Auditors' Report & Audited Financial Statements of

Grameenphone IT Ltd.

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Independent Auditors' Report
to the Shareholders of Grameenphone IT Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Grameenphone IT Ltd. ("the company") which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards (BFRS) and the Companies Act 1994 and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 2012 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we report that:

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 those books; and

c) the statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.

Auditors
Rahman Rahman Huq
Dhaka, February 10, 2013

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

Assets	Notes	2012 Taka	2011 Taka
Non-current assets			
Property, plant and equipment, net	4	541,298,466	506,945,456
Intangible assets, net	5	86,838,766	28,084,997
		628,137,232	535,030,453
Current assets			
Inventories	6	7,365,428	23,757,854
Accounts receivable	7	603,993,534	173,575,301
Advances, deposits and prepayments	8	44,651,124	34,052,375
Other receivables	9	28,163,115	16,536,405
Cash and cash equivalents	10	263,378,495	426,423,498
		947,551,696	674,345,433
Total assets		1,575,688,928	1,209,375,886
Equity and liabilities			
Shareholders' equity			
Share capital	11	75,000,000	75,000,000
Accumulated profit/(loss)		211,825,041	(14,554,475)
		286,825,041	60,445,525
Non-current liabilities		-	-
Current liabilities			
Advance from customers	12	335,654,255	392,199,338
Payable for operating expenses	13	290,653,257	239,909,445
Payable for capital expenditure	14	59,072,902	259,820,110
Income tax provision	15	1,049,393	1,226,963
Provisions	16	558,104,820	234,377,762
VAT liability	17	27,855,533	3,820,572
Other current liabilities	18	16,473,727	17,576,171
		1,288,863,887	1,148,930,361
Total equity and liabilities		1,575,688,928	1,209,375,886

The annexed notes 1 to 29 form an integral part of these financial statements.

Chairman   Director   Chief Executive Officer   Company Secretary

As per our report of same date

Auditors

Dhaka, February 10, 2013

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

	Notes	2012 Taka	2011 Taka
Revenue	19	2,443,021,793	1,176,717,464
Cost of services rendered	20	(1,753,879,329)	(884,624,503)
Gross profit		689,142,464	292,092,961
Operating expenses:			
General and administrative expenses	21	(431,281,148)	(425,520,025)
Selling and distribution expenses	22	(31,483,814)	(14,420,111)
		(462,764,962)	(439,940,136)
Operating profit/(loss)		226,377,502	(147,847,175)
Finance income, net	23	8,430,324	7,215,220
Loss on disposal of property, plant and equipment	24	(949,833)	(55,757)
Foreign exchange gain/(loss)		(4,056,509)	2,872,314
		3,423,982	10,031,777
Profit/(loss) before income tax		229,801,484	(137,815,398)
Income tax expenses	3.8	(3,421,968)	(2,914,218)
Profit/(loss) for the year		226,379,516	(140,729,616)
Other comprehensive income		-	-
Total comprehensive income		226,379,516	(140,729,616)

The annexed notes 1 to 29 form an integral part of these financial statements.

Chairman   Director   Chief Executive Officer   Company Secretary

As per our report of same date

Auditors

Dhaka, February 10, 2013

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

	Share capital Taka	Accumulated profit/(loss) Taka	Total Taka
Balance as at 1 January 2011	**75,000,000**	**126,175,141**	**201,175,141**
Total comprehensive income for 2011:			
Loss for the year	-	(140,729,616)	(140,729,616)
Other comprehensive income	-	-	-
Balance as at 31 December 2011	**75,000,000**	**(14,554,475)**	**60,445,525**
Balance as at 1 January 2012	**75,000,000**	**(14,554,475)**	**60,445,525**
Total comprehensive income for 2012:			
Profit for the year	-	226,379,516	226,379,516
Other comprehensive income	-	-	-
Balance as at 31 December 2012	**75,000,000**	**211,825,041**	**286,825,041**

The annexed notes 1 to 29 form an integral part of these financial statements.

