bKash Limited

Report and financial statements as at and for the year ended 31 December 2019

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Independent auditor's report

To the Shareholders of bKash Limited

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 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Rahman Rahman Huq, a partnership firm registered in Bangladesh and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

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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.

Rahman Rahman Huq
Dhaka 12 MAR 2020

bKash Limited
Statement of financial position

In Taka	Note	31 December 2019	31 December 2018
Assets			
Property, plant and equipment	6	**1,563,447,268**	1,155,963,250
Intangible assets	7	**924,533,123**	684,505,279
Deferred tax assets	20	**210,124,045**	-
Non-current assets		**2,698,104,436**	1,840,468,529
Operational and other receivables	8	**1,282,270,560**	965,103,088
Advances, deposits and prepayments	9	**1,626,787,191**	526,366,646
Contract assets	10	**824,813,671**	301,787,164
Advance income tax	11	**1,054,719,952**	847,710,297
Airtime balance	12	**420,691,712**	1,259,965,976
Trust cum settlement account and investments	13	**32,652,634,900**	27,689,567,048
Investment in fixed deposits	14	**7,214,200,000**	9,204,200,000
Cash and cash equivalents	15	**1,530,879,476**	260,934,183
Current assets		**46,606,997,462**	41,055,634,402
Total assets		**49,305,101,898**	42,896,102,931
Equity			
Ordinary shares	16	**38,194,900**	38,194,900
Share premium - ordinary shares		**1,286,205,568**	1,286,205,568
Ordinary share capital and premium		**1,324,400,468**	1,324,400,468
Preference shares	17	**8,796,300**	8,796,300
Share premium - preference shares	18	**8,286,915,782**	8,286,915,782
Preference share capital and premium		**8,295,712,082**	8,295,712,082
Capital reserve		**18,479,529**	18,479,529
Share money deposit	19	**505,162**	505,162
Retained earnings		**444,536,081**	1,069,682,559
Total equity		**10,083,633,322**	10,708,779,800
Liabilities			
Deferred tax liabilities	20	**-**	1,587,238
Other non-current liabilities	24	**7,145,802**	7,145,802
Lease liabilities	25	**225,707,670**	33,308,961
Non-current liabilities		**232,853,472**	42,042,001
Defined benefit plan - gratuity	21	**67,750,000**	90,183,748
Customer and other deposits	22	**32,223,281,752**	27,488,565,715
Operational and other payables	23	**1,271,137,938**	1,182,220,350
Lease liabilities	25	**133,687,775**	22,297,603
Grant funds	26	**4,161,769**	12,872,051
Accrued expenses	27	**4,373,096,554**	2,364,981,679
Provision for tax	28	**915,499,316**	984,159,984
Current liabilities		**38,988,615,104**	32,145,281,130
Total liabilities		**39,221,468,576**	32,187,323,131
Total equity and liabilities		**49,305,101,898**	42,896,102,931

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Company Secretary

As per our report of same date.

Auditor

Dhaka, 12 MAR 2020

Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

bKash Limited
Statement of profit or loss and other comprehensive income

In Taka	*Note*	31 December 2019	For the year ended 31 December 2018
Gross revenue		**24,160,827,270**	21,791,312,387
VAT		**(2,879,512,377)**	(2,519,174,076)
Revenue	*29*	**21,281,314,893**	19,272,138,311
Cost of services	*30*	**(16,612,324,493)**	(14,042,389,523)
Gross profit		**4,668,990,400**	5,229,748,788
Operating and administrative expenses	*31*	**(3,964,722,134)**	(3,235,571,949)
Marketing and promotional expenses	*32*	**(2,162,762,151)**	(1,862,041,570)
Operating profit		**(1,458,493,885)**	132,135,269
Net finance income	*33*	**824,820,803**	455,733,379
Profit before contribution to WPPF		**(633,673,082)**	587,868,648
Contribution to WPPF		**-**	(29,393,432)
Profit before tax		**(633,673,082)**	558,475,216
Income tax (expense)/income	*34*	**8,526,604**	(354,017,425)
Profit		**(625,146,478)**	204,457,791
Other comprehensive income/(expense)			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		**-**	(30,250,000)
Related tax		**-**	10,587,500
		-	(19,662,500)
Total comprehensive income		**(625,146,478)**	184,795,291

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive Officer

Director

Director

Company Secretary

As per our report of same date.

