

bKash Limited

**Report and financial statements as at and
for the year ended 31 December 2015**



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**Independent Auditor's Report
to the Shareholders of
bKash Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of bKash Limited ("the Company") which comprise the statement of financial position as at 31 December 2015, 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, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards, 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.

Auditor's Responsibility

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

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

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

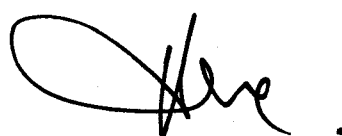
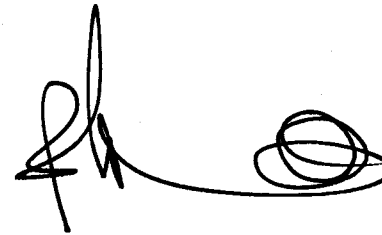
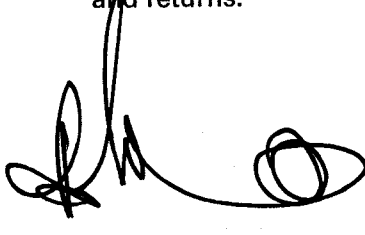
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

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 explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns.



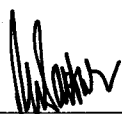
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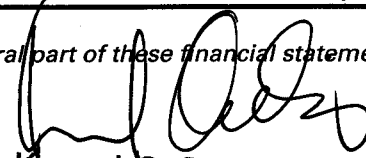


bKash Limited
Statement of financial position

<i>In Taka</i>	<i>Note</i>	31 December 2015	31 December 2014
Assets			
Property, plant and equipment	6	405,011,682	202,632,521
Intangible assets	7	334,897,236	147,634,996
Deferred tax assets	8	-	39,972,550
Non-current assets		739,908,918	390,240,067
Trade and other receivables	9	158,096,780	99,415,249
Advances, deposits and prepayments	10	205,642,444	53,334,833
Advance income tax	11	225,305,584	112,690,533
Airtime balance	12	156,343,302	45,345,834
Airtime proceeds in transit	13	66,518,861	117,142,153
Restricted cash and cash equivalents	14	11,171,575,672	7,222,912,249
Fixed deposits	15	1,470,000,000	400,000,000
Cash and cash equivalents	16	306,434,564	1,102,892,607
Current assets		13,759,917,207	9,153,733,458
Total assets		14,499,826,125	9,543,973,525
Equity			
Ordinary shares	17	38,194,900	38,194,900
Convertible preference shares	18	4,097,000	4,097,000
Share premium	19	2,133,618,396	2,133,618,396
Share money deposit	20	505,162	505,162
Retained earnings		80,396,610	(157,165,112)
Total equity		2,256,812,068	2,019,250,346
Liabilities			
Non-current liabilities	21	7,145,802	7,145,802
Deferred tax liabilities	8	59,233,683	-
Non-current liabilities		66,379,485	7,145,802
Customer deposits	22	7,346,784,052	4,547,309,328
Other deposits	23	3,614,553,210	2,275,298,151
Trade and other payables	24	606,293,981	305,328,290
Grant funds	25	27,155,154	125,895,275
Accrued expenses	26	497,604,567	222,733,660
Provision for tax	27	84,243,608	41,012,673
Current liabilities		12,176,634,572	7,517,577,377
Total liabilities		12,243,014,057	7,524,723,179
Total equity and liabilities		14,499,826,125	9,543,973,525

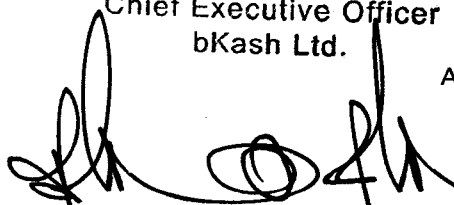
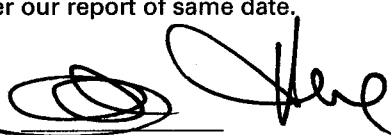
The annexed notes 1 to 43 form an integral part of these financial statements.


