

bKash Limited

Auditor's report and financial statements as at and
for the year ended 31 December 2018

**Rahman Rahman Huq****Chartered Accountants**

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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 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and 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.

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 gives a true and fair view.

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 14 MAR 2019



bKash Limited
Statement of financial position

<i>In Taka</i>	<i>Note</i>	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	6	1,155,963,250	767,571,771
Intangible assets	7	684,505,279	463,632,762
Non-current assets		1,840,468,529	1,231,204,533
Operational and other receivables	8	965,103,088	426,953,282
Advances, deposits and prepayments	9	526,366,646	232,336,222
Contract assets	10	301,787,164	-
Advance income tax	11	847,710,297	537,833,294
Airtime balance	12	1,259,965,976	1,163,143,640
Trust cum settlement account and investments	13	27,689,567,048	21,986,269,408
Investment in fixed deposits	14	9,204,200,000	2,121,800,000
Cash and cash equivalents	15	260,934,183	186,243,340
Current assets		41,055,634,402	26,654,579,186
Total assets		42,896,102,931	27,885,783,719
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	4,097,000
Share premium - preference shares	18	8,286,915,782	847,412,828
Preference share capital and premium		8,295,712,082	851,509,828
Capital reserve	19	18,479,529	-
Share money deposit	20	505,162	505,162
Retained earnings		1,069,682,559	903,366,797
Total equity		10,708,779,800	3,079,782,255
Liabilities			
Deferred tax liabilities	21	1,587,238	35,986,265
Other non-current liabilities	25	7,145,802	7,145,802
Finance lease liabilities	26	33,308,961	40,774,231
Non-current liabilities		42,042,001	83,906,298
Defined benefit plan - gratuity	22	90,183,748	44,515,670
Customer and other deposits	23	27,488,565,715	21,663,937,199
Operational and other payables	24	1,182,220,350	1,023,172,770
Finance lease liabilities	26	22,297,603	17,376,926
Grant funds	27	12,872,051	43,544,365
Accrued expenses	28	2,364,981,679	1,312,214,254
Provision for tax	29	984,159,984	617,333,982
Current liabilities		32,145,281,130	24,722,095,166
Total liabilities		32,187,323,131	24,806,001,464
Total equity and liabilities		42,896,102,931	27,885,783,719

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

Chief Executive Officer

Director

Director

Company Secretary

As per our report of same date.

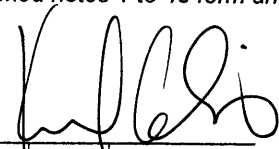
Auditor

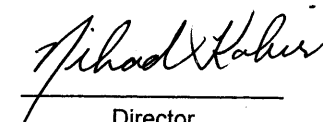
Dhaka, 14 MAR 2019


bKash Limited
Statement of profit or loss and other comprehensive income


<i>In Taka</i>	<i>Note</i>	<i>31 December 2018</i>	<i>For the year ended 31 December 2017</i>
Gross revenue		21,791,312,387	17,589,548,312
VAT		(2,519,174,076)	(2,074,019,100)
Revenue	30	19,272,138,311	15,515,529,212
Cost of services	31	(14,042,389,523)	(11,407,289,613)
Gross profit		5,229,748,788	4,108,239,599
Operating and administrative expenses	32	(3,235,571,949)	(2,331,072,890)
Marketing and promotional expenses	33	(1,862,041,570)	(1,074,627,157)
Operating profit		132,135,269	702,539,552
Net finance income	34	455,733,379	127,779,785
Profit before contribution to WPPF		587,868,648	830,319,337
Contribution to WPPF		(29,393,432)	(39,539,016)
Profit before tax		558,475,216	790,780,321
Income tax expenses	35	(354,017,425)	(302,962,605)
Profit		204,457,791	487,817,716
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		184,795,291	487,817,716

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


Chief Executive Officer

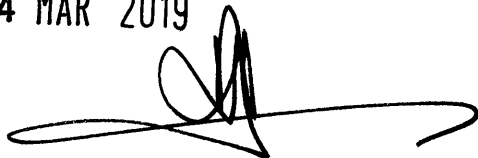

Director


Director


Company Secretary

As per our report of same date.

