term	13,556,284	April 2020	6-month-LIBOR+3.5%	14,599,659	-	-	6,036,984	8,562,676	-
Loans and borrowings - short-term									
Foreign	5,411,884	October 2017	6-month-LIBOR+3.5%	6,295,631	3,181,678	3,113,954	-	-	-
Local	2,688,200	January 2017	3.70% - 4.15%	2,697,307	2,697,307	-	-	-	-
Trade and other payables									
Trade payables including liability for capital expenditure	12,135,515	December 2017	N/A	12,135,515	5,142,090	6,993,425	-	-	-
Accrued expenses	5,871,661	December 2017	N/A	5,871,661	3,346,847	2,524,814	-	-	-
Other current liabilities	1,399,470	December 2017	N/A	1,399,470	1,399,470	-	-	-	-
	46,399,577			53,962,036	16,333,760	13,084,212	6,956,088	11,500,796	6,087,183

Liquidity risk (contd...)

As at 31 December 2015

	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)	5,358,169	June 2027	15%	11,772,754	502,426	436,951	888,970	2,847,717	7,096,690
Loans and borrowings - long-term	18,964,209	April 2020	6-month-LIBOR+3.5%	20,491,682	-	-	6,130,828	14,360,854	-
Loans and borrowings - short-term									
Foreign	5,375,569	December 2016	6-month-LIBOR+3.5%	6,354,399	3,204,861	3,149,538	-	-	-
Local	4,600,000	January 2016	5% - 6.15%	4,612,506	4,612,506	-	-	-	-
Trade and other payables									
Trade payables including liability for capital expenditure	11,021,307	December 2016	N/A	11,021,307	4,584,240	6,437,067	-	-	-
Accrued expenses	5,389,105	December 2016	N/A	5,389,105	3,071,790	2,317,315	-	-	-
Other current liabilities	1,210,685	December 2016	N/A	1,210,685	1,210,685	-	-	-	-
	51,919,044			60,852,438	17,186,509	12,340,870	7,019,798	17,208,571	7,096,690

36.3 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 2016					As at 31 December 2015				
	USD	NOK	GBP	EUR	JPY	USD	NOK	GBP	EUR	JPY
Foreign currency denominated assets										
Receivable from Telenor entities	107,500	-	-	-	-	178,775	-	-	-	-
Accounts receivable	71,961	-	-	-	-	336,875	-	-	-	-
Cash at bank	125,819	-	-	-	-	566,032	-	-	-	-
	305,279	-	-	-	-	1,081,682	-	-	-	-
Foreign currency denominated liabilities										
Loans and borrowings	(19,248,303)	-	-	-	-	(24,703,904)	-	-	-	-
Payable to other Telenor entities*	(921,848)	(1,566,816)	-	-	-	(1,006,380)	(1,188,696)	-	-	-
Trade and other payables for expenses	(1,200,405)	-	-	-	-	(2,204,191)	-	-	-	
	(21,370,556)	(1,566,816)	-	-	-	(27,914,475)	(1,188,696)	-	-	-
Net exposure	(21,065,276)	(1,566,816)	-	-	-	(26,832,793)	(1,188,696)	-	-	-

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

The following significant exchange rates have been applied:

	Exchange rate as at	
	31 December 2016	31 December 2015
	BDT	BDT
US Dollar (USD)	78.92	78.44
Norwegian Kroner (NOK)	9.13	8.90
Great Britain Pound (GBP)	97.08	116.40
EURO (EUR)	82.91	85.65
Japanese Yen (JPY)	0.67	0.65

Market risk (contd.)

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	Profit or loss		Equity	
	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease
31 December 2016	BDT'000	BDT'000	BDT'000	BDT'000
Expenditures denominated in USD	(21,065)	21,065	(21,065)	21,065
Expenditures denominated in NOK	(1,567)	1,567	(1,567)	1,567
Expenditures denominated in GBP	-	-	-	-
Expenditures denominated in EURO	-	-	-	-
Expenditures denominated in JPY	-	-	-	-
Exchange rate sensitivity	(22,632)	22,632	(22,632)	22,632
31 December 2015				
Expenditures denominated in USD	(26,833)	26,833	(26,833)	26,833
Expenditures denominated in NOK	(1,189)	1,189	(1,189)	1,189
Expenditures denominated in GBP	-	-	-	-
Expenditures denominated in EURO	-	-	-	-
Expenditures denominated in JPY	-	-	-	-
Exchange rate sensitivity	(28,022)	28,022	(28,022)	28,022

