

**bKash Limited**

Report and financial statements as at and  
for the year ended 31 December 2020



**Rahman Rahman Huq**  
**Chartered Accountants**  
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Independent Auditor's Report  
to the shareholders of bKash Limited

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**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of bKash Limited ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

### **Independent Auditor's Report (continued)**

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

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

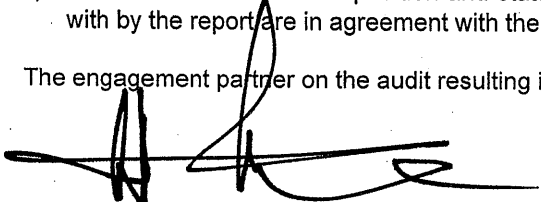
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and explanation 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 profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Adeeb H Khan.

  
Adeeb H Khan, Senior Partner, Enrolment Number: 652  
Rahman Rahman Huq, Chartered Accountants  
Firm Registration Number: [N/A]

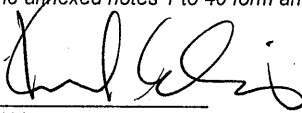
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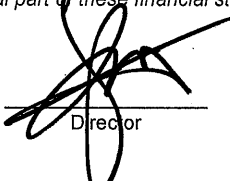
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**bKash Limited**  
**Statement of financial position**

<i>In Taka</i>	<i>Note</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Property, plant and equipment	5	2,285,406,207	1,563,447,268
Intangible assets	6	1,286,812,184	924,533,123
Deferred tax assets	7	482,538,139	210,124,045
<b>Non-current assets</b>		<b>4,054,756,530</b>	<b>2,698,104,436</b>
Operational and other receivables	8	1,242,919,916	1,282,270,560
Advances, deposits and prepayments	9	527,414,110	1,626,787,191
Contract assets	10	939,833,410	824,813,671
Current tax assets	11	331,727,767	139,220,636
Airtime balance	12	1,164,985,936	420,691,712
Trust cum settlement account and investments	13	47,728,470,067	32,652,634,900
Investment in fixed deposits	14	2,800,508,400	7,214,200,000
Cash and cash equivalents	15	2,565,167,230	1,530,879,476
<b>Current assets</b>		<b>57,301,026,836</b>	<b>45,691,498,146</b>
<b>Total assets</b>		<b>61,355,783,366</b>	<b>48,389,602,582</b>
<b>Equity</b>			
Ordinary shares	16	38,194,900	38,194,900
Share premium - ordinary shares		1,286,205,568	1,286,205,568
<b>Ordinary share capital and premium</b>		<b>1,324,400,468</b>	<b>1,324,400,468</b>
Preference shares	17	8,796,300	8,796,300
Share premium - preference shares		8,286,915,782	8,286,915,782
<b>Preference share capital and premium</b>		<b>8,295,712,082</b>	<b>8,295,712,082</b>
Capital reserve		18,479,529	18,479,529
Share money deposit	18	505,162	505,162
Retained earnings		(369,428,518)	444,536,081
<b>Total equity</b>		<b>9,269,668,723</b>	<b>10,083,633,322</b>
<b>Liabilities</b>			
Other non-current liabilities	19	7,145,802	7,145,802
Lease liabilities	20	598,494,684	225,707,670
<b>Non-current liabilities</b>		<b>605,640,486</b>	<b>232,853,472</b>
Defined benefit plan - gratuity	21	299,192,243	67,750,000
Customer and other deposits	22	47,008,492,699	32,223,281,752
Operational and other payables	23	2,449,295,878	1,274,307,992
Lease liabilities	20	160,048,444	133,687,775
Grant funds	24	-	4,161,769
Accrued expenses	25	1,563,444,893	4,369,926,500
<b>Current liabilities</b>		<b>51,480,474,157</b>	<b>38,073,115,788</b>
<b>Total liabilities</b>		<b>52,086,114,643</b>	<b>38,305,969,260</b>
<b>Total equity and liabilities</b>		<b>61,355,783,366</b>	<b>48,389,602,582</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

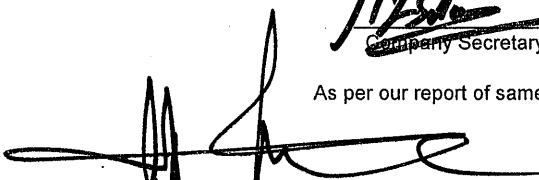
  
Chief Executive Officer

  
Director

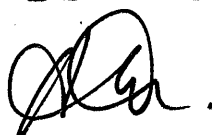
  
Director

  
Company Secretary

As per our report of same date.

  
Auditor

Dhaka, 22 MAR 2021



Adeeb H. Khan, Senior Partner  
Enrolment Number: 652  
Rahman Rahman Huq  
Chartered Accountants  
KPMG in Bangladesh  
Firm Registration Number: N/A

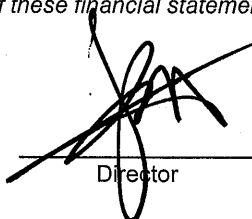
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**bKash Limited**  
**Statement of profit or loss and other comprehensive income**

<i>In Taka</i>	<i>Note</i>	<b>For the year ended</b>	
		<b>31 December 2020</b>	<b>31 December 2019</b>
Gross revenue		26,245,031,468	24,160,827,270
VAT		(3,174,178,895)	(2,879,512,377)
<b>Revenue</b>	26	<b>23,070,852,573</b>	<b>21,281,314,893</b>
Cost of services	27	(16,762,763,296)	(16,612,324,493)
<b>Gross profit</b>		<b>6,308,089,277</b>	<b>4,668,990,400</b>
Operating and administrative expenses	28	(4,855,961,496)	(3,964,722,134)
Commercial expenses	29	(2,600,876,775)	(2,162,762,151)
<b>Operating profit</b>		<b>(1,148,748,994)</b>	<b>(1,458,493,885)</b>
Net finance income	30	511,944,613	824,820,803
<b>Profit before contribution to WPPF</b>		<b>(636,804,381)</b>	<b>(633,673,082)</b>
Contribution to WPPF		-	-
<b>Profit before tax</b>		<b>(636,804,381)</b>	<b>(633,673,082)</b>
Income tax (expense)/income	31	(37,589,049)	8,526,604
<b>Profit</b>		<b>(674,393,430)</b>	<b>(625,146,478)</b>
<b>Other comprehensive income/(expense)</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit plan	32	(206,772,102)	-
Related tax		67,200,933	-
		(139,571,169)	-
<b>Total comprehensive income</b>		<b>(813,964,599)</b>	<b>(625,146,478)</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

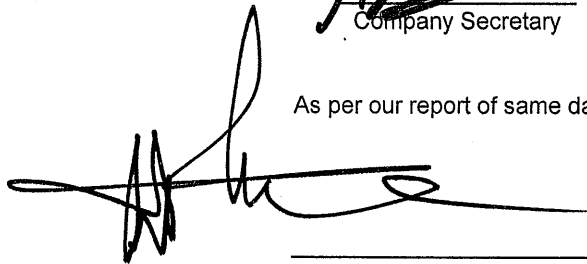
  
Chief Executive Officer


  
Director

  
Director

  
Company Secretary

As per our report of same date.