Dhaka, 14 MAR 2019




Auditor

Rahman Rahman Huq
Chartered Accountants

bKash Limited
Statement of changes in equity

For the year ended 31 December 2018								
<i>In Taka</i>	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

For the year ended 31 December 2017								
<i>In Taka</i>	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 2017	38,194,900	1,286,205,568	4,097,000	847,412,828	-	505,162	415,549,081	2,591,964,539
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	487,817,716	487,817,716
Total	-	-	-	-	-	-	487,817,716	487,817,716
Balance at 31 December 2017	38,194,900	1,286,205,568	4,097,000	847,412,828	-	505,162	903,366,797	3,079,782,255

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



bKash Limited
Statement of cash flows

In Taka	For the year ended	
	31 December 2018	31 December 2017
Cash flows from operating activities		
Cash receipt from customers	27,293,111,582	21,821,480,425
Cash paid to suppliers, employees and others	(18,682,702,900)	(14,244,943,781)
Cash generated from operating activities	8,610,408,682	7,576,536,644
Interest received from deposits	255,540,508	108,826,709
Taxes paid to government exchequer	(2,797,729,772)	(2,232,797,324)
Net cash flows from operating activities	6,068,219,418	5,452,566,029
Cash flows from investing activities		
Acquisition of property, plant and equipment	(360,169,994)	(340,049,941)
Acquisition of intangible assets	(274,073,586)	(231,887,831)
Investment in fixed deposits	(7,082,400,000)	(501,800,000)
Net cash used in investing activities	(7,716,643,580)	(1,073,737,772)
Cash flows from financing activities		
Finance lease liabilities	(17,789,609)	(12,466,600)
Net proceeds from issue of preference shares	7,444,202,254	-
Net cash from/(used in) financing activities	7,426,412,645	(12,466,600)
Net increase in cash and cash equivalents	5,777,988,483	4,366,361,657
Cash and cash equivalents including trust cum settlement account and investments as at 1 January	22,172,512,748	17,806,151,091
Cash and cash equivalents including trust cum settlement account and investments as at 31 December	27,950,501,231	22,172,512,748
Less: Trust cum settlement account and investments	27,689,567,048	21,986,269,408
Cash and cash equivalents as at 31 December	260,934,183	186,243,340

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



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

1.2 Nature of business

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

2 Basis of accounting

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 42.

2.2 Date of authorisation

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

14 MAR 2019

3 Reporting period

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

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.



Notes to the financial statements (Continued)

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 26 and 42M

Finance lease liabilities

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2018 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 42F

Property, plant and equipment

Notes 7 and 42G

Intangible assets

Notes 22 and 42C(iii)

Defined benefit plan - gratuity

Notes 21 and 42E(ii)

Deferred tax assets/(liabilities)

Notes 29 and 42E(i)

Provision for tax

Notes 37, 38 and 42O

Commitments and contingencies

Notes 10 and 42A

Contract assets

5 Changes in significant accounting policies

The Company has applied IFRS 15 Revenue from Contracts with Customers from 1 January 2018. Apart from this, Bangladesh Mobile Financial Services Regulations, 2018 also came into effect during this year with certain specific directions over business operation. Accordingly, the Company has reviewed all existing streams of revenue/income in light of above changes and reclassified income generated from trust cum settlement account balances as revenue. Other new standards that are also effective from 1 January 2018 do not have a material impact on these financial statements.

IFRS 15 Revenue from Contracts with Customers

Nature and effect of changes

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

The new revenue standard supersedes all revenue related requirements under IFRS. Under IFRS 15, either a full retrospective application or a modified retrospective application of the standard is required for annual periods beginning on or after 1 January 2018.

Adoption of IFRS 15 does not have any significant impact in recognition of revenue for the Company. However, recognition of contract assets/(liabilities) and contract cost under IFRS 15 is significantly different from previous standards.

Retrospective application of IFRS 15 for recognition of contract assets and amortisation or impairment of the same is impracticable for the Company on following grounds:

- Relevant information of incremental costs for qualifying contracts was not recorded in a manner suitable for IFRS 15 implementation in prior periods and it is impracticable to retrieve the same.
- Due to frequent changes in relevant regulatory framework and volatile nature of the business, the expected contract period for different services had changed over earlier periods and it is impracticable to reproduce management expectation at different points in time.

Accordingly, the standard has been applied prospectively with effect from 1 January 2018. Impact of IFRS 15 on the financial statements is summarised below:

In Taka	2018
Contract assets	301,787,164
Operating and administrative expenses	(26,162,036)
Marketing and promotional expenses	(275,625,128)

The Company followed IAS 18 Revenue in prior periods.



Notes to the financial statements (Continued)