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 2016, the interest rate profile of the company's interest bearing financial instruments was:

	Carrying amount	
	As at 31 December 2016	As at 31 December 2015
	BDT'000	BDT'000
Fixed rate instruments		
Financial assets		
Short-term investment	-	-
Financial liabilities		
Loans and borrowings	2,688,200	4,600,000
Floating rate instruments		
Financial liabilities		
Loans and borrowings	18,968,168	24,339,778

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 2016		As at 31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	BDT'000	BDT'000	BDT'000	BDT'000
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Short term investment	-	-	-	-
Loans and receivables				
Trade and other receivables	7,463,977	7,463,977	7,339,372	7,339,372
Financial liabilities				
Liabilities carried at fair value through profit or loss	-	-	-	-
Liabilities carried at amortised costs				
Finance lease obligation	5,336,563	5,336,563	5,207,147	5,207,147
Loans and borrowings - long-term	13,556,284	13,556,284	18,964,209	18,964,209
Trade and other payables	25,363,165	N/A*	22,575,339	N/A*
Loans and borrowings - short-term	8,100,084	8,100,084	9,975,569	9,975,569
Other current liabilities	1,399,470	N/A*	1,210,685	N/A*

Interest rates used to determine amortised cost

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

	2016	2015
Finance lease obligation	15.00%	15.00%
Loans and borrowings		
Foreign	6-month-LIBOR + 3.5%	6-month-LIBOR + 3.5%
Local	3.70% - 4.15%	5% - 6.15%

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

37 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 period.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2016.

38 Related party disclosures

During the year ended 31 December 2016, 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/BAS 24 Related Party Disclosures. Nature of relationship and significance of the amounts have been considered in providing this disclosure.

38.1 Key management personnel compensation

	2016 BDT'000	2015 BDT'000
Short term employee benefits	631,273	614,891
Post employment benefits	65,271	49,344
Other long term benefits	12,219	7,722
	708,763	671,956

Key management personnel compensation includes benefits for employees of the rank of Deputy 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 2016, attendance fees in connection with Board and Board Sub-Committee meetings are BDT 875,840 (2015: BDT 793,730).

38.2 Debts due from and due to key management personnel

Attendance fees of Board of Directors which are not yet paid, includes BDT 3,143,166 as at 31 December 2016 (2015: BDT 2,870,469). 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 are charged on the arm's length basis after a certain usage limit and trade and other receivables may include receivables for providing mobile communication services to them.

38.3 Other related party transactions during the year

Name of related parties	Nature	Nature of transactions	2016 BDT'000	2015 BDT'000
Telenor Mobile Communications AS	Shareholder	Dividend payment	10,924,412	10,924,412
Nye Telenor Mobile Communications II AS	Shareholder	Dividend payment	3	3
Nye Telenor Mobile Communications III AS	Shareholder	Dividend payment	3	3
Telenor Asia Pte. Ltd.	Shareholder	Dividend payment	3	3
Grameen Telecom	Shareholder	Commission expense	177,358	191,427
		Dividend payment	6,695,613	6,695,613
Grameen Kalyan	Shareholder	Dividend payment	0	0
Grameen Shakti	Shareholder	Dividend payment	0	0
Accenture Communications Infrastructure Solutions Ltd.	Associate	Purchase of IT service, equipments and softwares	1,196,310	1,486,310
		Rental income and other income	(62,412)	(64,694)