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

	2012 Taka	2011 Taka
Cash flows from operating activities:		
Cash receipts from performance of services	1,956,058,477	1,455,531,219
Payment to suppliers, contractors and others	(1,037,248,483)	(334,446,886)
Payroll and other payments to employees	(608,418,577)	(590,195,025)
Finance income received	9,125,247	7,771,244
Finance costs paid	(694,923)	(556,024)
Income tax paid	(3,599,537)	(2,219,739)
Net cash flow from operating activities	315,222,204	535,884,789
Cash flows from investing activities:		
Payment for acquisition of property, plant and equipment	(383,037,441)	(353,069,121)
Payment for acquisition of intangible assets	(95,606,665)	(13,003,750)
Proceeds from sale of property, plant and equipment	376,899	38,854
Net cash used in investing activities	(478,267,207)	(366,034,017)
Cash flows from financing activities	-	-
Net changes in cash and cash equivalents	(163,045,003)	169,850,772
Opening balance of cash and cash equivalents	426,423,498	256,572,726
Closing balance of cash and cash equivalents	263,378,495	426,423,498

The annexed notes 1 to 29 form an integral part of these financial statements.

Grameenphone IT Ltd.
Notes to the financial statements
as at and for year ended 31 December 2012

1. Reporting entity

Grameenphone IT Ltd. (hereinafter referred to as "GPIT"/"the company") is a private limited company incorporated in Bangladesh under the Companies Act 1994 with an authorised share capital of Tk 7,500,000,000 divided into 75,000,000 ordinary shares of Tk 100 each. The company was registered on 28 January 2010. The company is a wholly owned subsidiary of Grameenphone Ltd. ("Grameenphone"/"GP"). Registered office of the company is GPHOUSE, Bashundhara, Baridhara, Dhaka-1229, Bangladesh.

The company launched its commercial operation on 1 April 2010

The purpose of this company is to provide IT services to Grameenphone Ltd. and other external parties.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and the Companies Act 1994

These financial statements have been authorised for issue by the board of directors on February 10, 2013.

2.2 Basis of measurement

Except for the employee benefit plan, which is measured on the basis of actuarial valuation, these financial statements have been prepared on the basis of historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT) which is both functional currency and presentation currency of the company. The amounts in these financial statements have been rounded off to the nearest Taka.

2.4 Use of estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amount recognised in the financial statements are described in the following notes:

Note 15	Income taxes
Note 16	Provisions
Note 19	Revenue

3. Significant accounting policies

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

3.1 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When 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 upgrading 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 the statement of comprehensive income as incurred.

(c) Depreciation

No depreciation is charged on capital work in progress.

Depreciation on property, plant and equipment is recognized on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. For addition to property, plant and equipment, depreciation is charged from the date of capitalisation up to the month immediately preceding the month of disposal. Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives of the items of property, plant and equipment for the current and comparative periods are as follows:

	2012	2011
Computer and other IT equipment	4 years	4 years
Vehicles	4 years	4 years
Furniture and fixtures	3 years	3 years

(d) Gains or losses on disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing the disposal proceeds with the carrying amounts and are recognised net.

(e) Capital work-in-progress

Capital work in progress consists of acquisition costs of plant, machinery, capital components of other equipment and related installation costs incurred until the date placed in service. In case of purchase of components, capital work in progress is recognised when risks and rewards associated with such assets are transferred to the company.

3.2 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 losses, if any. Intangible assets are recognised when all the conditions for recognition as per 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.

(b) Subsequent costs

Subsequent costs are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other costs are recognised in profit or loss as incurred.

(c) Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are as follows:

	2012	2011
Software	3 years	3 years

Amortisation methods, useful lives and residual values are reviewed yearly and adjusted, if appropriate.

(d) Derecognition

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its continued use. Gains or losses on disposals are determined by comparing the disposal proceeds with the carrying amounts and are recognised net.

3.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.3.1 Financial assets

Financial assets of the company include cash and cash equivalents, accounts receivable and other receivables and deposits.

The company initially recognises receivables on the date they are originated. All other financial assets are recognised initially on the date at which the company becomes a party to the contractual provisions of the transaction. 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.