  
Auditor

Dhaka, 22 MAR 2021  


Adeeb H. Khan, Senior Partner  
Enrolment Number: 652  
Rahman Rahman Huq  
Chartered Accountants  
KPMG in Bangladesh  
Firm Registration Number: N/A

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**bKash Limited**  
**Statement of changes in equity**

<i>In Taka</i>	For the year ended 31 December 2019						
	Ordinary shares	Share premium - ordinary shares	Preference shares	Share premium - preference shares	Capital reserve	Share money deposit	Retained earnings
Balance at 1 January 2019	38,194,900	1,286,205,568	8,796,300	8,286,915,782	18,479,529	505,162	1,069,682,559
Total comprehensive income	-	-	-	-	-	-	(625,146,478)
Loss for the year	-	-	-	-	-	-	(625,146,478)
<b>Total</b>	<b>38,194,900</b>	<b>1,286,205,568</b>	<b>8,796,300</b>	<b>8,286,915,782</b>	<b>18,479,529</b>	<b>505,162</b>	<b>444,536,081</b>
Balance at 31 December 2019	38,194,900	1,286,205,568	8,796,300	8,286,915,782	18,479,529	505,162	10,083,633,322

<i>In Taka</i>	For the year ended 31 December 2020						
	Ordinary shares	Share premium - ordinary shares	Preference shares	Share premium - preference shares	Capital reserve	Share money deposit	Retained earnings
Balance at 1 January 2020	38,194,900	1,286,205,568	8,796,300	8,286,915,782	18,479,529	505,162	444,536,081
Total comprehensive income	-	-	-	-	-	-	(813,964,599)
Loss for the year	-	-	-	-	-	-	(813,964,599)
<b>Total</b>	<b>38,194,900</b>	<b>1,286,205,568</b>	<b>8,796,300</b>	<b>8,286,915,782</b>	<b>18,479,529</b>	<b>505,162</b>	<b>(369,428,518)</b>
Balance at 31 December 2020	38,194,900	1,286,205,568	8,796,300	8,286,915,782	18,479,529	505,162	9,269,668,723

The annexed notes 1 to 40 form an integral part of these financial statements.



**bKash Limited**  
**Statement of cash flows**

<i>In Taka</i>	<b>31 December 2020</b>	<b>For the year ended 31 December 2019</b>
<b>Cash flows from operating activities</b>		
Cash receipt from customers	43,248,171,272	29,786,434,261
Cash paid to suppliers, employees and others	(27,153,281,291)	(21,939,676,594)
<b>Cash generated from operating activities</b>	<b>16,094,889,981</b>	<b>7,846,757,667</b>
Interest received from deposits	692,162,959	812,323,201
Taxes paid to government exchequer	(3,545,326,026)	(3,328,328,029)
<b>Net cash flows from operating activities</b>	<b>13,241,726,914</b>	<b>5,330,752,839</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(932,437,607)	(533,368,639)
Acquisition of intangible assets	(442,514,290)	(383,554,281)
Encashment of fixed deposits	4,413,691,600	1,990,000,000
<b>Net cash from investing activities</b>	<b>3,038,739,703</b>	<b>1,073,077,080</b>
<b>Cash flows from financing activities</b>		
Lease liabilities	(170,343,696)	(170,816,774)
<b>Net cash used in financing activities</b>	<b>(170,343,696)</b>	<b>(170,816,774)</b>
<b>Net increase in cash and cash equivalents including trust cum settlement account and investments</b>	<b>16,110,122,921</b>	<b>6,233,013,145</b>
Cash and cash equivalents including trust cum settlement account and investments as at 1 January	34,183,514,376	27,950,501,231
<b>Cash and cash equivalents including trust cum settlement account and investments as at 31 December</b>	<b>50,293,637,297</b>	<b>34,183,514,376</b>
<b>Less: Trust cum settlement account and investments</b>	<b>47,728,470,067</b>	<b>32,652,634,900</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>2,565,167,230</b>	<b>1,530,879,476</b>

*The annexed notes 1 to 40 form an integral part of these financial statements.*



## Notes to the financial statements

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### 1 Reporting entity

#### 1.1 Company profile

bKash Limited (hereinafter referred to as "the Company"), a subsidiary of BRAC Bank Limited, started as a joint venture between BRAC Bank Limited, Bangladesh and Money in Motion LLC, USA. It was incorporated as a private company limited by shares under the Companies Act, 1994 on 1 March 2010 having its registered office in Dhaka. Subsequently, International Finance Corporation ("IFC") (by subscribing for fresh ordinary shares in April 2013) and Alipay Singapore E-Commerce Private Limited ("Alipay") (by purchasing ordinary shares from existing shareholders in April 2018) became equity partners of the Company. Apart from the above, the Bill & Melinda Gates Foundation and Alipay hold non-voting preference shares in the Company.

The Company has an authorised share capital of Tk. 500,000,000 divided into 4,900,000 ordinary shares of Tk. 100 each and 100,000 preference shares of Tk. 100 each.

#### 1.2 Nature of business

bKash provides different financial services via mobile phones to its customers under a Payment Services Provider (PSP) license issued by Bangladesh Bank. The ultimate objective of the Company is to ensure access to a broader range of financial services for the people of Bangladesh. It has a special focus to serve the low income masses of the country in order to achieve broader financial inclusion by providing services that are convenient, affordable and reliable.

### 2 Basis of accounting

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and as per the requirements of the Companies Act, 1994.

The titles and format of these financial statements follow the requirements of IFRSs which are to some extent different from the requirements of the Companies Act, 1994. However, such differences are not material and in the view of management, IFRS titles and format gives a better presentation to its intended users.

These financial statements are presented in Bangladeshi Taka (Taka/Tk/BDT), which is both the functional and the presentation currency of the Company.

Details of the Company's accounting policies are included in Note 39.

#### 2.2 Date of authorisation

These financial statements have been authorised for issue by the Board of Directors of the Company on

22 MAR 2021

### 3 Reporting period

The financial statements of the Company covers the year from 1 January to 31 December and it is followed consistently.





## Notes to the financial statements (Continued)

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### 4 Use of estimates and judgments

In preparing these financial statements, management has made 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 estimates are recognised prospectively.

#### a. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following note:

Notes 20 and 39N      Lease liabilities

#### b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Notes 5 and 39G	Property, plant and equipment
Notes 6 and 39H	Intangible assets
Notes 7 and 39F(ii)	Deferred tax assets
Notes 10 and 39B	Contract assets
Notes 11 and 39F(i)	Current tax assets
Notes 21 and 39D(iii)	Defined benefit plan - gratuity
Notes 34, 35 and 39Q	Commitments and contingencies