6 Property, plant and equipment

See accounting policy in Note 42F

Reconciliation of carrying amount

<i>In Taka</i>	<i>Note</i>	<i>IT equipment</i>	<i>Laptop & computer</i>	<i>Motor vehicles</i>	<i>Motor vehicles - leased</i>	<i>Office furniture</i>	<i>Office equipment</i>	<i>Leasehold improvements</i>	<i>Work in progress</i>	<i>Total</i>
Cost										
Balance at 1 January 2017		390,045,072	83,745,632	2,000,000	31,137,444	43,255,005	39,268,971	78,278,447	276,113,531	943,844,102
Additions		73,378,890	21,059,728	-	50,511,159	13,665,552	10,750,938	3,811,828	75,015,384	248,193,479
Reclassification		-	-	-	-	-	-	-	(35,155,647)	(35,155,647)
Write-off/ disposals/ adjustments		(2,552,265)	(13,572,782)	-	-	(1,091,879)	(213,956)	-	-	(17,430,882)
Transfer from work in progress		86,058,763	-	-	-	-	6,148,014	18,270,864	(110,477,641)	-
Balance at 31 December 2017		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
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
Accumulated depreciation										
Balance at 1 January 2017		139,437,232	52,105,944	1,999,999	3,130,833	7,299,245	14,768,193	16,765,536	-	235,506,982
Depreciation	32.2	87,212,934	21,263,367	-	12,724,249	4,737,593	9,210,633	16,970,262	-	152,119,038
Write-off/ disposals/ adjustments		(1,816,275)	(13,435,099)	-	-	(371,769)	(123,596)	-	-	(15,746,739)
Balance at 31 December 2017		224,833,891	59,934,212	1,999,999	15,855,082	11,665,069	23,855,230	33,735,798	-	371,879,281
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	-	371,879,281
Depreciation	32.2	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)	-	(18,066,742)
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
Carrying amounts										
At 31 December 2017		322,096,569	31,298,366	1	65,793,521	44,163,609	32,098,737	66,625,341	205,495,627	767,571,771
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



Notes to the financial statements (Continued)

7 Intangible assets

See accounting policy in Note 42G

Reconciliation of carrying amount

<i>In Taka</i>	<i>Note</i>	<i>Software</i>	<i>Work in progress</i>	<i>Total</i>
Cost				
Balance at 1 January 2017		469,940,955	10,285,078	480,226,033
Additions		101,138,998	168,134,782	269,273,780
Reclassification		-	35,155,647	35,155,647
Write-off/ disposals/ adjustments		(110,516,999)	-	(110,516,999)
Transfer from work in progress		46,903,441	(46,903,441)	-
Balance at 31 December 2017		507,466,395	166,672,066	674,138,461
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
Accumulated amortisation				
Balance at 1 January 2017		210,772,318	-	210,772,318
Amortisation	32.2	110,250,380	-	110,250,380
Write-off/ disposals/ adjustments		(110,516,999)	-	(110,516,999)
Balance at 31 December 2017		210,505,699	-	210,505,699
Balance at 1 January 2018		210,505,699	-	210,505,699
Amortisation	32.2	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
Carrying amounts				
At 31 December 2017		296,960,696	166,672,066	463,632,762
At 31 December 2018		548,877,708	135,627,571	684,505,279



Notes to the financial statements (Continued)

8 Operational and other receivables

See accounting policy in Note 42H

<i>In Taka</i>	2018	2017
Operational receivables		
Related party	17,985,377	30,538,209
Other than related parties	702,978,553	352,468,786
	720,963,930	383,006,995
Less: Provision for doubtful debts	-	-
	720,963,930	383,006,995
Other receivables		
Accrued interest on deposits	244,139,158	43,946,287
	965,103,088	426,953,282

9 Advances, deposits and prepayments

See accounting policy in Note 42H

<i>In Taka</i>	Note	2018	2017
Advances			
Employees		24,388,156	5,836,286
Suppliers		308,946,833	15,261,377
Office rent		39,365,174	89,206,274
VAT current account		535,654	724,932
		373,235,817	111,028,869
Deposits			
Rent		7,139,880	5,416,600
		7,139,880	5,416,600
Prepayments			
Expenses		60,124,358	48,751,171
Deferred commission	9.1	85,866,591	67,139,582
		145,990,949	115,890,753
		526,366,646	232,336,222

- 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 42A

<i>In Taka</i>	2018	2017
Balance at 1 January	-	-
Addition during the year	348,823,477	-
Charged off during the year	(47,036,313)	-
Balance at 31 December	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 42E

<i>In Taka</i>	2018	2017
Balance at 1 January	537,833,294	366,946,533
Deposits including deductions at source	320,879,953	170,886,761
Charged off during this year	(11,002,950)	-
Balance at 31 December	847,710,297	537,833,294

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.

Notes to the financial statements (Continued)

13 Trust cum settlement account and investments

See accounting policy in Note 42H

<i>In Taka</i>	2018	2017
Trust cum settlement account	20,104,678,310	21,986,269,408
Investment in treasury bills	7,584,888,738	-
	27,689,567,048	21,986,269,408

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 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 42H

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 42H

<i>In Taka</i>	2018	2017
Cash in hand	990,516	1,928,762
Cash in digital wallets	17,074,350	14,039,509
Cash at banks	242,869,317	170,275,069
	260,934,183	186,243,340

16 Ordinary shares

See accounting policy in Note 42I

<i>In Taka</i>	No. of shares	2018	2017
Authorised			
Authorised (par value of Tk. 100 each)	4,900,000	490,000,000	490,000,000
Paid up			
Ordinary shares (par value of Tk. 100 each)	381,949	38,194,900	38,194,900