(a) Accounts receivable

Accounts receivable represents the amounts due from customers for IT related services, and includes both billed and unbilled portion of such services at the reporting date. Accounts receivable is stated net of provision for doubtful debts., if any.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and balances with various banks. Bank overdrafts that are repayable on demand, form an integral part of the company's cash management are included as a component of cash and cash equivalents.

(c) Other receivables

Other receivables includes reimbursable expenses from Grameenphone, Telenor Consult AS, Telenor Start II AS, and others.

(d) Deposits

This represents amounts deposited in connection with participation in tenders as earnest money and/or bank guarantee. The amounts are refundable upon fulfilment of performance conditions if contract is awarded. For unsuccessful bids, the amounts are refundable immediately.

3.3.2 Financial liabilities

Financial liabilities are recognised initially on the transaction date at which the company becomes a party to the contractual obligations arising from the past events and the settlement of which is expected to result in an outflow of resources embodying economic benefit. The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities include payable for operating expenses, payable for capital expenditure, provisions, advance from customers and other current liabilities.

3.4 Impairment

(a) Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, etc

(b) Non-financial assets

An asset is impaired when its carrying amount exceeds its recoverable amount. The company assesses yearly whether there is any indication that an asset or a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset or CGU. The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. Carrying amount of the asset is reduced to its recoverable amount by recognising an impairment loss, if and only if, the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

3.5 Revenue

Revenues are measured at fair value of the consideration received or receivable, net of discount and sales related taxes (e.g. VAT). Revenues are reported gross with separate recording of expenses to vendors of products or services. However, when the company acts only as an agent or broker on behalf of suppliers of products or services, revenues are reported on a net basis. Revenues of Grameenphone IT Ltd. arise from:

(a) Sale of software

Revenue from the sale of software is recognised when significant risks and rewards associated with the software is transferred and the entity retains neither significant managerial involvement nor effective control over the software. The other criteria for revenue recognition, i.e. availability of reliable measure for revenue and associated costs and probable flow of economic benefits to the entity must also be met.

Accordingly delivery of a software is not considered complete and revenue is not recognised when the software is shipped subject to installation and the installation is a significant part of the contract which has not yet been completed by the company.

(b) IT service revenue

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

(c) Revenue from Construction contracts

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

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

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

3.6 Foreign currency transactions

Transactions in foreign currencies are recorded in the books at the rate of exchange 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 Bangladesh taka at the rate of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates 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 BAS 21: The Effects of Changes in Foreign Exchange Rates.

3.7 Inventories

Cost of inventories include expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. 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.

Grameenphone IT Ltd. measures service related inventories at the lower of cost or net realizable value. Inventory costs consist primarily of cost for the personnel directly engaged in providing the service, including supervisory personnel, other direct costs and attributable overheads.

Cost of software inventory for customers is specifically identified on a item by item basis since these items are not interchangeable with each other.

3.8 Income tax expense

Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

As per the provisions of Income Tax Ordinance 1984 (ITO), IT enabled services are subject to tax exemption until 30 June 2015. However, income from sources other than IT enabled services are taxable as per Income Tax Ordinance 1984. Applicable income tax rate for such other income was 37.5% in the year under audit.

3.9 Employee benefits

The company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees.

(a) Defined contribution plan (provident fund)

The company contributes 10% of basic salary of all eligible permanent employees to a provident fund (defined contribution plan) constituted under an irrevocable trust, while the employees also contribute an equal amount to the fund as per the rules of the trust deed.

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

(b) Defined benefit plan (gratuity)

The company provides retirement benefit in the form of gratuity payments determined by reference to employees' earnings and years of service to each eligible employees at the time of retirement/separation. Gratuity obligation at the reporting date is measured on the basis of actuary valuation.

(c) Short term employee benefits

Short term employee benefits include salary, bonuses, leave encashment. Obligations for such benefits are measured on an undiscounted basis and are expensed as the related service is provided.

3.10 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 date of statement of financial position. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

3.11 Events after the reporting period

Events after the reporting period that provide additional information about the company's position at the date of statement of financial position or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed when material.