## Notes to the financial statements (Continued)

### 5 Property, plant and equipment

See accounting policy in Note 39G and 39N

#### Reconciliation of carrying amount

In TaKa	Note	IT equipment	Laptop & computer	Motor vehicles	Motor vehicles- Leased	Office furniture	Office equipment	Leasehold improvements	Premises- Leased	Work in progress	Total
<b>Cost</b>											
Balance at 1 January 2019		813,000,423	97,357,430	2,000,000	97,489,138	59,299,610	57,981,666	101,386,013	291,332,981	486,485,980	2,006,333,241
Additions		121,912,048	70,557,294	-	9,270,833	6,197,215	11,521,187	-	234,789,179	255,237,311	709,485,066
Reclassification		-	-	-	-	-	-	-	-	(76,772,276)	(76,772,276)
Write-off disposals/ adjustments		(3,219,019)	(17,914,266)	-	-	(3,418,553)	(8,383,285)	(12,985,521)	(22,173,813)	(5,313,497)	(73,407,953)
Transfer from work in progress		409,519,770	-	-	-	8,212,916	813,690	19,725,901	-	(479,169,742)	(40,897,765)
<b>Balance at 31 December 2019</b>		<b>1,341,213,221</b>	<b>150,000,458</b>	<b>2,000,000</b>	<b>106,759,971</b>	<b>70,291,188</b>	<b>61,933,258</b>	<b>108,126,093</b>	<b>503,948,347</b>	<b>180,467,777</b>	<b>2,524,740,313</b>
Balance at 1 January 2020		1,341,213,221	150,000,458	2,000,000	106,759,971	70,291,188	61,933,258	108,126,093	503,948,347	180,467,777	2,524,740,313
Additions		95,845,404	80,658,617	-	22,977,606	7,654,159	1,914,337	965,241	569,934,532	536,058,076	1,316,007,971
Write-off disposals/ adjustments		(6,984,388)	(12,373,003)	-	-	-	-	(3,427,279)	(5,046,955)	(8,142,654)	(35,974,279)
Transfer from work in progress		351,120,750	-	-	-	6,608,300	387,215	21,035,048	-	(379,151,313)	-
<b>Balance at 31 December 2020</b>		<b>1,781,194,987</b>	<b>218,286,072</b>	<b>2,000,000</b>	<b>129,737,577</b>	<b>84,553,647</b>	<b>64,234,810</b>	<b>126,699,103</b>	<b>1,068,835,924</b>	<b>329,231,886</b>	<b>3,804,774,005</b>
<b>Accumulated depreciation</b>											
Balance at 1 January 2019		348,673,798	62,918,646	1,999,999	32,785,751	25,260,484	33,647,423	53,750,909	-	-	559,037,010
Depreciation	28.2	195,007,981	27,517,000	-	20,219,136	14,725,720	8,686,661	20,333,067	178,403,725	-	464,893,291
Write-off disposals/ adjustments		(2,733,462)	(17,804,016)	-	-	(3,051,891)	(7,028,867)	(9,845,207)	(22,173,813)	-	(62,637,256)
<b>Balance at 31 December 2019</b>		<b>540,948,318</b>	<b>72,631,630</b>	<b>1,999,999</b>	<b>53,004,888</b>	<b>36,934,313</b>	<b>35,305,217</b>	<b>64,238,769</b>	<b>156,229,912</b>	<b>-</b>	<b>961,293,045</b>
Balance at 1 January 2020		540,948,318	72,631,630	1,999,999	53,004,888	36,934,313	35,305,217	64,238,769	156,229,912	-	961,293,045
Depreciation	28.2	264,158,307	49,016,742	-	23,513,543	16,034,859	9,779,952	22,575,611	190,548,100	-	575,627,114
Write-off disposals/ adjustments		(2,250,841)	(12,159,245)	-	-	-	-	(3,142,275)	-	-	(17,552,361)
<b>Balance at 31 December 2020</b>		<b>802,855,784</b>	<b>109,489,127</b>	<b>1,999,999</b>	<b>76,518,431</b>	<b>52,969,172</b>	<b>45,085,169</b>	<b>83,672,105</b>	<b>346,778,012</b>	<b>-</b>	<b>1,519,367,798</b>
<b>Carrying amounts</b>											
At 1 January 2019		484,326,625	34,438,785	1	64,703,386	34,039,127	24,334,242	47,635,104	291,332,981	486,485,980	1,447,296,231
At 31 December 2019		800,264,904	77,368,828	1	53,755,083	33,356,876	26,628,041	43,887,324	347,718,435	180,467,777	1,563,447,268
<b>At 31 December 2020</b>		<b>978,339,203</b>	<b>108,796,945</b>	<b>1</b>	<b>53,219,146</b>	<b>31,584,475</b>	<b>19,149,641</b>	<b>43,026,998</b>	<b>722,057,912</b>	<b>329,231,886</b>	<b>2,285,406,207</b>



## Notes to the financial statements (Continued)

### 6 Intangible assets

See accounting policy in Note 39H

#### Reconciliation of carrying amount

<i>In Taka</i>	<i>Note</i>	<i>Software</i>	<i>Work in progress</i>	<i>Total</i>
<b>Cost</b>				
Balance at 1 January 2019		891,934,518	135,627,571	1,027,562,089
Additions		189,625,805	241,593,191	431,218,996
Reclassification		-	76,772,276	76,772,276
Write-off/ disposals/ adjustments		-	(20,461,082)	(20,461,082)
Transfer from work in progress		424,331,483	(428,635,586)	(4,304,103)
<b>Balance at 31 December 2019</b>		<b>1,505,891,806</b>	<b>4,896,370</b>	<b>1,510,788,176</b>
Balance at 1 January 2020		<b>1,505,891,806</b>	<b>4,896,370</b>	<b>1,510,788,176</b>
Additions		<b>359,207,516</b>	<b>335,160,060</b>	<b>694,367,576</b>
Transfer from work in progress		<b>159,999,515</b>	<b>(159,999,515)</b>	<b>-</b>
<b>Balance at 31 December 2020</b>		<b>2,025,098,837</b>	<b>180,056,914</b>	<b>2,205,155,752</b>
<b>Accumulated amortisation</b>				
Balance at 1 January 2019		343,056,810	-	343,056,810
Amortisation	28.2	243,198,243	-	243,198,243
<b>Balance at 31 December 2019</b>		<b>586,255,053</b>	<b>-</b>	<b>586,255,053</b>
Balance at 1 January 2020		<b>586,255,053</b>	<b>-</b>	<b>586,255,053</b>
Amortisation	28.2	<b>332,088,515</b>	<b>-</b>	<b>332,088,515</b>
<b>Balance at 31 December 2020</b>		<b>918,343,568</b>	<b>-</b>	<b>918,343,568</b>
<b>Carrying amounts</b>				
At 1 January 2019		548,877,708	135,627,571	684,505,279
At 31 December 2019		919,636,754	4,896,370	924,533,123
<b>At 31 December 2020</b>		<b>1,106,755,269</b>	<b>180,056,914</b>	<b>1,286,812,184</b>



## Notes to the financial statements (Continued)

### 7 Deferred tax assets

See accounting policy in Note 39F

<i>In Taka</i>	2020	2019
Balance at 1 January	210,124,045	(1,587,238)
Deferred tax income for the year	272,414,094	211,711,283
<b>Balance at 31 December</b>	<b>482,538,139</b>	<b>210,124,045</b>

<i>In Taka</i>	Carrying amount on reporting date	Tax base	Taxable/(deductible) temporary difference
<b>At 31 December 2020</b>			
Property, plant and equipment	1,943,121,842	1,365,167,161	577,954,681
Intangible assets	1,106,755,270	573,644,030	533,111,240
Unabsorbed tax loss	-	1,577,250,001	(1,577,250,001)
Lease liabilities	719,356,411	-	(719,356,411)
Defined benefit plan - gratuity	299,192,243	-	(299,192,243)
<b>Taxable/(deductible) temporary differences</b>	<b>4,068,425,767</b>	<b>3,516,061,192</b>	<b>(1,484,732,734)</b>

Applicable tax rate	32.5%
<b>Deferred tax assets</b>	<b>482,538,139</b>

<b>At 31 December 2019</b>			
Property, plant and equipment	1,367,974,409	967,317,635	400,656,773
Intangible assets	919,636,753	494,734,302	424,902,451
Unabsorbed tax loss	-	1,040,330,770	(1,040,330,770)
Lease liabilities	317,832,870	-	(317,832,870)
Defined benefit plan - gratuity	67,750,000	-	(67,750,000)
<b>Taxable/(deductible) temporary differences</b>	<b>2,673,194,032</b>	<b>2,502,382,708</b>	<b>(600,354,416)</b>

Applicable tax rate	35%
<b>Deferred tax assets</b>	<b>210,124,045</b>

### 8 Operational and other receivables

See accounting policy in Note 39I

<i>In Taka</i>	2020	2019
<b>Operational receivables</b>		
Accrued interest on trust cum settlement account and others	1,166,501,502	1,025,633,800
<b>Other receivables</b>		
Accrued interest on other deposits	76,418,414	256,636,760
	<b>1,242,919,916</b>	<b>1,282,270,560</b>

Operational receivables include accrued interest from trust cum settlement account and investments and service fees from regular transactions that are yet to be realised in cash.

### 9 Advances, deposits and prepayments

See accounting policy in Note 39I

<i>In Taka</i>	Note	2020	2019
<b>Advances</b>			
Employees		17,091,376	16,928,774
Suppliers		222,089,323	1,417,907,768
Rent		3,324,654	2,320,438
		<b>242,505,353</b>	<b>1,437,156,980</b>
<b>Deposits</b>			
Security deposits		530,000	86,814
		<b>530,000</b>	<b>86,814</b>
<b>Prepayments</b>			
Expenses		124,834,901	80,861,190
Deferred commission	9.1	159,543,856	108,682,207
		<b>284,378,757</b>	<b>189,543,397</b>
		<b>527,414,110</b>	<b>1,626,787,191</b>

## Notes to the financial statements (Continued)

- 9.1 Deferred commission represents commission paid to agents for performing cash in transactions for which revenue will be generated in the next financial period(s).