Dhaka, 12 MAR 2020

Auditor

Rahman Rahman Huq
Chartered Accountants
KPMG in Bangladesh

bKash Limited
Statement of changes in equity

For the year ended 31 December 2019

In Taka	Ordinary shares	Share premium - ordinary shares	Preference shares	Share premium - preference shares	Capital reserve	Share money deposit	Retained earnings	Total equity
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**	**10,708,779,800**
Total comprehensive income								
Profit/(loss) for the year	-	-	-	-	-	-	(625,146,478)	(625,146,478)
Total	-	-	-	-	-	-	(625,146,478)	(625,146,478)
Balance at 31 December 2019	**38,194,900**	**1,286,205,568**	**8,796,300**	**8,286,915,782**	**18,479,529**	**505,162**	**444,536,081**	**10,083,633,322**

For the year ended 31 December 2018

In Taka	Ordinary shares	Share premium - ordinary shares	Preference shares	Share premium - preference shares	Capital reserve	Share money deposit	Retained earnings	Total equity
Balance at 1 January 2018	38,194,900	1,286,205,568	4,097,000	847,412,828	-	505,162	903,366,797	3,079,782,255
Transactions with owners of the Company								
Contributions and distributions								
Issue of preference share - net of issue cost	-	-	4,699,300	7,439,502,954	-	-	-	7,444,202,254
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	184,795,291	184,795,291
Transfer to capital reserve	-	-	-	-	18,479,529	-	(18,479,529)	-
Total	-	-	4,699,300	7,439,502,954	18,479,529	-	166,315,762	7,628,997,545
Balance at 31 December 2018	38,194,900	1,286,205,568	8,796,300	8,286,915,782	18,479,529	505,162	1,069,682,559	10,708,779,800

The annexed notes 1 to 42 form an integral part of these financial statements.

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bKash Limited
Statement of cash flows

In Taka	31 December 2019	For the year ended 31 December 2018
Cash flows from operating activities		
Cash receipt from customers	**29,786,434,261**	27,293,111,582
Cash paid to suppliers, employees and others	**(21,939,676,594)**	(18,682,702,900)
Cash generated from operating activities	**7,846,757,667**	8,610,408,682
Interest received from deposits	**812,323,201**	255,540,508
Taxes paid to government exchequer	**(3,328,328,029)**	(2,797,729,772)
Net cash from operating activities	**5,330,752,839**	6,068,219,418
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(533,368,639)**	(360,169,994)
Acquisition of intangible assets	**(383,554,281)**	(274,073,586)
Encashment of/(investment in) fixed deposits	**1,990,000,000**	(7,082,400,000)
Net cash from/(used in) investing activities	**1,073,077,080**	(7,716,643,580)
Cash flows from financing activities		
Lease liabilities	**(170,816,774)**	(17,789,609)
Net proceeds from issue of preference shares	**-**	7,444,202,254
Net cash from/(used in) financing activities	**(170,816,774)**	7,426,412,645
Net increase in cash and cash equivalents	**6,233,013,145**	5,777,988,483
Cash and cash equivalents including trust cum settlement account and investments as at 1 January	**27,950,501,231**	22,172,512,748
Cash and cash equivalents including trust cum settlement account and investments as at 31 December	**34,183,514,376**	27,950,501,231
Less: Trust cum settlement account and investments	**32,652,634,900**	27,689,567,048
Cash and cash equivalents as at 31 December	**1,530,879,476**	260,934,183

The annexed notes 1 to 42 form an integral part of these financial statements.

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Notes to the financial statements

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 Taka 500,000,000 divided into 4,900,000 ordinary shares of Taka 100 each and 100,000 preference shares of Taka 100 each.

1.2 Nature of business

The Company 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 41.

2.2 Date of authorisation

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

12 MAR 2020

3 Reporting period

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

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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 notes:

Notes 25 and 41N	Lease liabilities

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 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 6 and 41G	Property, plant and equipment
Notes 7 and 41H	Intangible assets
Notes 21 and 41D(iii)	Defined benefit plan - gratuity
Notes 20 and 41F(ii)	Deferred tax assets/(liabilities)
Notes 28 and 41F(i)	Provision for tax
Notes 36, 37 and 41Q	Commitments and contingencies
Notes 10 and 41B	Contract assets

5 Changes in significant accounting policies

The Company has applied IFRS 16 *Leases* from 1 January 2019. Other new standards that are also effective from 1 January 2019 do not have a material impact on these financial statements.

IFRS 16 Leases

Nature and effect of changes

The Company initially applied IFRS 16 *Leases* from 1 January 2019.

The Company applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an arrangement contains a lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 41N.

On transition to IFRS 16, the Company applied IFRS 16 to contracts that were previously identified as leases following the practical expedient approach for existing contracts. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

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B. **As a lessee**

As a lessee, the Company leases office and warehouse facilities and vehicles. The Company previously classified rental of office and warehouse facilities as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets (presented as part of property, plant and equipment) and lease liabilities for these leases – i.e. these leases are on-balance sheet where lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019 . Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

On the other hand, the Company leases a number of motor vehicles which were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact of transition on financial statements

In Taka	31 December 2018	Adjustments	1 January 2019
Premises-Leased	-	291,332,981	291,332,981
Advances, deposits and prepayments	526,366,646	(43,997,836)	482,368,810
Lease liabilities	55,606,564	255,780,744	311,387,308
Deferred tax liability	1,587,238	12,443,283	14,030,521
Accrued expenses	2,364,981,679	(8,445,600)	2,356,536,079

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate (12%) at 1 January 2019.