4 Property, plant and equipment, net

2012

Name of assets	Cost				Depreciation				Carrying amount
	As at 1 January 2012	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2012	As at 1 January 2012	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2012	As at 31 December 2012
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Computer and other IT equipment (Note 4.1)	555,726,004	188,977,174	(4,831,920)	739,871,258	82,573,376	155,593,004	(3,505,187)	234,661,193	505,210,065
Vehicles	24,000,000	5,955,000	-	29,955,000	2,606,047	5,713,794	-	8,319,841	21,635,159
Furniture and fixtures	13,394,884	2,317,359	-	15,712,243	996,009	4,965,272	-	5,961,281	9,750,962
	593,120,888	197,249,533	(4,831,920)	785,538,501	86,175,432	166,272,070	(3,505,187)	248,942,315	536,596,186
Capital work in progress	-	201,951,813	(197,249,533)	4,702,280	-	-	-	-	4,702,280
	593,120,888	**399,201,346**	**(202,081,453)**	**790,240,781**	**86,175,432**	**166,272,070**	**(3,505,187)**	**248,942,315**	**541,298,466**

2011

Name of assets	Cost				Depreciation				Carrying amount
	As at 1 January 2011	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 1 January 2011	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 31 December 2011
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Computer and other IT equipment (Note 4.1)	8,207,244	547,625,522	(106,762)	555,726,004	16,804	82,568,723	(12,151)	82,573,376	473,152,628
Vehicles	-	24,000,000	-	24,000,000	-	2,606,047	-	2,606,047	21,393,953
Furniture and fixtures	-	13,394,884	-	13,394,884	-	996,009	-	996,009	12,398,875
	8,207,244	585,020,406	(106,762)	593,120,888	16,804	86,170,779	(12,151)	86,175,432	506,945,456
Capital work in progress	168,631,962	416,396,248	(585,028,210)	-	-	-	-	-	-
	176,839,206	**1,001,416,654**	**(585,134,972)**	**593,120,888**	**16,804**	**86,170,779**	**(12,151)**	**86,175,432**	**506,945,456**

4.1 Computer and other IT equipment include laptops, notebooks, scanners, UPS, Network Equipment and other IT related accessories.

4.2 Allocation of depreciation charged during the year

	2012	2011
	Taka	Taka
Cost of services rendered (Note 20)	140,033,705	74,311,849
General and administrative expenses (Note 21)	26,238,365	11,858,930
	166,272,070	86,170,779

5 Intangible assets, net

2012

Name of assets	Cost				Amortisation				Carrying amount
	As at 1 January 2012	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2012	As at 1 January 2012	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2012	As at 31 December 2012
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Software	29,455,042	63,417,597	-	92,872,639	1,370,045	20,401,604	-	21,771,649	71,100,990
Capital work in progress	-	79,155,373	(63,417,597)	15,737,776	-	-	-	-	15,737,776
	29,455,042	**142,572,970**	**(63,417,597)**	**108,610,415**	**1,370,045**	**20,401,604**	**-**	**21,771,649**	**86,838,766**

2011

Name of assets	Cost				Amortisation				Carrying amount
	As at 1 January 2011	Addition during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 1 January 2011	Charged during the year	Disposal/ Adjustment during the year	As at 31 December 2011	As at 31 December 2011
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Software	-	29,455,042	-	29,455,042	-	1,370,045	-	1,370,045	28,084,997
Capital work in progress	-	29,455,042	(29,455,042)	-	-	-	-	-	-
	-	**58,910,084**	**(29,455,042)**	**29,455,042**	**-**	**1,370,045**	**-**	**1,370,045**	**28,084,997**

6 Inventories

Inventories include software and hardware for different projects for GP and other customers.