Percentage of shareholdings

<i>In Taka</i>	No. of shares	%	2018	2017
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	13,940,500
International Finance Corporation	37,908	9.9%	3,790,800	4,774,400
Alipay Singapore E-Commerce Private Limited	38,553	10.1%	3,855,300	-
	381,949	100.0%	38,194,900	38,194,900



Notes to the financial statements (Continued)

17 Preference shares

See accounting policy in Note 42i

<i>In Taka</i>	No. of shares	2018	2017
Authorised			
Authorised (par value of Tk. 100 each)	100,000	10,000,000	10,000,000
Paid up			
		2018	2017
Bill & Melinda Gates Foundation (par value of Tk. 100 each)	32,530	3,253,000	4,097,000
Alipay Singapore E-Commerce Private Limited (par value of Tk. 100 each)	55,433	5,543,300	-
	87,963	8,796,300	4,097,000

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

<i>In Taka</i>	2018	2017
Balance at 1 January	847,412,828	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	847,412,828

During 2018, the Company issued 46,993 non-voting, convertible preference shares of Tk. 100 par value to Alipay Singapore E-Commerce Private Limited for Tk. 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 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 (Tk. 450 million) from retained earnings, at a rate not less than ten percent of annual after tax profits. In line with the requirements, the Company has transferred 10% of annual after tax profit into capital reserve.

20 Share money deposit

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



Notes to the financial statements (Continued)

21 Deferred tax assets/(liabilities)

See accounting policy in Note 42E

<i>In Taka</i>	2018	2017
Balance at 1 January	(35,986,265)	1,338,020
Deferred tax income/(expense) for the year	34,399,027	(37,324,285)
Balance at 31 December	(1,587,238)	(35,986,265)

<i>In Taka</i>	Carrying amount on reporting date	Tax base	Taxable temporary difference
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 temporary differences	1,288,627,005	1,103,724,543	4,534,966

Applicable tax rate 35%

Deferred tax liabilities	(1,587,238)
---------------------------------	--------------------

At 31 December 2017			
Property, plant and equipment	539,607,623	490,536,495	49,071,128
Intangible assets	296,960,695	198,698,254	98,262,441
Gratuity	44,515,670	-	(44,515,670)
Taxable temporary differences	881,083,988	689,234,749	102,817,899

Applicable tax rate 35%

Deferred tax liabilities	(35,986,265)
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22 Defined benefit plan - gratuity

See accounting policy in Note 42C

<i>In Taka</i>	Note	2018	2017
Balance at 1 January		44,515,670	118,480,000
Provision made during the year	22.1	90,524,733	50,010,000
Benefits paid		(44,856,655)	(123,974,330)
Balance at 31 December		90,183,748	44,515,670

22.1 Provision made during the year

<i>In Taka</i>	2018	2017
Profit or loss		
Current service cost	56,714,733	40,930,000
Interest accrued on defined benefit obligation	3,560,000	9,080,000
	60,274,733	50,010,000
Other comprehensive (income)/expense		
Actuarial (gain)/loss recognised directly in equity	30,250,000	-
	90,524,733	50,010,000

Actuarial assumptions

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

	2018	2017
Discount rate	8%	8%
Salary escalation rate	10%	10%



Notes to the financial statements (Continued)

23 Customer and other deposits

See accounting policy in Note 42H

<i>In Taka</i>	2018	2017
Customer deposit	19,038,024,886	14,885,941,261
Channel deposit	7,850,517,779	6,020,355,942
Deposit in transit	600,023,050	757,639,996
	27,488,565,715	21,663,937,199

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.

24 Operational and other payables

See accounting policy in Note 42H

<i>In Taka</i>	Note	2018	2017
Operational payables	24.1	541,090,436	519,896,635
Other payables	24.2	628,490,748	497,095,765
Unearned revenue	24.3	12,639,166	6,180,370
		1,182,220,350	1,023,172,770

24.1 Operational payables

<i>In Taka</i>	2018	2017
Related parties	439,336	901,998
Other than related parties	540,651,100	518,994,637
	541,090,436	519,896,635

24.2 Other payables

<i>In Taka</i>	2018	2017
Value added tax	211,357,924	186,841,396
Withholding tax	139,743,069	116,532,585
Subscriber acquisition cost	169,355,563	116,617,228
Interest payable to customers	83,445,674	60,031,846
Security deposits	24,588,518	17,072,710
	628,490,748	497,095,765

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

25 Other non-current liabilities

<i>In Taka</i>	2018	2017
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



Notes to the financial statements (Continued)

26 Finance lease liabilities

See accounting policy in Note 42M

<i>In Taka</i>	2018	2017
Finance lease liabilities - non current	33,308,961	40,774,231
Finance lease liabilities - current	22,297,603	17,376,926
	55,606,564	58,151,157

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
<i>In Taka</i>	2018	2017	2018	2017	2018	2017
Not later than one year	27,918,569	22,301,143	5,620,966	4,924,218	22,297,603	17,376,926
Later than one year but not later than five years	36,980,901	45,313,437	3,671,940	4,539,206	33,308,961	40,774,231
	64,899,470	67,614,580	9,292,906	9,463,424	55,606,564	58,151,157

Lease obligation is subject to floating interest rate.