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Notes to the financial statements (Continued)

6 Property, plant and equipment

See accounting policy in Note 41G and 41N

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
Cost											
Balance at 1 January 2018		546,930,460	91,232,578	2,000,000	81,648,603	55,828,678	55,953,967	100,361,139	-	205,495,627	1,139,451,052
Additions		29,744,766	22,681,159	-	15,840,535	4,726,099	2,319,517	1,202,954	-	516,917,965	593,432,995
Reclassification		-	-	-	-	-	-	-	-	1,827,000	1,827,000
Write-off/ disposals/ adjustments		(1,429,415)	(16,556,307)	-	-	(1,255,167)	(291,818)	(178,080)	-	-	(19,710,787)
Transfer from work in progress		237,754,612	-	-	-	-	-	-	-	(237,754,612)	-
Balance at 31 December 2018		813,000,423	97,357,430	2,000,000	97,489,138	59,299,610	57,981,666	101,386,013	-	486,485,980	1,715,000,260
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**	**19,725,601**	-	**(479,169,742)**	**(40,897,765)**
Balance at 31 December 2019		**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**
Accumulated depreciation											
Balance at 1 January 2018		224,833,891	59,934,212	1,999,999	15,855,082	11,665,069	23,855,230	33,735,798	-	-	371,879,282
Depreciation	*31.2*	124,308,285	19,274,452	-	16,930,669	14,613,918	10,010,804	20,086,343	-	-	205,224,471
Write-off/ disposals/ adjustments		(468,378)	(16,290,018)	-	-	(1,018,503)	(218,611)	(71,232)	-	-	(18,066,743)
Balance at 31 December 2018		348,673,798	62,918,646	1,999,999	32,785,751	25,260,484	33,647,423	53,750,909	-	-	559,037,010
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	*31.2*	**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)**
Balance at 31 December 2019		**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**
Carrying amounts											
At 31 December 2018		464,326,625	34,438,784	1	64,703,387	34,039,126	24,334,243	47,635,104	-	486,485,980	1,155,963,250
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**

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7 Intangible assets

See accounting policy in Note 41H

Reconciliation of carrying amount

In Taka	*Note*	Software	Work in progress	Total
Cost				
Balance at 1 January 2018		507,466,395	166,672,066	674,138,461
Additions		144,681,321	219,300,255	363,981,576
Reclassification		-	(1,827,000)	(1,827,000)
Write-off/ disposals/ adjustments		(8,730,948)	-	(8,730,948)
Transfer from work in progress		248,517,750	(248,517,750)	-
Balance at 31 December 2018		891,934,518	135,627,571	1,027,562,089
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)**
Balance at 31 December 2019		**1,505,891,806**	**4,896,370**	**1,510,788,176**
Accumulated amortisation				
Balance at 1 January 2018		210,505,699	-	210,505,699
Amortisation	31.2	139,634,495	-	139,634,495
Write-off/ disposals/ adjustments		(7,083,384)	-	(7,083,384)
Balance at 31 December 2018		343,056,810	-	343,056,810
Balance at 1 January 2019		**343,056,810**	**-**	**343,056,810**
Amortisation	31.2	**243,198,243**	**-**	**243,198,243**
Write-off/ disposals/ adjustments		**-**	**-**	**-**
Balance at 31 December 2019		**586,255,053**	**-**	**586,255,053**
Carrying amounts				
At 31 December 2018		548,877,708	135,627,571	684,505,279
At 31 December 2019		**919,636,753**	**4,896,370**	**924,533,123**

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8 Operational and other receivables

See accounting policy in Note 41I

In Taka	2019	2018
Operational receivables		
Related parties	**719,878**	17,985,377
Other than related parties	**1,024,913,922**	702,978,553
	1,025,633,800	720,963,930
Less: Provision for doubtful debts	**-**	-
	1,025,633,800	720,963,930
Other receivables		
Accrued interest on deposits	**256,636,760**	244,139,158
	1,282,270,560	965,103,088

9 Advances, deposits and prepayments

See accounting policy in Note 41I

In Taka	*Note*	2019	2018
Advances			
Employees		**16,928,774**	24,388,156
Suppliers		**1,417,907,768**	308,946,833
Rent		**2,320,438**	39,365,174
VAT current account		**-**	535,654
		1,437,156,980	373,235,817
Deposits			
Security deposits		**86,814**	7,139,880
		86,814	7,139,880
Prepayments			
Expenses		**80,861,190**	60,124,358
Deferred commission	*9.1*	**108,682,207**	85,866,591
		189,543,397	145,990,949
		1,626,787,191	526,366,646

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 41B

In Taka	2019	2018
Balance at 1 January	**301,787,164**	-
Addition during the year	**693,059,911**	348,823,477
Charged off during the year	**(170,033,404)**	(47,036,313)
Balance at 31 December	**824,813,671**	301,787,164

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 etc.