Director


Kamal S Quadir
Chief Executive Officer
bKash Ltd.


Director

As per our report of same date.

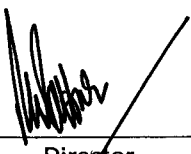


Auditor

Dhaka, 08 MAR 2016

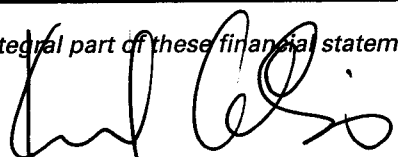
bKash Limited
Statement of profit or loss and other comprehensive income

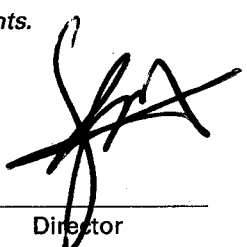
<i>In Taka</i>	<i>Note</i>	For the year ended 31 December	
		2015	2014
Revenue	28	8,586,537,349	5,731,505,706
Cost of services	29	(7,010,676,269)	(4,773,163,109)
Gross profit		1,575,861,080	958,342,597
Other income	30	896,591,008	662,712,084
Donor grants	35	119,170,008	-
Operating and administrative expenses	31	(524,427,533)	(294,915,109)
Salary and allowances	32	(593,373,387)	(408,099,296)
Depreciation and amortisation	33	(102,552,647)	(80,100,063)
Marketing and promotional expenses	34	(851,876,318)	(495,678,554)
Utilisation of donor grants	35	(119,170,008)	-
Foreign exchange gain/(loss)		(1,223,369)	-
Profit before contribution to WPPF		398,998,834	342,261,659
Contribution to WPPF	43(c)	(18,999,944)	(16,298,174)
Profit before tax		379,998,890	325,963,485
Income tax expenses	36	(142,437,168)	(137,424,953)
Profit		237,561,722	188,538,532
Other comprehensive income		-	-
Total comprehensive income		237,561,722	188,538,532

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



 Director



Kamal S Quadir
 Chief Executive Officer
 bKash Ltd.

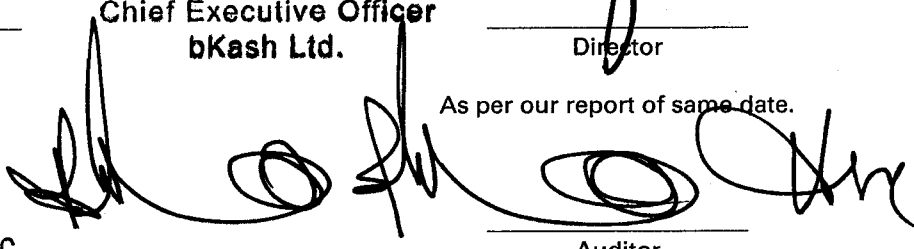


 Director

As per our report of same date.

Dhaka, 08 MAR 2016





Auditor

Rahman Rahman Huq
 Chartered Accountants

bKash Limited
Statement of changes in equity

For the year ended 31 December 2015

<i>In Taka</i>	Share capital	Share premium	Share money deposit	Retained earnings	Total equity
Balance at 1 January 2015	42,291,900	2,133,618,396	505,162	(157,165,112)	2,019,250,346
Total comprehensive income	-	-	-	237,561,722	237,561,722
Profit	-	-	-	237,561,722	237,561,722
Total comprehensive income	-	-	-	237,561,722	237,561,722
Total transactions with owners of the Company	-	-	-	-	-
Balance at 31 December 2015	42,291,900	2,133,618,396	505,162	80,396,610	2,256,812,068