27 Grant funds

See accounting policy in Note 42L

<i>In Taka</i>	2018	2017
Balance at 1 January	43,544,365	49,464,389
Addition (including interest)	15,127,613	44,642,898
Utilisation of fund	(45,799,927)	(50,562,922)
Balance at 31 December	12,872,051	43,544,365

28 Accrued expenses

See accounting policy in Note 42H

<i>In Taka</i>	2018	2017
Distributor commission	255,874,763	224,847,532
Capital expenditure	437,498,714	107,317,002
Mobile network operator service charges	594,875,348	423,018,594
Employee benefits	276,274,807	227,079,772
Marketing and promotional expenses	574,898,076	215,559,631
Office rent	8,445,600	9,278,057
Training and travelling	37,542,803	15,134,439
Audit fee	750,000	685,000
Other accruals	178,821,568	89,294,227
	2,364,981,679	1,312,214,254

29 Provision for tax

See accounting policy in Note 42E

<i>In Taka</i>	Note	2018	2017
Balance at 1 January		617,333,982	351,695,662
Provision made during the year	35	377,828,952	265,638,320
Charged off during this year		(11,002,950)	-
Balance at 31 December		984,159,984	617,333,982

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.



Notes to the financial statements (Continued)

30 Revenue

See accounting policy in Note 42A

<i>In Taka</i>	2018	2017
Cash out and others	16,515,653,211	13,718,300,814
Merchant settlement/disbursements	278,840,627	108,493,184
Return on trust cum settlement accounts	2,004,759,147	1,256,875,322
Airtime commission	472,885,326	431,859,893
	19,272,138,311	15,515,529,212

31 Cost of services

<i>In Taka</i>	Note	2018	2017
Agents and distributors commission		12,569,093,918	10,331,689,123
Mobile Network Operators service charges		1,318,840,931	967,190,079
Interest and others	31.1	154,454,674	108,410,411
		14,042,389,523	11,407,289,613

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

32 Operating and administrative expenses

<i>In Taka</i>	Note	2018	2017
Salary and allowances	32.1	1,483,146,540	1,154,124,527
Depreciation and amortisation	32.2	344,858,966	262,369,418
Office rent		168,134,293	156,584,242
Office maintenance		53,890,968	42,655,939
Training and workshop		94,433,849	37,666,893
Bank charges		211,391,187	29,696,345
Utility		26,663,011	20,741,968
Security charges		14,138,884	13,632,175
Outbound call cost		980,829	576,390
Professional and legal fees		61,880,216	54,421,413
Audit fee		750,000	685,000
Data entry and archiving		23,133,264	16,538,700
Vehicle rental expense		83,663,938	82,950,611
Internet expenses		14,659,930	12,614,788
Software and other maintenance charge		413,199,804	245,943,575
Insurance		23,357,763	13,037,108
Travelling expenses	32.3	132,422,392	106,993,558
Other operating and administrative expenses	32.4	84,866,115	79,840,240
		3,235,571,949	2,331,072,890

32.1 Salary and allowances

<i>In Taka</i>	2018	2017
Salary and allowances - regular	1,194,877,746	946,939,783
Salary and allowances - contractual	177,850,237	119,084,852
Employer's contribution to gratuity fund	60,274,733	50,010,000
Employer's contribution to provident fund	50,143,824	38,089,892
	1,483,146,540	1,154,124,527

32.2 Depreciation and amortisation

<i>In Taka</i>	2018	2017
Property, plant and equipment	205,224,471	152,119,038
Intangible assets	139,634,495	110,250,380
	344,858,966	262,369,418

Notes to the financial statements (Continued)

32.3 Travelling expenses

<i>In Taka</i>	2018	2017
Travelling expenses - overseas	38,525,560	34,836,598
Travelling expenses - local	93,896,832	72,156,960
	132,422,392	106,993,558

32.4 Other operating and administrative expenses

<i>In Taka</i>	2018	2017
Entertainment	405,497	858,518
Meeting	9,960,516	4,230,723
Foreign exchange loss	962,050	5,955,218
Board meeting attendance fee	1,517,264	1,520,259
Office expenses	27,425,267	21,773,039
Loss on disposal	2,435,064	3,237,357
Corporate social responsibility	-	7,973,170
Communication	29,173,007	26,577,717
Printing and stationery	11,180,516	7,436,827
Miscellaneous	1,806,934	277,412
	84,866,115	79,840,240