	2012	2011
	Taka	Taka
Software and service inventories	4,239,900	1,178,506
IT hardware	3,125,528	22,579,348
	7,365,428	23,757,854

6.1 Movement of inventories

	Software/service inventories	IT hardware
	Taka	Taka
Balance as at 1 January 2011	103,488,179	-
Addition during 2011	144,864,768	47,979,931
Issue during 2011	(247,174,441)	(25,400,583)
Balance as at 31 December 2011	1,178,506	22,579,348
Addition during 2012	240,110,099	661,141,162
Issue during 2012	(237,048,705)	(680,594,982)
Balance as at 31 December 2012	4,239,900	3,125,528

7 Accounts receivable

	2012	2011
	Taka	Taka
IT services to Grameenphone	196,955,988	161,674,105
IT services to other Telenor entities	5,720,817	5,682,397
IT services to other external customers (Note 7.1)	401,316,729	6,218,799
	603,993,534	173,575,301

7.1 It includes receivables from Global Brand Pvt. Ltd Tk. 157,928,064 (2011: nil), from RM Systems Ltd Tk. 114,704,127 (2011: nil), from Bangladesh Telecommunications Company Ltd (BTCL) Tk. 60,182,500 (2011: nil) and from Green Planet Resort Ltd Tk. 37,174,577 (2011: nil)

As at the statement of financial position date, the above receivables do not include any receivable from:

(a) the directors and other officers of the company; and
(b) firms or private limited companies respectively in which any director of the Company is a partner, director or member.

The entire amount of the above receivable is considered good. However, no security was received against the amount.

8 Advances, deposits and prepayments

	2012 Taka	2011 Taka
Advances		
Advance to employees (Note 8.1)	2,787,972	3,295,716
Deposits		
Deposit for bank guarantee	14,025,000	2,700,000
Security deposits	8,805,503	4,031,408
	22,830,503	6,731,408
Prepayments		
Group insurance premium	8,282,223	4,955,131
Service maintenance fees	10,750,426	19,070,120
	19,032,649	24,025,251
	44,651,124	34,052,375

8.1 Advance to employees

Advance to employees represents advances made to employees for foreign travel, training, meeting, workshop, presentation etc in. No advances were made to the shareholder directors during the year.

9 Other receivables

Other receivables include receivable for reimbursable expenses from Telenor Consult AS, Grameenphone and others.

10 Cash and cash equivalents

	2012 Taka	2011 Taka
Cash at bank	263,378,495	426,423,498
	263,378,495	426,423,498

As at the reporting date the company did not have any restriction on its cash balances.

11 Share capital

	2012 Taka	2011 Taka
Authorised:		
75,000,000 ordinary shares of Tk. 100 each	7,500,000,000	7,500,000,000
Issued, subscribed and paid-up:		
750,000 ordinary shares of Tk. 100 each	75,000,000	75,000,000

Shareholding position of the company was as follows:

	% of holding		Value of shares (Taka)	
Name of shareholders	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Grameenphone Ltd.	99.9999%	99.9999%	74,999,900	74,999,900
Mr. Raihan Shamsi	0.0001%	0.0001%	100	100
	100%	100%	75,000,000	75,000,000

12 Advance from customers

	2012 Taka	2011 Taka
Advance from Grameenphone:	335,558,657	391,114,950
Advance from external customers	95,598	1,084,388
	335,654,255	392,199,338

13 Payable for operating expenses

	2012	2011
Payable to Grameenphone (Note 13.1)	88,919,037	121,527,655
Payable to others:		
Service maintenance	14,486,730	3,388,873
Office running expenses	18,141,448	7,042,118
Employee travel and training expenses	1,913,716	1,659,872
Consultancy and professional fees	165,937,188	102,608,445
Other operating expenses	1,255,138	3,682,482
	201,734,220	118,381,790
	290,653,257	239,909,445

13.1 Payable to Grameenphone

This represents the amount payable to Grameenphone on account of rent for head office at GPHOUSE Tk. 20,841,884 (2011: Tk.46,958,869) and other expenses paid by GP on behalf of GPIT.

14 Payable for capital expenditure

	2012 Taka	2011 Taka
Payable to Grameenphone (Note 14.1)	-	127,337,217
Payable to others	59,072,902	132,482,893
	59,072,902	259,820,110

14.1 Payable to Grameenphone

This represents the cost of computer and other IT equipment transferred from GP to GPIT. The purchase process was facilitated by GP in terms of execution of the transaction (including arrangement with vendors, inspection, etc.).