### 10 Contract assets

See accounting policy in Note 39B

<i>In Taka</i>	2020	2019
Balance at 1 January	824,813,671	301,787,164
Addition during the year	440,094,472	693,059,911
Charged off during the year	(325,074,733)	(170,033,404)
<b>Balance at 31 December</b>	<b>939,833,410</b>	<b>824,813,671</b>

The contract assets represent unamortised customer acquisition costs in the form of commissions and other directly attributable costs e.g. National ID verification, Know Your Customer (KYC) data entry, cash back, campaign charges etc.

### 11 Current tax assets

See accounting policy in Note 39F

<i>In Taka</i>	Note	2020	2019
Advance income tax	11.1	1,490,029,293	1,054,719,952
Provision for tax	11.2	(1,158,301,526)	(915,499,316)
		<b>331,727,767</b>	<b>139,220,636</b>

#### 11.1 Advance income tax

<i>In Taka</i>	2020	2019
Balance at 1 January	1,054,719,952	847,710,297
Deposits including deductions at source	435,309,341	348,650,603
Adjustment on completion of assessment	-	(141,640,948)
<b>Balance at 31 December</b>	<b>1,490,029,293</b>	<b>1,054,719,952</b>

#### 11.2 Provision for tax

<i>In Taka</i>	Note	2020	2019
Balance at 1 January		915,499,316	984,159,984
Provision made during the year	31	242,802,210	203,184,678
Adjustment on completion of assessment		-	(271,845,346)
<b>Balance at 31 December</b>		<b>1,158,301,526</b>	<b>915,499,316</b>

The Company believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors including interpretation of tax laws and prior experiences.

### 12 Airtime balance

Airtime balance represents unsold amount of mobile airtime purchased from different Mobile Network Operators (MNOs) and airtime proceeds in transit. Airtime balance is recorded at face value and has no expiry date. Airtime proceeds in transit represents e-money in the process of being realised in the form of cash against sold airtime.

### 13 Trust cum settlement account and investments

See accounting policy in Note 39I

<i>In Taka</i>	2020	2019
Trust cum settlement account	24,051,961,222	24,092,699,748
Investment in treasury bills and bonds	23,676,508,845	8,559,935,152
	<b>47,728,470,067</b>	<b>32,652,634,900</b>

Trust cum settlement account represents balances with different commercial banks in the form of cash and Fixed Deposit Receipts (FDR) against e-money issued to customers, channel partners, merchants etc.

As per Bangladesh Mobile Financial Services (MFS) Regulations, 2018 issued by Bangladesh Bank, aggregate of virtual balances (e-money) in all MFS accounts must at the end of each day be in agreement with or be less than the total real cash balances in nominated trust cum settlement account of the MFS provider and invested amount in government securities (where the latter shall represent at least 25% of total e-money balance).



## Notes to the financial statements (Continued)

### 14 Investment in fixed deposits

See accounting policy in Note 39I

Investment in fixed deposits represents cash balance invested in different banks in the form of fixed deposits with a maturity period less than 12 months.

### 15 Cash and cash equivalents

See accounting policy in Note 39I

<i>In Taka</i>	2020	2019
Cash in hand and digital wallets	742,991,148	232,989,198
Cash at banks	1,822,176,082	1,297,890,278
	<b>2,565,167,230</b>	<b>1,530,879,476</b>

### 16 Ordinary shares

See accounting policy in Note 39J

<i>In Taka</i>	No. of shares	2020	2019
<b>Authorised</b>			
Authorised (par value of Tk. 100 each)	4,900,000	490,000,000	490,000,000
<b>Paid up</b>			
Ordinary shares (par value of Tk. 100 each)	381,949	38,194,900	38,194,900

#### Percentage of shareholdings

<i>In Taka</i>	No. of shares	%	2020	2019
BRAC Bank Ltd.	194,800	51.0%	19,480,000	19,480,000
Money in Motion LLC, USA	110,688	29.0%	11,068,800	11,068,800
International Finance Corporation	37,908	9.9%	3,790,800	3,790,800
Alipay Singapore E-Commerce Private Limited	38,553	10.1%	3,855,300	3,855,300
	<b>381,949</b>	<b>100.0%</b>	<b>38,194,900</b>	<b>38,194,900</b>

### 17 Preference shares

See accounting policy in Note 39J

<i>In Taka</i>	No. of shares	2020	2019
<b>Authorised</b>			
Authorised (par value of Tk. 100 each)	100,000	10,000,000	10,000,000
<b>Paid up</b>			
Bill & Melinda Gates Foundation (par value of Tk 100 each)	32,530	3,253,000	3,253,000
Alipay Singapore E-Commerce Private Limited (par value of Tk 100 each)	55,433	5,543,300	5,543,300
	<b>87,963</b>	<b>8,796,300</b>	<b>8,796,300</b>

The above preference shares are non-voting, non-cumulative in nature and are convertible to ordinary shares (on a 1:1 basis) at the option of the holders, subject to compliance with the shareholders agreements and relevant laws and regulations.

### 18 Share money deposit

This balance represents share money deposit received from Money in Motion (MIM) LLC, USA and International Finance Corporation (IFC). In February 2020, Bangladesh Bank and the Financial Reporting Council issued separate directives providing guidance as to the treatment of share money deposits. Management is assessing the implications of the above for the Company and shall take necessary actions in due course.

### 19 Other non-current liabilities

<i>In Taka</i>	2020	2019
<b>Money in Motion LLC, USA</b>		
Solution and requirements workshop (Visa Cape Town Proprietary Ltd)	2,514,308	2,514,308
Consultant (Signal Point)	4,631,494	4,631,494
	<b>7,145,802</b>	<b>7,145,802</b>

## Notes to the financial statements (Continued)

### 20 Lease liabilities

See accounting policy in Note 39N

<i>In Taka</i>	2020	2019
Lease liabilities - non current	598,494,684	225,707,670
Lease liabilities - current	160,048,444	133,687,775
	<b>758,543,128</b>	<b>359,395,445</b>

### 21 Defined benefit plan - gratuity

See accounting policy in Note 39D (iii)

<i>In Taka</i>	Note	2020	2019
Balance at 1 January		67,750,000	90,183,748
Provision made during the year	21.1	299,192,243	67,750,000
Benefits paid		(67,750,000)	(90,183,748)
<b>Balance at 31 December</b>		<b>299,192,243</b>	<b>67,750,000</b>

#### 21.1 Provision made during the year

<i>In Taka</i>	2020	2019
<b>Profit or loss</b>		
Current service cost	87,892,141	62,980,000
Interest accrued on defined benefit obligation	4,528,000	4,770,000
	<b>92,420,141</b>	<b>67,750,000</b>
<b>Other comprehensive (income)/expense</b>		
Actuarial loss recognised directly in equity	206,772,102	-
	<b>299,192,243</b>	<b>67,750,000</b>

#### Actuarial assumptions

The followings were the principal actuarial assumptions at the reporting date.

	2020	2019
Discount rate	6%	8%
Attrition rate	10%	13%
Salary escalation rate	10%	10%

### 22 Customer and other deposits

See accounting policy in Note 39I

<i>In Taka</i>	2020	2019
Customer deposit	35,373,477,171	24,096,648,409
Channel deposit	10,842,203,489	7,671,010,456
Deposit in transit	792,812,039	455,622,887
	<b>47,008,492,699</b>	<b>32,223,281,752</b>

Customer deposits represent the balance maintained by customers in their bKash wallet in the form of e-money.

Channel deposit represents the balance maintained by agents, distributors and merchants in their bKash wallet in the form of e-money. Deposit in transit represents the balance to be transferred from trust cum settlement accounts to operational accounts against ATM cash out, sold airtime top up and requested inward remittance through Western Union and Terrapay.

### 23 Operational and other payables

See accounting policy in Note 39I

<i>In Taka</i>	Note	2020	2019
Operational payables		1,482,110,792	374,267,499
Other payables	23.1	929,831,769	894,669,011
Unearned revenue	23.2	37,353,317	5,371,482
		<b>2,449,295,878</b>	<b>1,274,307,992</b>



## Notes to the financial statements (Continued)

### 23.1 Other payables

<i>In Taka</i>	2020	2019
Value added tax	295,921,613	212,440,404
Withholding tax	198,801,360	158,402,608
Subscriber acquisition cost	107,203,102	318,554,592
Interest payable to customers	184,608,891	103,014,451
Security deposits and others	143,296,803	102,256,956
	<b>929,831,769</b>	<b>894,669,011</b>

23.2 This represents the unearned commission on unsold portion of purchased mobile airtime from different Mobile Network Operators (MNOs).