Name of related parties	Nature	Nature of transactions	2016 BDT'000	2015 BDT'000
Telenor ASA	Telenor group entity	Consultancy and professional service fee	382,819	166,998
		IT support Cost	66,136	103,017
Telenor Consult AS	Telenor group entity	Consultancy and professional service fee including compensation for key management personnel where relevant	5,977	111,454
Telenor Global Services AS	Telenor group entity	Consultancy and professional service fee	28,174	28,092
Telenor Global Shared Services AS	Telenor group entity	Consultancy and professional service fee	435,050	418,691
Telenor GO	Telenor group entity	Consultancy and professional service fee including compensation for key management personnel where relevant	227,944	211,770
Telenor Digital AS	Telenor group entity	Consultancy and professional service fee	99,136	-
Telenor Norway	Telenor group entity	Roaming revenue net of discount	(360)	(694)
		Roaming cost net of discount	17	(617)
Telenor Sweden	Telenor group entity	Roaming revenue net of discount	(108)	(115)
		Roaming cost net of discount	(11)	(41)
Telenor Denmark	Telenor group entity	Roaming revenue net of discount	(83)	(133)
		Roaming cost net of discount	21	(364)
Telenor Hungary	Telenor group entity	Roaming revenue net of discount	(4)	(1)
		Roaming cost net of discount	9	(2)
		Capital expenditure	14,947	-
Telenor Serbia	Telenor group entity	Roaming revenue net of discount	(2)	1
		Roaming cost net of discount	(0)	(0)
Telenor Montenegro	Telenor group entity	Roaming revenue net of discount	(0)	(46)
		Roaming cost net of discount	0	0
Telenor Bulgaria	Telenor group entity	Roaming revenue net of discount	(9)	(15)
		Roaming cost net of discount	2	1
Telenor Pakistan	Telenor group entity	Roaming revenue net of discount	(3)	(36)
		Roaming cost net of discount	10	(18)
Telenor India	Telenor group entity	Roaming revenue net of discount	1,613	(776)
		Roaming cost net of discount	(1,517)	(7)

Name of related parties	Nature	Nature of transactions	2016 BDT'000	2015 BDT'000
Telenor Myanmar	Telenor group entity	Roaming revenue net of discount	(44)	(28)
		Roaming cost net of discount	(3)	-
Dtac Thailand	Telenor group entity	Roaming revenue net of discount	(275)	39
		Roaming cost net of discount	530	(6,142)
Digi Malaysia	Telenor group entity	Roaming revenue net of discount	(4,076)	(2,522)
		Roaming cost net of discount	(112)	(1,212)
SNT holdings	Joint venture of Telenor group	Revenue from mobile communication	(3,760)	-
Vimpelcom Ltd.	Associated companies of Telenor group	Roaming revenue net of discount	(505)	(710)
		Roaming cost net of discount	388	192
Grameen Distribution	Related to Grameen Telecom through Grameen Telecom Trust	Purchase of handsets	987,271	-

38.4 Receivables/(payables) with other related parties

Name of related parties	Nature	Nature of transactions	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Grameen Telecom	Shareholder	Accounts receivable	3,170	3,879
		Accounts payable	(14,859)	(14,116)
Accenture Communications Infrastructure Solutions Ltd.	Associate	Accounts receivable	34,020	220,386
		Accounts payable	(798,646)	(158,526)
Telenor ASA	Telenor group entity	Accounts receivable	25,918	20,236
		Accounts payable	(1,342,333)	(959,034)
Telenor Consult AS	Telenor group entity	Accounts receivable	-	37,088
		Accounts payable	(1,859)	(69,769)
Telenor Global Services AS	Telenor group entity	Accounts receivable	-	-
		Accounts payable	(73,000)	(68,708)
Telenor Global Shared Services AS	Telenor group entity	Accounts receivable	-	13,353
		Accounts payable	(851,008)	(870,972)
Telenor GO	Telenor group entity	Accounts receivable	10,372	24,501
		Accounts payable	(100,706)	(175,017)

Name of related parties	Nature	Nature of transactions	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Telenor Digital AS	Telenor group entity	Accounts receivable	-	-
		Accounts payable	(99,136)	-
Telenor Health AS	Telenor group entity	Accounts receivable	49,026	-
		Accounts payable	(5,549)	-
Telenor International Centre AS	Telenor group entity	Accounts receivable	11,145	-
		Accounts payable	-	-
Telenor Norway	Telenor group entity	Accounts receivable	101	225
		Accounts payable	(9)	(8)
Telenor Sweden	Telenor group entity	Accounts receivable	26	11
		Accounts payable	(1)	(4)
Telenor Denmark	Telenor group entity	Accounts receivable	17	27
		Accounts payable	(6)	(3)
Telenor Hungary	Telenor group entity	Accounts receivable	1	0
		Accounts payable	(14,950)	-
Telenor Serbia	Telenor group entity	Accounts receivable	1	9
		Accounts payable	-	(1)
Telenor Montenegro	Telenor group entity	Accounts receivable	1	0
		Accounts payable	(0)	(0)
Telenor Bulgaria	Telenor group entity	Accounts receivable	5	-
		Accounts payable	-	(3)
Telenor Pakistan	Telenor group entity	Accounts receivable	1	0
		Accounts payable	(4)	(5)
Telenor India	Telenor group entity	Accounts receivable	9,305	6,301
		Accounts payable	(21)	(35)
Telenor Myanmar	Telenor group entity	Accounts receivable	21	-
		Accounts payable	-	-
Dtac Thailand	Telenor group entity	Accounts receivable	10	116
		Accounts payable	(61)	(100)