11 Advance income tax

See accounting policy in Note 41F

In Taka	2019	2018
Balance at 1 January	**847,710,297**	537,833,294
Deposits including deductions at source	**348,650,603**	320,879,953
Charged off during the year	**(141,640,948)**	(11,002,950)
Balance at 31 December	**1,054,719,952**	847,710,297

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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 41I

In Taka	2019	2018
Trust cum settlement account	**24,092,699,748**	20,104,678,310
Investment in treasury bills	**8,559,935,152**	7,584,888,738
	32,652,634,900	27,689,567,048

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 (which shall represent at least 25% of total e-money balance).

14 Investment in fixed deposits

See accounting policy in Note 41I

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 41I

In Taka	2019	2018
Cash in hand	**3,229,789**	990,516
Cash at digital wallets	**229,759,409**	17,074,350
Cash at banks	**1,297,890,278**	242,869,317
	1,530,879,476	260,934,183

16 Ordinary shares

See accounting policy in Note 41J

In Taka	No. of shares	2019	2018
Authorised			
Authorised (par value of Taka 100 each)	**4,900,000**	**490,000,000**	490,000,000
Paid up			
Ordinary shares (par value of Taka 100 each)	**381,949**	**38,194,900**	38,194,900

Percentage of shareholdings

In Taka	No. of shares	%	2019	2018
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
	381,949	**100.0%**	**38,194,900**	38,194,900

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17 Preference shares

See accounting policy in Note 41J

In Taka	No. of shares	2019	2018
Authorised			
Authorised (par value of Taka 100 each)	**100,000**	**10,000,000**	10,000,000
		2019	**2018**
Paid up			
Bill & Melinda Gates Foundation (par value of Taka 100 each)	**32,530**	**3,253,000**	3,253,000
Alipay Singapore E-Commerce Private Limited (par value of Taka 100 each)	**55,433**	**5,543,300**	5,543,300
	87,963	**8,796,300**	8,796,300

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 premium - preference shares

In Taka	2019	2018
Balance at 1 January	**8,286,915,782**	847,412,828
Received during the year	-	7,490,510,145
Adjustment of share issue costs	-	(51,007,191)
Balance at 31 December	**8,286,915,782**	8,286,915,782

During 2018, the Company issued 46,993 non-voting, convertible preference shares of Taka 100 par value to Alipay Singapore E-Commerce Private Limited for Taka 7,495,209,445 including share premium. The cost related to issuance of preference shares was adjusted against share premium in line with IAS 32 *Financial Instruments: Presentation*.

19 Share money deposit

This balance represents share money deposit received from Money in Motion (MIM) LLC, USA and International Finance Corporation (IFC).

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20 Deferred tax assets/(liabilities)

See accounting policy in Note 41F

In Taka	2019	2018
Balance at 1 January	(1,587,238)	(35,986,265)
Deferred tax income for the year	211,711,283	34,399,027
Balance at 31 December	**210,124,045**	(1,587,238)

In Taka	Carrying amount on reporting date	Tax base	Taxable/ (deductible) temporary difference
At 31 December 2019			
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)
Gratuity	67,750,000	-	(67,750,000)
Taxable/(deductible) temporary differences	**2,673,194,032**	**2,502,382,708**	**(600,354,416)**
Applicable tax rate			35%
Deferred tax assets/(liabilities)			**210,124,045**
At 31 December 2018			
Property, plant and equipment	649,565,549	598,185,559	51,379,990
Intangible assets	548,877,708	391,742,091	157,135,617
Unabsorbed tax loss	-	113,796,893	(113,796,893)
Gratuity	90,183,748	-	(90,183,748)
Taxable/(deductible) temporary differences	1,288,627,005	1,103,724,543	4,534,966
Applicable tax rate			35%
Deferred tax assets/(liabilities)			(1,587,238)

21 Defined benefit plan - gratuity

See accounting policy in Note 41D

In Taka	Note	2019	2018
Balance at 1 January		90,183,748	44,515,670
Provision made during the year	*21.1*	67,750,000	90,524,733
Benefits paid		(90,183,748)	(44,856,655)
Balance at 31 December		**67,750,000**	90,183,748

21.1 Provision made during the year

In Taka	2019	2018
Profit or loss		
Current service cost	62,980,000	56,714,733
Interest accrued on defined benefit obligation	4,770,000	3,560,000
	67,750,000	60,274,733
Other comprehensive (income)/expense		
Actuarial (gain)/loss recognised directly in equity	-	30,250,000
	67,750,000	90,524,733

Provision made during the year amounted to Taka 67,750,000 out of which Taka 2,328,596 has been capitalised as part of software development cost as the concerned employees were engaged in development of various software of the Company.