### 24 Grant funds

See accounting policy in Note 39M

<i>In Taka</i>	2020	2019
Balance at 1 January	4,161,769	12,872,051
Addition (including interest)	15,931,944	84,195,528
Utilisation of fund	(20,093,713)	(92,905,810)
<b>Balance at 31 December</b>	<b>-</b>	<b>4,161,769</b>

### 25 Accrued expenses

See accounting policy in Note 39I

<i>In Taka</i>	2020	2019
Channel partner commission and service charges	635,530,625	2,737,131,542
Capital expenditure	4,940,269	23,701,578
Employee benefits	476,032,549	400,151,558
Commercial expenses	368,839,442	1,020,450,907
Audit fee	1,100,000	1,100,000
Other accruals	77,002,008	187,390,915
	<b>1,563,444,893</b>	<b>4,369,926,500</b>

### 26 Revenue

See accounting policy in Note 39A

<i>In Taka</i>	Note	2020	2019
Cash out and others	26.1	19,076,881,770	18,197,888,764
Airtime commission	26.1	552,971,183	459,990,966
Return on trust cum settlement accounts		3,440,999,620	2,623,435,163
		<b>23,070,852,573</b>	<b>21,281,314,893</b>

26.1 In line with IFRS 15 *Revenue from Contract with Customers*, revenues are measured net of any amount payable to customers in the form of refund/reimbursement of fees/service charges, cashback, coupon or otherwise, unless bKash receives specific goods or services in exchange for such amount.

### 27 Cost of services

<i>In Taka</i>	Note	2020	2019
Agents and distributors commission		14,711,368,893	14,555,299,039
Mobile Network Operators service charges		1,515,473,847	1,830,540,270
Interest and others	27.1	535,920,556	226,485,184
		<b>16,762,763,296</b>	<b>16,612,324,493</b>

27.1 This includes interest paid to customers as per directives issued by Bangladesh Bank.





## Notes to the financial statements (Continued)

### 28 Operating and administrative expenses

<i>In Taka</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Salary and allowances	28.1	2,515,685,664	1,974,222,384
Depreciation and amortisation	28.2	907,715,629	708,091,534
Office rent and others	28.3	7,821,153	6,647,998
Office maintenance		62,614,971	56,511,829
Training and workshop		25,492,662	89,854,416
Bank charges		15,197,901	8,935,853
Utility		22,025,250	30,616,415
Security charges		19,286,689	16,764,137
Outbound call cost		1,083,314	476,029
Professional and legal fees		54,428,645	47,883,628
Audit fee		1,100,000	1,100,000
Data entry and archiving		42,237,995	24,992,953
Vehicle rental expense		101,418,721	101,459,382
Software and other maintenance charge		766,240,963	570,274,051
Internet expenses		44,937,697	28,556,125
Insurance		41,160,154	27,931,817
Travelling expenses	28.4	118,336,028	136,699,645
Other operating and administrative expenses	28.5	109,178,060	133,703,939
		<b>4,855,961,496</b>	<b>3,964,722,134</b>

#### 28.1 Salary and allowances

<i>In Taka</i>	<b>2020</b>	<b>2019</b>
Salary and allowances - regular	2,057,566,824	1,608,428,337
Salary and allowances - contractual	277,754,595	237,069,127
Employer's contribution to gratuity fund	92,420,141	65,421,404
Employer's contribution to provident fund	87,944,104	63,303,516
	<b>2,515,685,664</b>	<b>1,974,222,384</b>

#### 28.2 Depreciation and amortisation

<i>In Taka</i>	<b>2020</b>	<b>2019</b>
Property, plant and equipment	575,627,114	464,893,291
Intangible assets	332,088,515	243,198,243
	<b>907,715,629</b>	<b>708,091,534</b>

Depreciation for property, plant and equipment includes BDT 190,548,100 (2019: BDT 178,403,725) relating to depreciation of leased premises as per IFRS 16 *Leases*.

#### 28.3 Office rent and others

Rent against all office locations are accounted for as right-of-use asset under IFRS 16 *Leases*, unless made against low value contracts or short term leases (i.e. leases having tenure of 12 months or less) for office locations. Contractual rent payment for premises capitalised as right-of-use asset for 2020 amounted to BDT 221,811,263 (2019: 208,348,145).

Payments against service contracts, low value or short term leases were charged off as expense.

#### 28.4 Travelling expenses

<i>In Taka</i>	<b>2020</b>	<b>2019</b>
Travelling expenses - overseas	7,983,645	29,238,250
Travelling expenses - local	110,352,383	107,461,395
	<b>118,336,028</b>	<b>136,699,645</b>



## Notes to the financial statements (Continued)

### 28.5 Other operating and administrative expenses

<i>In Taka</i>	2020	2019
Entertainment	628,161	861,604
Board meeting attendance fee	1,248,155	1,508,403
Office expenses	57,521,420	75,447,765
Loss on disposal	1,944,297	5,437,200
Communication	38,679,644	42,073,672
Miscellaneous	9,156,383	8,375,295
	<b>109,178,060</b>	<b>133,703,939</b>

### 29 Commercial expenses

<i>In Taka</i>	2020	2019
Subscriber acquisition charges	267,557,339	147,363,131
Campaign charges	1,070,606,705	463,991,885
Customer communication	76,572,134	31,750,922
Point of sale materials	170,357,483	246,709,823
Field force cost	239,085,149	175,988,379
Advertisement	678,047,127	928,399,024
Corporate event management	82,612,318	149,188,806
Market research	16,038,520	19,370,180
	<b>2,600,876,775</b>	<b>2,162,762,151</b>

### 30 Net finance income

See accounting policy in Note 39E

<i>In Taka</i>	2020	2019
Interest on fixed deposits	526,177,960	832,239,444
Interest on bank balances	36,821,779	34,669,215
Interest on lease*	(51,055,126)	(42,087,856)
	<b>511,944,613</b>	<b>824,820,803</b>

\*Interest on lease includes BDT 47,040,408 (2019: BDT 35,915,151) relating to leased premises as per IFRS 16 Leases.

### 31 Income tax expense/(income)

See accounting policy in Note 39F

<i>In Taka</i>	Note	2020	2019
Current tax		242,802,210	203,184,679
Deferred tax income	31.1	(205,213,161)	(211,711,283)
		<b>37,589,049</b>	<b>(8,526,604)</b>

#### 31.1 Deferred tax income

<i>In Taka</i>	2020	2019
Deferred tax asset/(liabilities) at the beginning of the year	210,124,045	(1,587,238)
Less: Deferred tax asset at the end of the year	482,538,139	210,124,045
	<b>(272,414,094)</b>	<b>(211,711,283)</b>
Deferred tax attributable to actuarial loss recognised directly in equity	67,200,933	-
Deferred tax income recognised directly in profit/(loss)	<b>(205,213,161)</b>	<b>(211,711,283)</b>

### 32 Remeasurement of defined benefit plan

<i>In Taka</i>	2020	2019
Actuarial loss arising from		
Experience adjustment	60,719,467	-
Change in financial assumptions	112,420,649	-
Change in demographic assumptions	27,503,107	-
Return on plan assets excluding interest income	6,128,879	-
	<b>206,772,102</b>	<b>-</b>

## Notes to the financial statements (Continued)

### 33 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk (see (ii))
- Liquidity risk (see (iii))
- Market risk (see (iv))

#### (i) Risk management framework

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (ii) 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.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The balances maintained with different bank represents most significant source of credit risk for the Company.