33 Marketing and promotional expenses

<i>In Taka</i>	2018	2017
Subscriber acquisition charges	320,473,749	362,491,571
Campaign charges	424,384,471	75,577,888
Customer communication	33,554,269	13,061,029
Point of sale materials	197,573,698	173,693,733
Alternative channel marketing	110,174,362	95,163,886
Advertisement	649,026,476	296,826,565
Corporate event management	105,911,975	42,024,055
Market research	20,942,570	15,788,430
	1,862,041,570	1,074,627,157

34 Net finance income

See accounting policy in Note 42D

<i>In Taka</i>	2018	2017
Interest on fixed deposits	420,525,647	115,865,174
Interest on bank balances	41,957,476	16,714,443
Interest on finance lease	(6,749,744)	(4,799,832)
	455,733,379	127,779,785

35 Income tax expenses

See accounting policy in Note 42E

<i>In Taka</i>	Note	2018	2017
Current tax		377,828,952	265,638,320
Deferred tax expense/(income)	35.1	(23,811,527)	37,324,285
		354,017,425	302,962,605

35.1 Deferred tax expense/(income)

<i>In Taka</i>	2018	2017
Deferred tax asset/(liabilities) at the beginning of the year	(35,986,265)	1,338,020
Less: Deferred tax asset/(liabilities) at the end of the year	(1,587,238)	(35,986,265)
	(34,399,027)	37,324,285
Deferred tax attributable to actuarial loss recognised directly in equity	10,587,500	-
Deferred tax expense/(income) recognised directly in profit	(23,811,527)	37,324,285

Notes to the financial statements (Continued)

36 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:

<i>In Taka</i>	<i>Note</i>	Carrying amount	
		2018	2017
Operational and other receivables	8	965,103,088	426,953,282
Security deposits - rent	9	7,139,880	5,416,600
Trust cum settlement account and investments	13	27,689,567,048	21,986,269,408
Investment in fixed deposits	14	9,204,200,000	2,121,800,000
Cash at banks	15	242,869,317	170,275,069
		38,108,879,333	24,710,714,359

(b) Aging of operational and other receivables

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

<i>In Taka</i>	<i>Note</i>	Carrying amount	
		2018	2017
Neither past due nor impaired	8	965,103,088	426,953,282
Past due 1 - 30 days		-	-
Past due 31 - 90 days		-	-
Past due 91 - 120 days		-	-
Past due 91 - 360 days		-	-
Past due 361+ days		-	-
		965,103,088	426,953,282



Notes to the financial statements (Continued)

(iii) Liquidity risk

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

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

Exposure to liquidity risk

The 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 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	22	90,183,748	90,183,748	-	90,183,748	-	-	-
Customer and other deposits	23	27,488,565,715	27,488,565,715	27,488,565,715	-	-	-	-
Operational and other payables	24	1,182,220,350	1,182,220,350	12,639,166	1,169,581,184	-	-	-
Other non-current liabilities	25	7,145,802	7,145,802	-	-	-	-	-
Finance lease liabilities	26	55,606,564	55,606,564	3,510,098	18,787,505	-	7,145,802	-
Accrued expenses	28	2,364,981,679	2,364,981,679	859,195,711	1,505,785,968	20,782,151	12,526,810	-
		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	-
31 December 2017								
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	22	44,515,670	44,515,670	-	44,515,670	-	-	-
Customer and other deposits	23	21,663,937,199	21,663,937,199	21,663,937,199	-	-	-	-
Operational and other payables	24	1,023,172,770	1,023,172,770	6,180,370	1,016,992,400	-	-	-
Other non-current liabilities	25	7,145,802	7,145,802	-	-	-	-	-
Finance lease liabilities	26	58,151,157	58,151,157	2,767,036	14,609,889	-	7,145,802	-
Accrued expenses	28	1,312,214,254	1,312,214,254	647,866,126	664,348,128	19,164,652	21,609,580	-
		24,109,136,852	24,109,136,852	22,320,750,731	1,740,466,087	19,164,652	28,755,382	-
Derivative financial liabilities								
		-	-	-	-	-	-	-
		24,109,136,852	24,109,136,852	22,320,750,731	1,740,466,087	19,164,652	28,755,382	-

Notes to the financial statements (Continued)

(iv) Market risk

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

a) Currency risk

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

Exposure to currency risk

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

<i>In USD</i>	<i>Note</i>	2018	2017
Foreign currency denominated liabilities			
Current liabilities		3,823,167	555,517
Other non-current liabilities	25	91,029	91,029
Net exposure		3,914,196	646,546

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

<i>In Taka</i>	Average rate		Year-end spot rate	
	2018	2017	2018	2017
USD	83.51	80.63	83.90	82.70

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.