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	2019	2018
Discount rate	8%	8%
Salary escalation rate	10%	10%

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22 Customer and other deposits

See accounting policy in Note 41l

In Taka	2019	2018
Customer deposit	**24,096,648,409**	19,038,024,886
Channel deposit	**7,671,010,456**	7,850,517,779
Deposit in transit	**455,622,887**	600,023,050
	32,223,281,752	27,488,565,715

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

Channel deposit represents the balance maintained by agents, distributors and merchants in their mobile phone 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 41l

In Taka	*Note*	2019	2018
Operational payables	*23.1*	**374,267,499**	541,090,436
Other payables	*23.2*	**891,498,957**	628,490,748
Unearned revenue	*23.3*	**5,371,482**	12,639,166
		1,271,137,938	1,182,220,350

23.1 Operational payables

In Taka	2019	2018
Related parties	**1,793,978**	439,336
Other than related parties	**372,473,521**	540,651,100
	374,267,499	541,090,436

23.2 Other payables

In Taka	2019	2018
Value added tax	**212,440,404**	211,357,924
Withholding tax	**162,210,651**	139,743,069
Subscriber acquisition cost	**318,554,592**	169,355,563
Interest payable to customers	**103,014,451**	83,445,674
Security deposits and others	**95,278,859**	24,588,518
	891,498,957	628,490,748

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

24 Other non-current liabilities

In Taka	2019	2018
Money in Motion LLC, USA		
Solution and requirements workshop (Visa Cape Town Proprietary Ltd)	**2,514,308**	2,514,308
Consultant (Signal Point)	**4,631,494**	4,631,494
	7,145,802	7,145,802

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25 Lease liabilities

See accounting policy in Note 41N

In Taka	2019	2018
Lease liabilities - non current	**225,707,670**	33,308,961
Lease liabilities - current	**133,687,775**	22,297,603
	359,395,445	55,606,564

26 Grant funds

See accounting policy in Note 41M

In Taka	2019	2018
Balance at 1 January	**12,872,051**	43,544,365
Addition (including interest)	**84,195,528**	15,127,613
Utilisation of fund	**(92,905,810)**	(45,799,927)
Balance at 31 December	**4,161,769**	12,872,051

27 Accrued expenses

See accounting policy in Note 41I

In Taka	2019	2018
Channel partner commission and service charges	**2,740,301,596**	850,750,111
Capital expenditure	**23,701,578**	437,498,714
Employee benefits	**400,151,558**	276,274,807
Marketing and promotional expenses	**1,020,450,907**	574,898,076
Audit fee	**1,100,000**	750,000
Other accruals	**187,390,915**	224,809,971
	4,373,096,554	2,364,981,679

28 Provision for tax

See accounting policy in Note 41F

In Taka	Note	2019	2018
Balance at 1 January		**984,159,984**	617,333,982
Provision made during the year	*34*	**203,184,678**	377,828,952
Charged off during the year		**(271,845,346)**	(11,002,950)
Balance at 31 December		**915,499,316**	984,159,984

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.

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29 Revenue

See accounting policy in Note 41A

In Taka	Note	2019	2018
Cash out and others	*29.1*	**18,197,888,764**	16,794,493,838
Airtime commission	*29.1*	**459,990,966**	472,885,326
Return on trust cum settlement accounts		**2,623,435,163**	2,004,759,147
		21,281,314,893	19,272,138,311

29.1 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 or otherwise, unless the Company receives specific goods or services in exchange for such amount.

30 Cost of services

In Taka	Note	2019	2018
Agents and distributors commission		**14,555,299,039**	12,569,093,918
Mobile Network Operators service charges		**1,830,540,270**	1,318,840,931
Interest and others	*30.1*	**226,485,184**	154,454,674
		16,612,324,493	14,042,389,523

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

31 Operating and administrative expenses

In Taka	Note	2019	2018
Salary and allowances	*31.1*	**1,974,222,384**	1,483,146,540
Depreciation and amortisation	*31.2*	**708,091,534**	344,858,966
Office rent and others	*31.3*	**6,647,998**	168,134,293
Office maintenance		**56,511,829**	53,890,968
Training and workshop		**89,854,416**	94,433,849
Bank charges		**8,935,853**	211,391,187
Utility		**30,616,415**	26,663,011
Security charges		**16,764,137**	14,138,884
Outbound call cost		**476,029**	980,829
Professional and legal fees		**47,883,628**	61,880,216
Audit fee		**1,100,000**	750,000
Data entry and archiving		**24,992,953**	23,133,264
Vehicle rental expense		**101,459,382**	83,663,938
Software and other maintenance charge		**570,274,051**	413,199,804
Internet expenses		**28,556,125**	14,659,930
Insurance		**27,931,817**	23,357,763
Travelling expenses	*31.4*	**136,699,645**	132,422,392
Other operating and administrative expenses	*31.5*	**133,703,939**	84,866,115
		3,964,722,134	3,235,571,949