#### (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 as follows:

<i>In Taka</i>	<i>Note</i>	<b>Carrying amount</b>	
		<b>2020</b>	<b>2019</b>
Operational and other receivables	8	1,242,919,916	1,282,270,560
Security deposits	9	530,000	86,814
Trust cum settlement account and investments	13	47,728,470,067	32,652,634,900
Investment in fixed deposits	14	2,800,508,400	7,214,200,000
Cash at banks	15	1,822,176,082	1,297,890,278
		<b>53,594,604,465</b>	<b>42,447,082,552</b>

#### (b) Aging of operational and other receivables

At 31 December, the aging of operational and other receivables that were not impaired was as follows:

<i>In Taka</i>	<i>Note</i>	<b>Carrying amount</b>	
		<b>2020</b>	<b>2019</b>
Neither past due nor impaired	8	1,242,919,916	1,282,270,560
Past due 1 - 30 days		-	-
Past due 31 - 90 days		-	-
Past due 91 - 120 days		-	-
Past due 121 - 360 days		-	-
Past due 361 + days		-	-
		<b>1,242,919,916</b>	<b>1,282,270,560</b>



## Notes to the financial statements (Continued)

### (iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents and other investments at amounts in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on operational and other receivables together with expected cash outflows on operational and other payables.

### Exposure to liquidity risk

The followings are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2020 In Taka	Note	Carrying amount	Total	Contractual cash flows				
				2 months or less	2-12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities								
Defined benefit plan - gratuity	21	299,192,243	299,192,243	-	299,192,243	-	-	-
Customer and other deposits	22	47,008,492,699	47,008,492,699	47,008,492,699	-	-	-	-
Operational and other payables	23	2,449,295,878	2,449,295,878	37,353,317	2,411,942,561	-	-	-
Other non-current liabilities	19	7,145,802	7,145,802	-	-	-	7,145,802	-
Lease liabilities	20	758,543,128	758,543,128	24,106,875	135,941,570	158,391,224	440,103,460	-
Accrued expenses	25	1,563,444,893	1,563,444,893	635,530,625	927,914,268	-	-	-
		52,086,114,643	52,086,114,643	47,705,483,516	3,774,990,642	158,391,224	447,249,262	-
Derivative financial liabilities								
		-	-	-	-	-	-	-
		52,086,114,643	52,086,114,643	47,705,483,516	3,774,990,642	158,391,224	447,249,262	-

31 December 2019 In Taka	Note	Carrying amount	Total	Contractual cash flows				
				2 months or less	2-12 months	1 - 2 years	2 - 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>								
Defined benefit plan - gratuity	21	67,750,000	67,750,000	-	67,750,000	-	-	-
Customer and other deposits	22	32,223,281,752	32,223,281,752	32,223,281,752	-	-	-	-
Operational and other payables	23	1,274,307,992	1,274,307,992	5,371,482	1,268,936,510	-	-	-
Other non-current liabilities	19	7,145,802	7,145,802	-	-	-	7,145,802	-
Lease liabilities	20	359,395,445	359,395,445	29,966,900	103,720,875	73,034,090	138,337,785	14,335,795
Accrued expenses	25	4,369,926,500	4,369,926,500	2,742,895,329	1,627,031,171	-	-	-
		38,301,807,491	38,301,807,491	35,001,515,463	3,067,438,556	73,034,090	145,483,587	14,335,795
<b>Derivative financial liabilities</b>								
		-	-	-	-	-	-	-
		38,301,807,491	38,301,807,491	35,001,515,463	3,067,438,556	73,034,090	145,483,587	14,335,795

## Notes to the financial statements (Continued)

### (iv) 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, while optimising the return.

#### a) Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the functional currency of the Company. The functional currency of the Company is Bangladeshi Taka (Taka/TK/BDT). The foreign currency in which these transactions are denominated is US Dollar (USD).

#### Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as at balance sheet date is as follows:

<i>In USD</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Foreign currency denominated liabilities</b>			
Current liabilities		952,009	606,733
Other non-current liabilities	19	91,029	91,029
<b>Net exposure</b>		<b>1,043,038</b>	<b>697,762</b>

The following significant exchange rates have been applied during the year:

<i>In Taka</i>	<b>2020</b>	<b>Average rate</b> <b>2019</b>	<b>Year-end spot rate</b> <b>2020</b>	<b>2019</b>
USD	84.87	84.49	84.80	84.90

#### Sensitivity analysis

A reasonably possible strengthening/(weakening) of foreign currency against functional currency at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecasted sales and purchase.

<i>Effect in Taka</i>	<b>Strengthening</b>	<b>Profit/(loss)</b> <b>Weakening</b>	<b>Equity, net of tax</b> <b>increase/(decrease)</b> <b>Strengthening</b>	<b>Weakening</b>
<b>31 December 2020</b>				
USD (5% movement)	(4,422,480)	4,422,480	(4,422,480)	4,422,480
<b>31 December 2019</b>				
USD (5% movement)	(2,962,000)	2,962,000	(2,962,000)	2,962,000

#### b) Interest rate risk

This risk arises due to changes in interest rates on different interest-bearing instruments.

#### Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as at statement of financial position date is as follows:

<i>In Taka</i>	<i>Note</i>	<b>Nominal Amount</b> <b>2020</b>	<b>2019</b>
<b>Fixed rate instruments</b>			
<b>Financial assets</b>			
Fixed deposits	13 & 14	20,660,508,403	26,564,200,003
Investment in treasury bills and bonds	13	23,676,508,845	8,559,935,152
<b>Financial liabilities</b>			
		<b>44,337,017,248</b>	<b>35,124,135,155</b>
<b>Variable rate instruments</b>			
<b>Financial assets</b>			
Cash at banks	13 & 15	8,014,137,301	6,040,590,023
<b>Financial liabilities</b>			
Lease liabilities	20	(758,543,128)	(359,395,445)
		<b>7,255,594,174</b>	<b>5,681,194,577</b>



## Notes to the financial statements (Continued)

### v) Financial instruments - fair values and risk management

#### Accounting classifications and fair values

The following table shows the carrying amounts and fair values, where applicable, of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2020 In Taka	Carrying amount							
	Note	Fair value- hedging instruments	FVTPL – others	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets		Total
						at amortised cost	Other financial liabilities	
Financial assets measured at fair value								
Financial assets not measured at fair value								
Operational and other receivables	8	-	-	-	-	1,242,919,916	-	1,242,919,916
Security deposits	9	-	-	-	-	530,000	-	530,000
Cash at banks	13 & 15	-	-	-	-	8,014,137,301	-	8,014,137,301
Investment in treasury bills and bonds	13	-	-	-	-	23,676,508,845	-	23,676,508,845
Fixed deposits	13 & 14	-	-	-	-	20,660,508,403	-	20,660,508,403
		-	-	-	-	53,594,604,465	-	53,594,604,465
Financial liabilities measured at fair value								
Financial liabilities not measured at fair value								
Customer and other deposits	22	-	-	-	-	-	47,008,492,699	47,008,492,699
Operational and other payables	23	-	-	-	-	-	2,449,295,878	2,449,295,878
Other non-current liabilities	19	-	-	-	-	-	7,145,802	7,145,802
Lease liabilities	20	-	-	-	-	-	758,543,128	758,543,128
Accrued expenses	25	-	-	-	-	-	1,563,444,893	1,563,444,893
		-	-	-	-	-	51,786,922,400	51,786,922,400



Notes to the financial statements (Continued)

31 December 2019 In Taka	Carrying amount						Total
	Note	Fair value- hedging instruments	FVTPL – others	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised cost	
Financial assets measured at fair value							
Financial assets not measured at fair value							
Operational and other receivables	8	-	-	-	-	1,282,270,560	1,282,270,560
Security deposits	9	-	-	-	-	86,814	86,814
Cash at banks	13 & 15	-	-	-	-	6,040,590,023	6,040,590,023
Investment in treasury bills and bonds	13	-	-	-	-	8,559,935,152	8,559,935,152
Fixed deposits	13 & 14	-	-	-	-	26,564,200,003	26,564,200,003
		-	-	-	-	42,447,082,552	42,447,082,552
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Customer and other deposits	22	-	-	-	-	-	32,223,281,752
Operational and other payables	23	-	-	-	-	-	1,274,307,992
Other non-current liabilities	19	-	-	-	-	-	7,145,802
Lease liabilities	20	-	-	-	-	-	359,395,445
Accrued expenses	25	-	-	-	-	-	4,369,926,500
		-	-	-	-	-	38,234,057,491
		-	-	-	-	-	38,234,057,491



## Notes to the financial statements (Continued)

### 34 Commitments

As at 31 December 2020, the Company is committed to incur capital expenditure of Taka 1,336 million (31 December 2019: Taka 785 million).