<i>Effect in Taka</i>	Profit/(loss)		Equity, net of tax increase/(decrease)	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2018				
USD (5% movement)	(16,420,051)	16,420,051	(16,420,051)	16,420,051
31 December 2017				
USD (5% movement)	(2,673,468)	2,673,468	(2,673,468)	2,673,468

b) Interest rate risk

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

Exposure to interest rate risk

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

<i>In Taka</i>	<i>Note</i>	Nominal Amount	
		2018	2017
Fixed rate instruments			
Financial assets			
Fixed deposits	13 & 14	22,604,200,003	17,511,800,003
Investment in treasury bills	13	7,584,888,738	-
Financial liabilities			
		30,189,088,741	17,511,800,003
Variable rate instruments			
Financial assets			
Cash at banks	13 & 15	6,947,547,624	6,766,544,474
Financial liabilities			
Finance lease liabilities	26	(55,606,564)	(58,151,157)
		6,891,941,060	6,708,393,317

Notes to the financial statements (Continued)

v) Financial instruments - fair values and risk management

Accounting classifications and fair values

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

		Carrying amount							
31 December 2018		Fair value- hedging instruments	FVTPL – others	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	
<i>In Taka</i>	<i>Note</i>								
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 - rent	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	23	-	-	-	-	-	27,488,565,715	27,488,565,715	
Operational and other payables	24	-	-	-	-	-	1,169,581,185	1,169,581,185	
Other non-current liabilities	25	-	-	-	-	-	7,145,802	7,145,802	
Finance lease liabilities	26	-	-	-	-	-	55,606,564	55,606,564	
Accrued expenses	28	-	-	-	-	-	2,364,981,679	2,364,981,679	
		-	-	-	-	-	31,085,880,945	31,085,880,945	



Notes to the financial statements (Continued)

31 December 2017 <i>In Taka</i>	Note	Carrying amount					Other financial liabilities	Total
		Fair value- hedging instruments	FVTPL – others	FVOCI – debt instruments	FVOCI – equity instruments	Financial assets at amortised cost		
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value								
Operational and other receivables	8	-	-	-	-	426,953,282	-	426,953,282
Security deposits - rent	9	-	-	-	-	5,416,600	-	5,416,600
Cash at banks	13 & 15	-	-	-	-	6,766,544,474	-	6,766,544,474
Fixed deposits	13 & 14	-	-	-	-	17,511,800,003	-	17,511,800,003
		-	-	-	-	24,710,714,359	-	24,710,714,359
Financial liabilities measured at fair value		-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Customer and other deposits	23	-	-	-	-	-	21,663,937,199	21,663,937,199
Operational and other payables	24	-	-	-	-	-	1,016,992,400	1,016,992,400
Other non-current liabilities	25	-	-	-	-	-	7,145,802	7,145,802
Finance lease liabilities	26	-	-	-	-	-	58,151,157	58,151,157
Accrued expenses	28	-	-	-	-	-	1,312,214,254	1,312,214,254
		-	-	-	-	-	24,058,440,812	24,058,440,812



Notes to the financial statements (Continued)

37 Commitments

As at 31 December 2018, the Company is committed to incur capital expenditure of Tk. 407 million (31 December 2017: Tk. 60 million).

38 Contingencies

See accounting policy in Note 42O

a) Income tax

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

b) Demand guarantee

<i>In Taka</i>	<i>Start date</i>	<i>Expiry date</i>	<i>2018</i>
World Food Programme	20 June 2017	19 December 2021	1,800,000
	28 November 2018	19 December 2021	2,400,000

These Demand Guarantee were issued by NCC Bank Limited on behalf of the Company in favor of World Food Programme (WFP) as Performance Security for disbursement of WFP's various allowances to its beneficiaries.

39 Related parties

a) Parent and ultimate controlling party

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

b) Transactions with key management personnel

(i) Loans to directors

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

(ii) Key management personnel compensation

Key management personnel compensation comprised the following:

<i>In Taka</i>	<i>2018</i>	<i>2017</i>
Board meeting attendance fee	1,517,264	1,520,259
	1,517,264	1,520,259

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



Notes to the financial statements (Continued)

(c) Other related party transactions

<i>In Taka</i>	Transaction values for the year ended		Balance outstanding as at	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Purchase of services and supplies				
<u>Parent and ultimate controlling party</u>				
BRAC Bank Limited				
- Bank charge, ATM and remittance	(445,355,200)	(194,875,089)	(439,336)	(901,998)
<u>Entities with significant influence</u>				
Money in Motion LLC, USA				
- Other receivables / (payables)	-	-	(7,145,802)	(7,145,802)
Others				
<u>Parent and ultimate controlling party</u>				
BRAC Bank Limited				
- BRAC SME and remittance	975,944	1,031,564	227,373	613,209
- Interest income	17,750,000	29,925,000	17,750,000	29,925,000
<u>Entities with significant influence</u>				
International Finance Corporation				
- Grant funds	-	21,327,076	(350)	(350)
Bill & Melinda Gates Foundation				
- Grant funds	36,556,192	23,856,655	(6,987,823)	(43,544,015)

40 Other disclosures

40.1 Number of employees

As at 31 December 2018, number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 776 (31 December 2017: 701).