31.1 Salary and allowances

In Taka	2019	2018
Salary and allowances - regular	**1,608,428,337**	1,194,877,746
Salary and allowances - contractual	**237,069,127**	177,850,237
Employer's contribution to gratuity fund	**65,421,404**	60,274,733
Employer's contribution to provident fund	**63,303,516**	50,143,824
	1,974,222,384	1,483,146,540

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31.2 Depreciation and amortisation

In Taka	2019	2018
Property, plant and equipment	**464,893,291**	205,224,471
Intangible assets	**243,198,243**	139,634,495
	708,091,534	344,858,966

Depreciation for property, plant and equipment includes Taka 178,403,725 (2018: Nil) relating to depreciation of leased premises as per IFRS 16 *Leases*.

31.3 Office rent and others

Office rent and others for 2018 includes rent against all office locations accounted for as operating lease under IAS 17 *Leases*. During 2019, rental payments, unless made against low value contracts for office locations, were capitalised as right-of-use asset (Premises-Leased) following the requirements of IFRS 16 *Leases*. Contractual rent payment for premises capitalised as Right-of-Use Asset for 2019 amounted to Taka 208,348,145.
On the other hand, payments against service contracts were charged off as expense in both periods.

31.4 Travelling expenses

In Taka	2019	2018
Travelling expenses - overseas	**29,238,250**	38,525,560
Travelling expenses - local	**107,461,395**	93,896,832
	136,699,645	132,422,392

31.5 Other operating and administrative expenses

In Taka	2019	2018
Entertainment	**861,604**	1,753,700
Foreign exchange loss	**2,213,789**	962,050
Board meeting attendance fee	**1,508,403**	1,517,264
Office expenses	**75,447,765**	38,605,783
Loss on disposal	**5,437,200**	2,435,064
Communication	**42,073,672**	29,173,007
Miscellaneous	**6,161,506**	10,419,247
	133,703,939	84,866,115

32 Marketing and promotional expenses

In Taka	2019	2018
Subscriber acquisition charges	**417,604,054**	320,473,749
Cash back	**193,750,963**	424,384,471
Customer communication	**31,750,922**	33,554,269
Point of sale materials	**246,709,823**	197,573,698
Alternative channel marketing	**175,988,379**	110,174,362
Advertisement	**928,399,024**	649,026,476
Corporate event management	**149,188,806**	105,911,975
Market research	**19,370,180**	20,942,570
	2,162,762,151	1,862,041,570

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Notes to the financial statements (Continued)

33 Net finance income

See accounting policy in Note 41E

In Taka	2019	2018
Interest on fixed deposits	**832,239,444**	420,525,647
Interest on bank balances	**34,669,215**	41,957,476
Interest on lease	**(42,087,856)**	(6,749,744)
	824,820,803	455,733,379

Interest on lease includes Taka 35,915,151 relating to leased premises as per IFRS 16 *Leases*.

34 Income tax expense/(income)

See accounting policy in Note 41F

In Taka	*Note*	2019	2018
Current tax		**203,184,679**	377,828,952
Deferred tax expense/(income)	*34.1*	**(211,711,283)**	(23,811,527)
		(8,526,604)	354,017,425

34.1 Deferred tax expense/(income)

In Taka	2019	2018
Deferred tax liabilities at the beginning of the year	**(1,587,238)**	(35,986,265)
Less: Deferred tax asset/(liabilities) at the end of the year	**210,124,045**	(1,587,238)
	(211,711,283)	(34,399,027)
Deferred tax attributable to actuarial loss recognised directly in equity	**-**	10,587,500
Deferred tax income recognised directly in profit	**(211,711,283)**	(23,811,527)

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35 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 banks 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:

		Carrying amount	
In Taka	*Note*	2019	2018
Operational and other receivables	*8*	**1,282,270,560**	965,103,088
Security deposits	*9*	**86,814**	7,139,880
Trust cum settlement account and investments	*13*	**32,652,634,900**	27,689,567,048
Investment in fixed deposits	*14*	**7,214,200,000**	9,204,200,000
Cash at banks	*15*	**1,297,890,278**	242,869,317
		42,447,082,552	38,108,879,333