### 35 Contingencies

See accounting policy in Note 39Q

#### a) Income tax

There are unresolved disputed corporate tax assessments by the authorities for the financial year 2012 and 2013. For the years 2012 and 2013, tax authorities have disallowed certain business expenses thus reducing the overall business loss for that year. The matter is currently under appeal with the High Court Division of the Honourable Supreme Court of Bangladesh. Considering the merits of the authorities' assessment, it has not been deemed necessary to make provisions for additional tax claimed as per such assessments.

#### b) Demand guarantee

<i>In Taka</i>	<b>Start date</b>	<b>Expiry date</b>	<b>2020</b>
World Food Programme	20 June 2017	19 December 2021	1,800,000
World Food Programme	28 November 2018	19 December 2021	2,400,000
World Food Programme	8 July 2020	31 January 2021	840,000
World Food Programme	27 July 2020	31 December 2020	25,200,000
World Food Programme	13 September 2020	30 June 2021	10,268,400
World Food Programme	8 November 2020	30 April 2021	19,410,720
Bangladesh Power Development Board	2 January 2020	31 January 2025	10,000,000
Bangladesh Rural Electrification Board	1 October 2020	1 December 2021	100,000,000

These demand guarantees were issued by NCC Bank Limited and Mercantile Bank Limited on behalf of the Company as performance security in favor of World Food Programme (WFP) for disbursement of WFP's various allowances to its beneficiaries and Bangladesh Power Development Board (BPDB) and Bangladesh Rural Electrification Board (BREB) for collection of electricity bill from BPDB and BREB's customers.

### 36 Related parties

#### a) Parent and ultimate controlling party

BRAC Bank Limited is the parent and ultimate controlling party of the Company by virtue of holding 51% voting shares along with majority representation on the Board of Directors.

#### b) Transactions with key management personnel

##### (i) Loans to directors

During the year, no loan was given to the directors of the Company.

##### (ii) Key management personnel compensation

Key management personnel compensation comprised the following:

<i>In Taka</i>	<b>2020</b>	<b>2019</b>
Board meeting attendance fee	1,248,155	1,508,403

Company's key management personnel includes the Company's directors. No compensation other than board meeting attendance fee is given to them.





## Notes to the financial statements (Continued)

### (c) Other related party transactions

<i>In Taka</i>	Transaction values for the year ended		Balance outstanding as at	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>Purchase of services and supplies</b>				
<u>Parent and ultimate controlling party</u>				
BRAC Bank Limited				
- Bank charge, ATM and remittance	(2,817,370,793)	(961,061,293)	(12,420,500)	(1,793,978)
<u>Entities with significant influence</u>				
Money in Motion LLC, USA				
- Other receivables / (payables)	-	-	(7,145,802)	(7,145,802)
<u>Others</u>				
Zoloz Pte. Ltd.				
- Software license, implementation and maintenance charges	(12,562,389)	(43,192,875)	(67,133,143)	(43,192,875)
BangDao Technology Co. Ltd.	(38,084,272)	-	(22,513,565)	-
<b>Others</b>				
<u>Parent and ultimate controlling party</u>				
BRAC Bank Limited				
- BRAC SME and remittance	20,465,326	2,117,320	58,236	719,878
- Interest income	172,678,951	184,972,407	-	140,083,332
<u>Entities with significant influence</u>				
International Finance Corporation				
- Grant funds	-	350	-	-
Bill & Melinda Gates Foundation				
- Grant funds	-	6,987,823	-	-

### 37 Other disclosures

#### 37.1 Number of employees

As at 31 December 2020, number of regular employees receiving remuneration of Taka 36,000 or above per annum was 1,112 (31 December 2019: 999).

#### 37.2 Comparatives

Previous year's figures have been rearranged, wherever considered necessary to conform to the current year's presentation.

#### 37.3 Leases

##### A Leases as lessee (IFRS 16)

The Company leases a number of offices and warehouse facilities. The leases typically run for a period of 3-5 years, with an option to renew the lease after that date. Lease payments are adjusted at predetermined intervals to reflect market rentals. For certain leases, the Company is restricted from entering into any sub-lease arrangements.



## Notes to the financial statements (Continued)

Information about leases for which the Company is a lessee is presented below.

### i) Amounts recognised in profit or loss

<i>In Taka</i>	2020	2019
Interest on lease	51,055,126	42,087,856
Depreciation on leased asset	214,061,643	198,622,861
	265,116,769	240,710,717

### ii) Amounts recognised in statement of cash flows

<i>In Taka</i>	2020	2019
Total cash outflow for leases	(221,398,822)	(212,904,631)

### 37.4 Revenue: Refund/reimbursement of fees, etc. to customers

Below is the detail of refund/reimbursement of fees, etc. against actual or impending transactions during the year.

<i>In Taka</i>	2020	2019
Refund/reimbursement, reflected in measurement of revenue (see note 26.1)	2,342,864,615	1,111,365,295
Refund of/prefunding of fees charged off as cash back expense (see note 29)	56,744,783	193,750,963

### 37.5 Subsequent events

No material events had occurred after the reporting date to the date of issue of these financial statements, which could affect the values stated in the financial statements.

### 38 Basis of measurement

The financial statements have been prepared on going concern basis under the historical cost convention except for defined benefit liability which is measured at present value of defined benefit obligation as described in Note 39D(iii).



## Notes to the financial statements (Continued)

### 39 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Certain comparative amounts in the statement of financial position and statement of profit or loss and other comprehensive income have been reclassified/represented during the current year for better presentation.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

- A Revenue
- B Contract assets
- C Foreign currency
- D Employee benefits
- E Finance income
- F Income tax
- G Property, plant and equipment
- H Intangible assets
- I Financial instruments
- J Share capital
- K Impairment
- L Provisions
- M Grant funds
- N Leases
- O Capital reserve
- P Going concern
- Q Contingencies
- R Statement of cash flows
- S Events after the reporting period
- T Materiality and aggregation

#### A Revenue

Under IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a good or service to a customer.

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (e.g. VAT). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price, the Company considers the effect of any variable consideration, the existence of a significant financing component in the contract and any consideration payable to a customer. The Company accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

#### Nature of goods and services

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

**(a) Cash out and others:** Revenue from cash out and others include service charge earned from cash out/e-money settlement, Person to Person (P2P) balance transfer, bill payment by customer and commission earned from banks against inward remittance.

The Company charges its customers a fixed rate of cash out/settlement fee at the time the customer redeems cash at agent point, ATM booth or through transfer to bank by surrendering e-money from his/her wallet. Revenue from cash out/settlement is recognised at the time electronic money is surrendered against cash.



## Notes to the financial statements (Continued)

The Company also charges fixed amount of fees to customer at the time of e-money transfer from one personal wallet to another wallet or payment of utility bills and various fees using bKash wallet. The Company also earns fixed fee from partner banks for each inward remittance. Revenue from these transactions is recognised at the time customers perform such transactions.

**(b) Return on trust cum settlement account:** This represents earnings generated from deposit of real money raised from customers against issuance of e-money. Such real money is invested in various forms through trust cum settlement account in line with the provisions of Bangladesh Mobile Financial Services (MFS) Regulations 2018 and PSP license issued by Bangladesh Bank. Earnings from this investment is recognised over a period of time based on effective rate of return.

Circulation of e-money through customer wallets and efficient utilisation of underlying physical cash essentially represents the essence of mobile financial service business. Accordingly, income generated from investments through trust cum settlement accounts constitute revenue earned through ordinary course of business for bKash.

As per directives issued by Bangladesh Bank, the Company has to pay interest to its customers against wallet balance which is considered as a direct cost for return on trust cum settlement account.