Name of related parties	Nature	Nature of transactions	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Digi Malaysia	Telenor group entity	Accounts receivable	1,357	0
		Accounts payable	(21)	(23)
SNT holdings	Joint venture of Telenor group	Accounts receivable	255	-
		Accounts payable	-	-
Vimpelcom Ltd.	Associated companies of Telenor group	Accounts receivable	164	184
		Accounts payable	(1)	(4)
Grameen Distribution	Related to Grameen Telecom through Grameen Telecom Trust	Accounts receivable	-	-
		Accounts payable	(261,266)	-

38.5 Transactions with post-employment benefit plan

No other transaction incurred with post-employment benefit plan other than those disclosed in Note 18.

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

	2016 BDT'000	2015 BDT'000
CIF value of imports		
Telecommunication equipment	(10,830,000)	(10,119,630)
Expenditure in foreign currency		
Consultancy fee	(462,531)	(178,272)
Consultancy fee - expatriate	(233,921)	(323,224)
Other fee (travel and training)	(136,093)	(114,218)
Technical know-how	(858,517)	(886,345)
International roaming cost net of discount	(54,947)	(113,342)
Interest on foreign loan	(966,458)	(1,048,888)
Foreign earnings		
Revenue net of discount from roaming partners	169,147	213,843

40 Short-term credit facilities available as at 31 December 2016

The company enjoys composite working capital facilities including both funded and non-funded facilities from 18 banks (2015: 20 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 39,312 million (2015: BDT 31,047 million) of which non-funded limit is BDT 23,929 million (2015: BDT 16,009 million) and funded limit is BDT 23,758 million (2015: BDT 19,388 million).

As per the approval of the Board of Directors of Grameenphone, the total amount of short-term funded facilities are limited to BDT 25,500 million (2015: BDT 19,500 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.

41 Commitments

	As at 31 December 2016 BDT'000	As at 31 December 2015 BDT'000
Capital commitment (open purchase order) for property, plant and equipment	4,955,689	8,395,646
Capital commitment (open purchase order) for intangible assets	104,769	7,648

The company as lessee has finance and operating lease commitments as disclosed in Note 15 and Note 30.2.

42 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 or arbitration proceedings which may have a significant effect on the financial position or profitability of the company but for which any provision has not been recognised in these financial statements.

(a) BTRC audit

BTRC carried out an audit of the information system of Grameenphone from April 2011 and issued a letter on 3 October 2011 claiming an amount of BDT 30,341,108,581 on various grounds. Grameenphone during and after the audit clarified to both BTRC and auditors appointed by BTRC that those observations were framed on wrong basis. Grameenphone disagrees to the claim made by BTRC and responded to the letter requesting BTRC to review the notice. Grameenphone also took the issue to the court and obtained a 'status quo' valid till disposal of the rule. It is to be noted that the appointment of the auditor by BTRC was declared illegal by the High Court Division which was later on upheld by the Appellate Division.

(b) SIM tax on replacement SIMs

Large Taxpayers Unit (LTU)-VAT by 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. Grameenphone challenged the demand by a writ petition and the High Court initially passed a stay order on the operation of the demand. The High Court later on 6 June 2013 disposed of the writ petition filed by Grameenphone and asked LTU VAT Commissioner to decide on this matter within 120 days and make no demand in the mean time. Consequently a SIM Replacement Review Committee was constituted by the Commissioner. The LTU representatives of the Committee in January 2014 finalised their observations without changing their earlier position much as far as 'fact finding' is concerned.