15 Income tax provision

	2012 Taka	2011 Taka
Opening balance	1,226,963	532,484
Provision made during the year	3,421,968	2,914,218
	4,648,931	3,446,702
Advance income tax paid	(3,599,537)	(2,219,739)
Closing balance	1,049,394	1,226,963

16 Provisions

	2012 Taka	2011 Taka
Short term employee benefits (Note 16.1)	121,936,196	95,852,719
Cost of IT support materials (Note 16.2)	316,460,450	-
IT service maintenance charge (Note 16.3)	96,051,986	109,535,466
Training and travel expenses	3,398,042	550,657
Audit fee	460,000	525,000
Consultancy and professional fees	15,961,224	22,960,498
Other operating expenses	3,836,922	4,953,422
	558,104,820	234,377,762

16.1 Short term employee benefits

This represents provision for employee salary, bonus and leave encashment outstanding at the reporting date.

16.2 Cost of IT support materials

This represents provision for purchase of various hardwares, softwares and other IT materials from various parties to provide IT support to GP and other external customers.

16.3 IT service maintenance charge

This represents mainly provision for IT maintenance service, software support service and other IT related services received by the company during 2012. The amount includes Tk 1,902,900 (2011: Tk. 1,902,900) payable as a reimbursement of IT service cost borne by GP on behalf of GPIT.

17 VAT liability

This represents balance of VAT current account maintained with NBR.

18 Other current liabilities

Other current liabilities include payables to Telenor, taxes deducted at source from employees and suppliers, etc.

19 Revenue

	2012 Taka	2011 Taka
IT service revenue from:		
Grameenphone Ltd (Note 19.1)	2,011,512,380	1,123,863,435
Other Telenor entities	23,311,223	16,973,803
External customers (Note 19.2)	408,198,190	35,880,226
	2,443,021,793	1,176,717,464

19.1 IT service revenue from Grameenphone

This represents the amount of service charge earned against IT services provided to Grameenphone Ltd. These services include maintenance of IT equipment, maintenance of billing, financial and other software, IT project implementation, supervision and other related services.

19.2 IT service revenue from external customers

It includes revenue from Global Brand Pvt. Ltd Tk. 151,853,908 (2011: nil), from RM Systems Ltd Tk. 110,292,429 (2011: nil), from Bangladesh Telecommunications Company Ltd (BTCL) Tk. 57,590,909 (2011: nil) and from Green Planet Resort Ltd Tk. 43,468,495 (2011: nil) for IT related service.

20 Cost of services rendered

	2012 Taka	2011 Taka
Personnel expenses (Note 20.1)	424,919,562	377,495,728
Service maintenance fees	226,988,402	158,871,856
Cost of IT support materials	941,536,056	272,575,024
Depreciation and amortisation	160,435,309	75,681,895
	1,753,879,329	884,624,503

20.1 Personnel expenses

This includes salary, bonus, contribution to provident fund and other employee related expenses. Personnel expenses were allocated to cost of service rendered and general and administrative expenses in the following manner:

	2012 Taka	2011 Taka
Cost of service rendered	424,919,562	377,495,728
General and administrative expenses	209,582,492	242,361,939
	634,502,054	619,857,667

21 General and administrative expenses

	2012 Taka	2011 Taka
Personnel expenses (Note 20.1)	209,582,492	242,361,939
Legal and consultancy fees	50,659,514	52,565,369
Statutory audit fee	460,000	525,000
Office rent	29,826,252	36,655,548
Utility and maintenance	11,127,759	7,983,706
Vehicle running expenses	35,789,031	24,003,898
Office stationery, printing materials, etc.	8,992,721	6,430,858
Entertainment expenses	1,613,201	612,588
Advertisement, travel, training and others	56,991,813	42,522,189
Depreciation	26,238,365	11,858,930
	431,281,148	425,520,025

22 Selling and distribution expenses

	2012 Taka	2011 Taka
Advertisement and promotional expense	18,341,767	6,344,674
Corporate branding and sponsorship	13,142,047	8,075,437
	31,483,814	14,420,111

23 Finance income, net

	2012 Taka	2011 Taka
Finance income	9,125,247	7,771,244
Finance expense	(694,923)	(556,024)
	8,430,324	7,215,220

Finance income represents interest earned on bank deposits, while finance expense represents mainly bank charges, LC related charges, etc.