(b) Aging of operational and other receivables

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

		Carrying amount	
In Taka	*Note*	2019	2018
Neither past due nor impaired	*8*	**1,282,270,560**	965,103,088
Past due 1 - 30 days		-	-
Past due 31 - 90 days		-	-
Past due 91 - 120 days		-	-
Past due 121 - 360 days		-	-
Past due 361 + days		-	-
		1,282,270,560	965,103,088

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(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 following 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 2019			Contractual cash flows					
In Taka	*Note*	Carrying amount	Total	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	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	1,271,137,938	1,271,137,938	5,371,482	1,265,766,456	-	-	-
Other non-current liabilities	24	7,145,802	7,145,802	-	-	-	7,145,802	-
Lease liabilities	25	359,395,445	359,395,445	29,966,900	103,720,875	73,034,090	138,337,785	14,335,795
Accrued expenses	27	4,373,096,554	4,373,096,554	2,746,065,382	1,627,031,172	-	-	-
		38,301,807,491	38,301,807,491	35,004,685,516	3,064,268,503	73,034,090	145,483,587	14,335,795
Derivative financial liabilities		-	-	-	-	-	-	-
		38,301,807,491	38,301,807,491	35,004,685,516	3,064,268,503	73,034,090	145,483,587	14,335,795

31 December 2018			Contractual cash flows					
In Taka	*Note*	Carrying amount	Total	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	90,183,748	90,183,748	-	90,183,748	-	-	-
Customer and other deposits	22	27,488,565,715	27,488,565,715	27,488,565,715	-	-	-	-
Operational and other payables	23	1,182,220,350	1,182,220,350	12,639,166	1,169,581,184	-	-	-
Other non-current liabilities	24	7,145,802	7,145,802	-	-	-	7,145,802	-
Lease liabilities	25	55,606,564	55,606,564	3,510,098	18,787,505	20,782,151	12,526,810	-
Accrued expenses	27	2,364,981,679	2,364,981,679	859,195,711	1,505,785,968	-	-	-
		31,188,703,858	31,188,703,858	28,363,910,690	2,784,338,405	20,782,151	19,672,612	-
Derivative financial liabilities		-	-	-	-	-	-	-
		31,188,703,858	31,188,703,858	28,363,910,690	2,784,338,405	20,782,151	19,672,612	-

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(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:

In USD	*Note*	2019	2018
Foreign currency denominated liabilities			
Current liabilities		**606,733**	3,823,167
Other non-current liabilities	24	**91,029**	91,029
Net exposure		**697,762**	3,914,196

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

In Taka	Average rate 2019	Average rate 2018	Year-end spot rate 2019	Year-end spot rate 2018
USD	**84.49**	83.51	**84.90**	83.90

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 forecast sales and purchase.

	Profit/(loss)		Equity, net of tax increase/(decrease)	
Effect in Taka	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
31 December 2019				
USD (5% movement)	**(2,962,000)**	**2,962,000**	**(2,962,000)**	**2,962,000**
31 December 2018				
USD (5% movement)	(16,420,051)	16,420,051	(16,420,051)	16,420,051

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:

		Nominal Amount	
In Taka	*Note*	2019	2018
Fixed rate instruments			
Financial assets			
Fixed deposits	13 & 14	**26,564,200,003**	22,604,200,003
Investment in treasury bills	13	**8,559,935,152**	7,584,888,738
Financial liabilities		**-**	-
		35,124,135,155	30,189,088,741
Variable rate instruments			
Financial assets			
Cash at banks	13 & 15	**6,040,590,023**	6,947,547,624
Financial liabilities			
Lease liabilities	25	**(359,395,445)**	(55,606,564)
		5,681,194,578	6,891,941,060

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.

		Carrying amount						
31 December 2019 *In Taka*	*Note*	Fair value-hedging instruments	FVTPL – others	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total
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	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	32,223,281,752
Operational and other payables	23	-	-	-	-	-	1,265,766,456	1,265,766,456
Other non-current liabilities	24	-	-	-	-	-	7,145,802	7,145,802
Lease liabilities	25	-	-	-	-	-	359,395,445	359,395,445
Accrued expenses	27	-	-	-	-	-	4,373,096,554	4,373,096,554
		-	-	-	-	-	38,228,686,009	38,228,686,009

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Notes to the financial statements (Continued)