**(c) Airtime commission:** The Company receives upfront commission against airtime purchased from Mobile Network Operators (MNOs). Commission on airtime is recognised as revenue when a customer purchases mobile airtime using bKash wallet. Commission received against unsold airtime balance is recognised as unearned revenue (contract liability).

### B Contract assets

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

Contract costs are capitalised as assets and recognised in profit or loss in a way that is consistent with the transfer of the related goods and services. Customer acquisition costs for the Company include commissions and other directly attributable costs related to acquisition of customers.

Management expects that customer acquisition costs are recoverable over average expected lifetime of the customer i.e. four years.

### C Foreign currency

Transactions in foreign currencies are translated to the functional currencies at an exchange rate prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. 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 transactions.

### D Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) Defined contribution plans - provident fund

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## Notes to the financial statements (Continued)

The Company has started to maintain a Provident Fund as defined contribution plan from April 2014 for its eligible permanent employees. All permanent employees contribute at the rate of 10% of their basic salary to the provident fund and the Company also makes equal contribution. The fund is duly recognised by the National Board of Revenue (NBR) and operated by an independent trustee board.

### (iii) Defined benefit plan - gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Remeasurements of the net defined benefit liability which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Employees' Gratuity fund is being considered as a defined benefit plan as it meets the recognition criteria. The Company operates a gratuity scheme from 2015 for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The fund is duly recognised by the National Board of Revenue (NBR) and operated by an independent trustee board.

### (iv) Workers' Profit Participation Fund (WPPF)

The Company operates funds for beneficiaries as 'Workers' Profit participation Fund' and 5% of the profit before charging such expense have been transferred to this fund as per section 234 of the Labour Act 2006 (amended in 2013).

## E Finance income

Finance income includes mainly interest on deposits with banks. Finance income is recognised on accrual basis and presented net of finance cost. The Company's finance cost includes interest expense on lease which is recognised at amortised cost.

## F Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI (other comprehensive income).

### (i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. The Company files its tax return on the basis of a private limited company, as such the applicable tax rate for the Company is currently 32.5% as per Finance Act 2020 and Income Tax Ordinance 1984 (2019: 35%).

### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill.



## Notes to the financial statements (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improve.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### G Property, plant and equipment

#### (i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of assets. 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 assets to the location and condition necessary for it to be capable of operating in the intended manner. Work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use which is measured at cost.

#### (ii) Subsequent costs

The cost of replacing a component 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 component 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.

#### (iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

For addition of property, plant and equipment, depreciation is charged from the month following the month of capitalisation and full month depreciation is charged in the month of disposal.

The estimated useful lives of property, plant and equipment are as follows:

Category	In Years
Office furniture	5
Office equipment	5
IT equipment	5
Laptop & computer	3
Motor vehicles	5
Leasehold improvements	5
Motor vehicles- Leased	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



## Notes to the financial statements (Continued)

### (iv) Impairment

The carrying amount of the Company's non-financial assets, other than deferred tax assets (considered as disclosed separately under respective accounting standards) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

However, no such conditions that might be suggestive of a heightened risk of impairment of property, plant and equipment existed at the reporting date.

### (v) Retirement and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset in profit or loss.

## H Intangible assets

### (i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Work-in-progress represents the cost incurred for acquisition and/or construction of items of intangible assets that are not ready for use which is measured at cost.

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the software
- the software will generate probable future economic benefits.

### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### (iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, from the date that they are available for use, and is generally recognised in profit or loss.

The estimated useful life of software is 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## I 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 in statement of financial position when the Company becomes a party to the contractual provisions of the instrument.



## Notes to the financial statements (Continued)

At initial recognition a financial instrument is measured at fair value including transaction costs unless the financial instrument is carried at FVTPL, in which case the transaction costs are immediately recognised in profit or loss.

### (i) Financial assets

Under IFRS 9, on initial recognition, a financial asset is classified and measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

### Classification

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

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

The Company's financial assets measured at amortised cost comprise operational and other receivables, security deposits, cash at banks, government securities, and fixed deposits etc.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

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

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus/(minus), in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement

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

#### Financial assets at FVTPL

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

#### Financial assets at amortised cost

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

#### Debt investments at FVOCI

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





## Notes to the financial statements (Continued)

### Equity investments at FVOCI

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

### Derecognition

The Company derecognises a financial asset when, and only when:

- a) the contractual rights to the cash flows from the financial asset expire, or
- b) it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

### (ii) Financial liabilities

The Company initially recognises financial liabilities on the transaction date at which the Company becomes a party to the contractual provisions of the liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

The Company recognises such financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the entity of resources embodying benefits.

### Classification

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

### Subsequent measurement

For the purpose of subsequent measurement, financial liabilities are either measured at amortised cost or at FVTPL.

The Company's financial liabilities comprise deposits, defined benefit plan, lease, operational and other payables, grant funds, other non-current liabilities and accrued expenses.

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for:

- a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value
- b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies
- c) financial guarantee contracts
- d) commitments to provide a loan at a below-market interest rate
- e) contingent consideration

### Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount 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.

## J Share capital

Incremental costs directly attributable to the issue of shares, net of any tax effects, are recognised as a deduction from equity.



## Notes to the financial statements (Continued)

### K Impairment

#### Financial assets

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

The financial assets at amortised cost consist of operational receivables, security deposits, cash and cash equivalents and investment in treasury bills and bonds. The Company measures loss allowances at an amount equal to ECL from operational receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company uses a simplified "provision matrix" for calculating expected losses as a practical expedient (e.g., for operational receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on the Company's historical default rates over the expected life of the operational receivables and is adjusted for forward-looking estimates.

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

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

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

While measuring credit loss, the Company considers the maximum contractual period it is exposed to credit risk and considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-Generating Units (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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.

### L Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of 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 obligation in compliance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*.



## Notes to the financial statements (Continued)

### M Grant funds

The Company follows capital approach for the recognition of donor grants. Any unutilised grant fund is shown as a liability in the statement of financial position.

### N Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

#### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the initial application date (for contracts entered into before 1 January 2019) or commencement date (for contracts entered into after 1 January 2019). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the initial application date (for contracts entered into before 1 January 2019) or commencement date (for contracts entered into after 1 January 2019) to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date (for contracts entered into before 1 January 2019) or commencement date (for contracts entered into after 1 January 2019), discounted at the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability include fixed payments as per the contracts.

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

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

#### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Notes to the financial statements (Continued)

### O Capital reserve

The Bangladesh Mobile Financial Services (MFS) Regulations, 2018 requires subsidiary model based MFS providers to build up a capital reserve equal to the amount of minimum paid up capital (Taka 450 million) from retained earnings, at a rate not less than ten percent of annual after tax profits.

### P Going concern

As part of its overall business plan, the Company continues to engage in extensive business development activities which has resulted in operating losses over the past couple of years culminating in negative retained earnings as at the reporting date. However, the recent outbreak of COVID-19 in Bangladesh did not have significant negative impact on overall performance of the Company except for the government imposed country-wide general holiday for several months during the year.

Given the Company's business plan and the availability of adequate resources to continue in operation and to meet financial commitments as they fall due for the foreseeable future, the management continues to adopt going concern basis in preparing the financial statements.

### Q Contingencies

#### Contingent liability

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 entity.

The Company discloses contingent liability in the financial statements. A provision is recognised in the period in which the recognition criteria of provision is met.

#### Contingent asset

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 entity.

The Company does not recognise contingent assets. Only when the realisation of the related economic benefits are visually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

### R Statement of cash flows

Statement of cash flows have been prepared in accordance with the IAS 7: *Statement of Cash Flows* under direct method.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

Investing activities relate to the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Investments that are held for the purpose of meeting short-term cash commitments, are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value are accounted for as cash equivalents.



## Notes to the financial statements (Continued)

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### **S Events after the reporting period**

Events after the reporting period that provide additional information about the Company's position at the reporting date 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 in the notes when material.

### **T Materiality and aggregation**

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

### **40 Standards issued but not yet effective**

A number of amendments to standards are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. However, the Company has not early applied the following amendments to standards in preparing these financial statements.

Also, the following amendments to standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).