24 Loss on disposal of property, plant and equipment

	2012 Taka	2011 Taka
Disposal proceeds	376,899	38,854
Carrying amount of the assets disposed off	(1,326,732)	(94,611)
	(949,833)	(55,757)

25 Financial risk management

The company management has overall responsibility for the establishment and oversight of the company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

25.1 Credit risk

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. As at 31 December 2012, substantial part of the receivables are those from Grameenphone and other Telenor entities and subject to insignificant credit risk. Risk exposures from other financial assets, i.e. Cash at bank and other external receivables are also nominal.

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012 Taka	2011 Taka
Accounts receivable:		
IT services to Grameenphone	196,955,988	161,674,105
IT services to other Telenor entities	5,720,817	5,682,397
IT services to other external customers	401,316,729	6,218,799
	603,993,534	173,575,301
Other receivables	28,163,115	16,536,405
Deposits	22,830,503	6,731,408
Cash at bank	263,378,495	426,423,498
	314,372,113	449,691,311
	918,365,647	623,266,612

The maximum exposure to credit risk for accounts receivable as at the reporting date by geographic region was:

	2012 Taka	2011 Taka
Domestic	597,411,717	166,387,286
Foreign	6,581,817	7,188,015
	603,993,534	173,575,301

(b) Ageing of receivables

The aging of gross accounts receivable as at the statement of financial position date was as follows:

	2012 Taka	2011 Taka
0-90 days past due	571,006,947	155,129,776
90-180 days past due	31,986,587	5,531,215
over 180 days past due	1,000,000	12,914,310
	603,993,534	173,575,301

25.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

In extreme stressed conditions, the company may get support from the parent company in the form of short term financing.

The carrying amount of financial liabilities represent the maximum exposure to liquidity risk. The maximum exposure to liquidity risk as at 31 December was:

	2012		2011	
	Carrying amount	Maturity period	Carrying amount	Maturity period
	Taka	Months	Taka	Months
Payable for operating expenses	290,653,257	6 months or less	239,909,445	6 months or less
Payable for capital expenditure	59,072,902	-do-	259,820,110	-do-
Other current liabilities	16,473,727	-do-	17,576,171	-do-
	366,199,886		517,305,726	

25.3 Market risk

Market risk is the risk that any change in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(a) Currency risk

The company is exposed to currency risk on certain revenues and purchases such as IT service revenue from foreign customers and import of IT equipment, software and software support services.

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

As at 31 December 2012	USD	NOK	EUR
Foreign currency denominated assets			
Accounts receivable	3,981,879	1,738,938	-
Other receivables	18,164,093	-	-
Cash at bank	3,085,801	-	-
	25,231,773	1,738,938	-
Foreign currency denominated liabilities			
Payable to other Telenor entities	(11,583,657)	(111,281,108)	-
Trade and other payables for expenses	-	-	-
	(11,583,657)	(111,281,108)	-
Net exposure	13,648,116	(109,542,170)	-

As at 31 December 2011	USD	NOK	EUR
Foreign currency denominated assets			
Accounts receivable	5,682,397	-	1,505,618
Other receivables	10,595,051	-	-
Cash at bank	607,645	-	-
	16,885,093	-	1,505,618
Foreign currency denominated liabilities			
Payable to other Telenor entities	(11,583,657)	(111,281,108)	-
Trade and other payables for expenses	-	-	-
	(11,583,657)	(111,281,108)	-
Net exposure	5,301,436	(111,281,108)	1,505,618

Currency risk (Contd...)