The mobile operators expressed their dissatisfaction over the findings and the way LTU appointed members of the committee disregarded the spirit of the 'Terms of Reference' and agreed methodology as endorsed by BTRC in carrying out the review. Such deviation is evident from significant deviation between interim report and final observations. A hearing notice was also served on Grameenphone for appearance before LTU-VAT on 25 January 2015. By way of a Writ Petition, Grameenphone challenged the premises on which the 'hearing notice' was served and obtained a stay order on 19 January 2015 on the operation of that notice for an interim period of three months pending hearing of the Writ Petition. As against such order of stay, the Government moved to the Appellate Division, which was disposed of by order dated 2 March 2015 staying operation of the interim order and directing for the Rule to be heard and disposed of by a particular Bench of the High Court Division, where it is presently listed and pending for a hearing.

In such circumstances, the Commissioner, LTU-VAT issued an order dated 18 May 2015 purporting to dispose of the show cause notice and finalise the demand at Tk 10,232,331,083 as SIM tax. The revised demand includes substantially all replacements done by Grameenphone between July 2007 and December 2011. It may be mentioned that the above amount of demand does not include interest.

After thorough discussion and analysis, management has filed an appeal to the VAT Appellate Tribunal under Section 42(1) (Kha) of the VAT Act 1991 against the demand order. Even though the management of 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 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. However, pursuant to external legal counsel's advice the pending Writ Petition was withdrawn by way of non-prosecution (being infructuous) upon filing of the appeal before the VAT Appellate Tribunal.

Even though our legal view related to this claim haven't changed, current accounting policies followed by Grameenphone requires such deposits to be recognised as an asset only if recovery of the amount is virtually certain. Accordingly, we have considered the deposit as a contingent asset under (IAS/BAS) 37 Provisions, Contingent Liabilities and Contingent Assets. The hearing before the Customs, Excise and VAT Appellate Tribunal took place on 28 September 2016. Now, the Tribunal is expected to pass its judgment.

(c) VAT rebate on 2G licence renewal fee

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

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

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

Large Taxpayers Unit (LTU)-VAT on 14 May 2014 issued a 'pay or explain' demand of BDT 16.60 billion referring an assessment by Local and Revenue Audit Department of Comptroller and Auditor General (C&AG) office. C&AG office has made this assessment for the fiscal year 2010-11 and 2011-12. Grameenphone disagrees to the findings of the assessment referred by LTU because of lack of jurisdiction and improper procedures followed and relevant facts and legal provisions being misconstrued in reaching the conclusion. Grameenphone has taken this issue to court and the High Court on 28 May 2014 issued a rule nisi asking respondents to show cause as to why the demand shall not be declared to have been issued without lawful authority and is of no legal effect and stayed the operation of the demand. The High Court on 15 December 2014 heard the case and passed a judgment making the rule absolute without any cost and set aside the demand. No provision for this demand has been considered in the financials.

On 31.03.2016, pursuant to a Civil Petition for Leave to Appeal filed by NBR the Hon'ble Judge in Chamber of the Appellate Division has referred the matter to the Appellate Division for full hearing. So, the judgement pronounced by the Hon'ble High Court Division in favour of Grameenphone is still operative.

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

Large Tax Payer Unit (LTU), VAT, on 9 May 2016 Issued a show cause notice on Grameenphone as to why 2% interest would not be applied for the delay in payment of VAT and Supplementary Duty on sale of SIM (commonly known as SIM tax) during the period 24 August 2006 to 27 March 2007. Collection of SIM tax during this period was barred by an order passed by the Hon'ble High Court which had declared fixation of Tariff Value for determination of SIM tax to have been done without lawful authority. Accordingly the mobile operators could not collect SIM Tax from the customers for the above mentioned period. Upon a civil petition filed by the NBR, the judgment of the High Court was initially stayed by the Appellate Division on 27 March 2007 and finally reversed by its judgment passed on 1 August 2012. NBR issued a demand notice after the judgment and BDT 3,480,971,703 was paid on 12 September 2012 on protest.

Immediately, Grameenphone filed a writ petition before the High Court challenging the show cause notice of 9 May 2016 issued by NBR. The High Court division initially passed a stay order on the show cause notice, which was subsequently vacated by the Appellate Division.