40.2 Comparatives

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

40.3 Operating lease

The Company leases a number of offices and warehouse facilities under operating lease. The leases typically run for a period of 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 operating leases, the Company is restricted from entering into any sub-lease arrangements.

Future minimum lease payments

In 2018 and 2017 there were no future minimum lease payments payable under non-cancellable leases.



Notes to the financial statements (Continued)

40.4 Bangladesh Mobile Financial Services (MFS) Regulations, 2018

Bangladesh Bank issued regulations titled "Bangladesh Mobile Financial Services (MFS) Regulations, 2018" on 30 July 2018. The new regulations replaced the previously issued "Guidelines on Mobile Financial Services for the Banks" and subsequent amendments thereto and comes into effect along with the Bangladesh Payment and Settlement Systems Regulations, 2014.

Above mentioned MFS Regulation permits only scheduled commercial bank led MFS, where either the bank may run the MFS as a product of the bank or may form a subsidiary with at least 51% shares held by the bank with control of the board.

Upon issuance of the regulation, Bangladesh Bank on 9 October 2018, issued an approval in favor of bKash for operating as a Payment System Provider (PSP).

40.5 Session based USSD pricing

The Bangladesh Telecommunication Regulatory Commission (BTRC) issued a circular on 14 August 2018 introducing session-based USSD (Unstructured Supplementary Service Data) pricing for Mobile Financial Services providers. Under the new model, the MNOs will charge bKash for each 90-second session of a customer using USSD. Prior to this circular being issued, bKash used to pay 7% of its revenue to MNOs as service charge.

40.6 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.

41 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 42C(iii).



Notes to the financial statements (Continued)

42 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 also 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 Foreign currency
- C Employee benefits
- D Finance income
- E Income tax
- F Property, plant and equipment
- G Intangible assets
- H Financial instruments
- I Share capital
- J Impairment
- K Provisions
- L Grant funds
- M Leases
- N Going concern
- O Contingencies
- P Statement of cash flows
- Q Events after the reporting period
- R 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 satisfies a performance obligation 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. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

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 for cash out, Person to Person (P2P) balance transfer, and remittance. Revenue from this service is recognised at the time a customer performs such transaction.

(b) Merchant settlement/disbursements: Revenue from this service includes fees earned from merchant/business entities against settlement of e-money against cash or disbursements of e-money on their behalf. Revenue from this service is recognised at the time of transaction.



Notes to the financial statements (Continued)

(c) **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.

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

As per directives issued by Bangladesh Bank, bKash has to pay interest to its customers against wallet balance.

(d) **Airtime commission:** Commission on airtime is recognised when a customer purchases mobile airtime using his/her e-money in bKash wallet.

(e) **Unearned revenue:** This represents the unearned commission on unsold portion of purchased mobile airtime from different MNOs.

Contract costs

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

Contract costs 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.

B 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.

C 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

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.



Notes to the financial statements (Continued)

(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).

D 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.

E 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 2018 and Income Tax Ordinance 1984 (2017: 35%).

(ii) Deferred tax

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

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



Notes to the financial statements (Continued)

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

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.

F 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:

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. The Company has changed the useful life of office furniture from 10 years to 5 years. This change in estimation is effective from 1 July 2018 (2017: 10 years).



Notes to the financial statements (Continued)

(iv) Impairment

The carrying amount of the bKash'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.

G 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.

(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.

H 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.

Notes to the financial statements (Continued)

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

bKash derecognises a financial asset when, and only when:

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

(ii) Financial liabilities

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

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



Notes to the financial statements (Continued)

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, operational and other payables, grant funds, other non-current liabilities and accrued expenses.

bKash 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.

I Share capital

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

J 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 bKash to actions such as realising security (if any is held).



Notes to the financial statements (Continued)

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 CGUs (cash-generating units).

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.

K 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.

L 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.

M Leases

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.



Notes to the financial statements (Continued)

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.

N 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.

O 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.

P Statement of cash flows

Statement of cash flows have been prepared in accordance with the International Accounting Standards 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.



Notes to the financial statements (Continued)

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.

Q 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.

R 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.

43 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. However, the Company has not early applied the following new standard in preparing these financial statements.

IFRS 16 Leases

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

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. Based on initial assessment, the impact of adoption of IFRS 16 is not expected to be material.