31 December 2018 *In Taka*	*Note*	Carrying amount Fair value-hedging instruments	FVTPL – others	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value								
Operational and other receivables	*8*	-	-	-	-	965,103,088	-	965,103,088
Security deposits	*9*	-	-	-	-	7,139,880	-	7,139,880
Cash at banks	*13 & 15*	-	-	-	-	6,947,547,624	-	6,947,547,624
Investment in treasury bills	*13*	-	-	-	-	7,584,888,738	-	7,584,888,738
Fixed deposits	*13 & 14*	-	-	-	-	22,604,200,003	-	22,604,200,003
		-	-	-	-	38,108,879,333	-	38,108,879,333
Financial liabilities measured at fair value		-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Customer and other deposits	*22*	-	-	-	-	-	27,488,565,715	27,488,565,715
Operational and other payables	*23*	-	-	-	-	-	1,169,581,185	1,169,581,185
Other non-current liabilities	*24*	-	-	-	-	-	7,145,802	7,145,802
Lease liabilities	*25*	-	-	-	-	-	55,606,564	55,606,564
Accrued expenses	*27*	-	-	-	-	-	2,364,981,679	2,364,981,679
		-	-	-	-	-	31,085,880,945	31,085,880,945

36 Commitments

As at 31 December 2019, the Company is committed to incur capital expenditure of Taka 785 million (31 December 2018: Taka 407 million).

37 Contingencies

See accounting policy in Note 41Q

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

In Taka	Start date	Expiry date	2019
World Food Programme	20 June 2017	19 December 2021	**1,800,000**
World Food Programme	28 November 2018	19 December 2021	**2,400,000**
Bangladesh Power Development Board	2 January 2020	30 January 2025	**10,000,000**

These demand guarantees were issued by NCC 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) for collection of electricity bill from BPDB's customers.

38 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:

In Taka	2019	2018
Board meeting attendance fee	**1,508,403**	1,517,264
	1,508,403	1,517,264

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

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(c) **Other related party transactions**

In Taka	Transaction values for the year ended		Balance outstanding as at	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Purchase of services and supplies				
Parent and ultimate controlling party				
BRAC Bank Limited				
- Bank charge, ATM and remittance	**(961,061,293)**	(445,355,200)	**(1,793,978)**	(439,336)
Entities with significant influence				
Money in Motion LLC, USA				
- Other receivables / (payables)	**-**	-	**(7,145,802)**	(7,145,802)
Others				
Zoloz Pte. Ltd.				
- Software license, implementation and maintenance charges	**(43,192,875)**	-	**(43,192,875)**	-
Others				
Parent and ultimate controlling party				
BRAC Bank Limited				
- BRAC SME and remittance	**2,117,320**	975,944	**719,878**	227,373
- Interest income	**184,972,407**	17,750,000	**140,083,332**	17,750,000
Entities with significant influence				
International Finance Corporation				
- Grant funds	**350**	-	**-**	(350)
Bill & Melinda Gates Foundation				
- Grant funds	**6,987,823**	36,556,192	**-**	(6,987,823)

39 Other disclosures

39.1 Number of employees

As at 31 December 2019, number of regular employees receiving remuneration of Taka 36,000 or above per annum was 999 (31 December 2018: 776).

39.2 Comparatives

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

39.3 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. Previously, these leases were classified as operating leases under IAS 17.

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

i) Amounts recognised in profit or loss

In Taka	2019
2019 – Leases under IFRS 16	
Interest on lease	42,087,856
Depreciation on leased asset	198,622,861
	240,710,718
2018 – Operating leases under IAS 17	
Office rent and others	168,134,293

ii) Amounts recognised in statement of cash flows

In Taka	2019
Total cash outflow for leases	(212,904,631)

39.4 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.

In Taka	2019	2018
Refund/reimbursement, reflected in measurement of revenue (see note 29.1)	1,111,365,295	-
Refund of/prefunding of fees charged off as cash back expense	193,750,963	424,384,471

39.5 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.

40 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 41D(iii).

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41 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see Note 5).

Certain comparative amounts in the statement of financial position and statement of profit or loss and other comprehensive income have been reclassified/represented, as a result of either a change in accounting policy (see Note 5), or re-arrangement of certain line items 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.

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The Company also charges fixed amount of fees from 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 revenue/earnings generated from utilisation 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. Revenue from this investment is recognised over a period of time based on effective rate of return.

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.

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.

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(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 benefit 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 35% as per Finance Act 2019 and Income Tax Ordinance 1984 (2018: 35%).

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(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.

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.

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(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.

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.

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.

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(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.

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. 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).

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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.*

M Grant funds

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

N Leases

The Company has applied IFRS 16 *Leases* using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

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Policy applicable from 1 January 2019

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.

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

(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.

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Policy applicable before 1 January 2019

(i) Determining whether an arrangement contains a lease
At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair value. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

(ii) Leased assets
Leases of property, plant and equipment that transfer to the Company substantially all of the risks and the rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(iii) Lease payments
Payments made under operating lease are charged to profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the management continues to adopt going concern basis in preparing the financial statements. The current resources of the Company provide sufficient funds to meet the present requirements of its existing business.

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.

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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.

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.

42 Standards issued but not yet effective

A number of amendments to standards are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted. However, the Company has not early applied the following amendments to standard 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).

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