NBR issued a demand notice on 22 June 2016 asking for payment of BDT 4,525,263,202 as interest in respect of 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 Appellate Division for disposal.

After thorough discussion and analysis, Grameenphone has filed an appeal to the VAT Appellate Tribunal under Section 42(1)(Kha) of the VAT Act 1991 against the demand order. Even though the management of 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 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.

Current accounting policies followed by Grameenphone requires such deposits to be recognised as an asset only if recovery of the amount is virtually certain. Accordingly, we have considered the deposit as a contingent asset under (IAS/BAS) 37 Provisions, Contingent Liabilities and Contingent Assets. Hearing on the case is yet to commence.

43 Other disclosures

43.1 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.

43.2 Events after the reporting period

The Board of Directors of Grameenphone Ltd. at its 174th meeting held on 31 January 2017 recommended a final cash dividend amounting to BDT 12,152,700,198 being 90% of the paid-up capital (i.e. BDT 9 per share) for the year 2016. Total cash dividend including this final cash dividend stands at 175% of the paid-up capital (i.e. BDT 17.5 per share) for the year 2016. These dividends are subject to final approval by the shareholders at the forthcoming annual general meeting of the company.

43.3 Accounting standards issued but not yet effective

A number of new accounting standards have been published that are not effective for the year ending 31 December 2016 and earlier application is permitted; however, Grameenphone has not early adopted the following new or amended standards in preparing these financial statements. Requirements of significant new accounting standards are as follows:

(a) IFRS/BFRS 15 Revenue from Contracts with Customers

IFRS/BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS/BAS 18 Revenue, IAS/BAS 11 Construction Contracts and IFRIC/BFRIC 13 Customer Loyalty Programmes. IFRS/BFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Grameenphone has completed an initial assessment of the potential impact of the adoption of IFRS/BFRS 15 and believes that adoption of IFRS/BFRS 15 will not have any significant impact on its financial statements. Management will adopt IFRS/BFRS 15 in its financial statements for the year ending 31 December 2018 and is currently performing a detailed assessment of the impact of this accounting standards.

(b) IFRS/BFRS 16 Leases

IFRS/BFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset for the lease term representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional 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.

An entity shall determine the lease term as the non-cancellable period of a lease, together with both:

a) Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

b) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Additionally, in determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

IFRS/BFRS 16 replaces existing leases guidance including IAS/BAS 17 Leases, IFRIC/BFRIC 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/BFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS/BFRS 16.

Grameenphone will recognise new assets and liabilities for its operating leases of location rent for base stations, mobile switching centres (switch) and other locations. In addition, the nature of expenses related to those leases will now change as IFRS/BFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. As a lessor, Grameenphone is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

Supplementary information

Separate statement of profit or loss and other comprehensive income of Grameenphone Ltd. for the year ended 31 December 2016.

	2016 BDT'000	2015 BDT'000
Revenue	114,862,160	104,754,372
Operating expenses		
Cost of material and traffic charges	(10,661,819)	(10,693,577)
Salaries and personnel cost	(8,276,052)	(6,373,253)
Operation and maintenance	(3,757,496)	(4,419,129)
Sales, marketing and commissions	(12,497,326)	(12,913,376)
Revenue sharing, spectrum charges and licence fees	(8,902,203)	(8,255,606)
Other operating (expenses)/income, net	(8,202,961)	(6,128,054)
Depreciation and amortisation	(20,998,180)	(19,007,679)
	(73,296,037)	(67,790,674)
Operating profit	41,566,123	36,963,698
Share of profit/(loss) of associate	-	-
Impairment loss on investment in associate	(36,751)	-
Finance (expense)/income, net	(2,591,068)	(1,940,737)
Foreign exchange (loss)/gain	(86,006)	(115,721)
	(2,713,825)	(2,056,458)
Profit before tax	38,852,298	34,907,240
Income tax expense	(15,753,134)	(15,213,200)
Profit after tax	23,099,164	19,694,040
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plan	35	(1,444,641)
Income taxes	(14)	577,856
	21	(866,785)
Total comprehensive income for the year	23,099,185	18,827,255
Earnings per share		
Basic and diluted earnings per share (par value BDT 10 each in BDT)	17.11	14.58