The following exchange rates have been applied:

	Exchange rate as at	
	31 December 2012	31 December 2011
	Taka	Taka
US Dollar (USD)	80.30	82.40
Norwegian Kroner (NOK)	16.60	15.64
EURO (EUR)	107.98	108.03

Foreign exchange rate sensitivity analysis-

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

	Profit or loss		*Equity*	
	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease
2012	Taka	Taka	Taka	Taka
Expenditures denominated in:				
USD	13,648	(13,648)	13,648	(13,648)
NOK	(109,542)	109,542	(109,542)	109,542
EURO	-	-	-	-
	(95,894)	95,894	(95,894)	95,894
2011				
Expenditures denominated in:				
USD	5,301	(5,301)	5,301	(5,301)
NOK	(111,281)	111,281	(111,281)	111,281
EURO	1,506	(1,506)	1,506	(1,506)
	(104,474)	104,474	(104,474)	104,474

(b) Interest rate risk

The only interest bearing financial instrument for the company is the short notice deposit (SND) account maintained by the company with its banks. Historically, interest rates for such instruments show little fluctuation. Interest rate risk for the company is therefore insignificant.

26 Related party disclosures

During the period, the company entered into a number of transactions with related parties in the normal course of business. The names of the related parties and nature of these transactions have been set out below in accordance with the provisions of BAS 24: Related Party Disclosures.

Related party transactions during the year

Name of related parties and nature of relationship	Nature of transaction	2012 Taka	2011 Taka
Grameenphone Ltd.	Revenue from IT services	(1,381,192,890)	(856,328,939)
(parent company)	Sale of IT equipments and softwares	(630,319,490)	(267,534,496)
	Office rent	29,826,253	29,826,253
Telenor Broadcast Holding AS	Revenue from IT service	-	(6,068,558)
Telenor Serbia	Revenue from IT service	(6,889,617)	(9,327,210)
Telenor Start II AS	Cell Bazaar and IT service revenue	(8,507,074)	(1,578,035)
Telenor Consult AS	Consultancy expenses	52,420,463	102,740,233
Telenor Shared Service	Revenue from IT services	(6,166,099)	-
Telenor ASA	Revenue from IT services	(1,748,431)	-

Receivable from/(payable to) related parties

Name of related parties and nature of relationship	Nature of transaction	2012 Taka	2011 Taka
Grameenphone Ltd.	Receivable for IT services	186,700,624	161,674,105
(parent company)	Receivable for reimbursable expenses	9,999,022	3,999,110
	Advance received	(335,558,658)	(391,114,950)
	Liabilities for operating expenses	(69,980,053)	(76,471,686)
	Office rent payable	(20,841,884)	(46,958,869)
	Payable for capital expenditure	-	(127,337,217)
Telenor Broadcast Holding AS	Other payables	(745,000)	(745,000)
Telenor Start II AS	Receivable for cell Bazaar revenue sharing	10,255,364	1,942,244
	Payable for cell Bazaar revenue sharing	(2,577,097)	(710,395)
Telenor Serbia	Receivable for IT services	-	5,581,187
Telenor ASA	Receivable for IT services	4,771,893	101,210
Telenor Shared Service	Receivable for IT services	948,924	-
Telenor Consult AS	Payable for consultancy	(165,928,579)	(102,605,001)
	Other receivable	18,164,093	10,595,051

26.1 Key management personnel compensation

	2012 Taka	2011 Taka
Short-term employee benefits (salary and other allowances)	157,618,205	124,667,722
Post employment benefits (provident fund, gratuity, etc.)	19,955,641	15,981,060
Other long-term benefits	1,459,389	2,096,025
	179,033,235	142,744,807

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

27 Expenses/expenditures and (revenue) in foreign currency during the year

	2012	2011
CIF value of imports:		
Capital inventory	14,402,500	4,293,661
Other operating inventory	823,078,669	46,019,196
Consultancy expenses	66,745,918	132,387,597
Travel and Training expense	1,398,292	8,638,171
IT service revenue	(25,504,973)	(19,092,656)

28 Capital commitments

As at 31 December 2012, Grameenphone IT Ltd had a capital commitment of Tk. 263,385,776 (2011: Tk 364,502,196) for purchase of IT equipment, installation of such equipment and other implementation services.

29 Other disclosures

29.1 As at 31 December 2012, number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 408 (2011: 386).

29.2 Events after the reporting period

There was no event after the reporting period that requires either disclosure of or adjustment to these financial statements.