For the year ended 31 December 2014

<i>In Taka</i>	Share capital	Share premium	Share money deposit	Retained earnings	Total equity
Balance at 1 January 2014	38,194,900	1,286,205,568	505,162	(345,703,644)	979,201,986
Total comprehensive income	-	-	-	188,538,532	188,538,532
Profit	-	-	-	188,538,532	188,538,532
Total comprehensive income	-	-	-	188,538,532	188,538,532
Contributions and distributions	-	-	-	-	-
Issue of convertible preference share	4,097,000	847,412,828	-	-	851,509,828
Total transactions with owners of the company	4,097,000	847,412,828	-	-	851,509,828
Balance at 31 December 2014	42,291,900	2,133,618,396	505,162	(157,165,112)	2,019,250,346

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



bKash Limited
Statement of cash flows

<i>In Taka</i>	For the year ended 31 December	
	2015	2014
Cash flows from operating activities		
Cash receipt from customers	12,739,897,987	8,680,433,192
Cash paid to suppliers, employees and others	(8,978,781,897)	(6,016,900,412)
Cash generated from operating activities	3,761,116,090	2,663,532,780
Interest received from deposits	843,708,508	608,201,795
Income tax paid	(112,615,051)	(69,623,866)
Net cash from operating activities	4,492,209,547	3,202,110,709
Cash flows from investing activities		
Acquisition of property, plant and equipment	(120,043,345)	(105,816,865)
Acquisition of intangible assets	(150,486,821)	(131,401,657)
Disposal of property, plant and equipment	525,999	-
Fixed deposits	(1,070,000,000)	(400,000,000)
Net cash used in investing activities	(1,340,004,167)	(637,218,522)
Cash flows from financing activities		
Proceeds from issue of convertible preference share	-	4,097,000
Proceeds from issue of share premium	-	847,412,828
Net cash from financing activities	-	851,509,828
Net increase in cash and cash equivalents	3,152,205,380	3,416,402,015
Cash and cash equivalents (including restricted cash and cash equivalents) at 1 January	8,325,804,856	4,909,402,841
Cash and cash equivalents including restricted cash and cash equivalents and fixed deposits at 31 December	11,478,010,236	8,325,804,856
Less: Restricted cash and cash equivalents	11,171,575,672	7,222,912,249
Cash and cash equivalents at 31 December	306,434,564	1,102,892,607

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



bKash Limited
Notes to the financial statements
as at and for the year ended 31 December 2015

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 in April 2013 International Finance Corporation (IFC), a member of the World Bank Group, became an equity partner and in April 2014, The Bill & Melinda Gates Foundation subscribed for the convertible preference shares of the Company. The Company has an authorised share capital of Tk. 500,000,000 divided into 4,900,000 ordinary shares of Tk. 100 only each and 100,000 preference shares of Tk. 100 each.

1.2 Nature of business

bKash provides financial services via mobile phones to the customers under a Payment System Operator (PSO) licence issued by the 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 to achieve broader financial inclusion by providing services that are convenient, affordable and reliable.

2. Basis of accounting

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and as per the requirements of the Companies Act 1994.

The titles and format of these financial statements follow the requirements of BFRSs 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, BFRSs titles and format gives a better presentation to its intended users.

These financial statements have been authorised for issue by the Board of Directors of the Company on 08 MAR 2016

Details of the Company's accounting policies are included in Note 43.

3 Functional and presentation currency

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



Notes to the financial statements

4 Reporting period

These financial statements cover the period from 1 January to 31 December and it is followed consistently.

5 Use of estimates and judgments

In preparing these financial statements, management has made judgment, 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2015 is included in the following notes:

Note 6 and 43(e)	Property, plant and equipment
Note 7 and 43(f)	Intangible assets
Note 8 and 43(d)(ii)	Deferred tax assets/(liabilities)
Note 27 and 43(d)(i)	Provision for tax

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



Notes to the financial statements

6 Property, plant and equipment

See accounting policy in Note 43(e).

In Taka	Note	IT equipment	Motor vehicles	Office furniture	Office equipment	Leasehold Improvements	Work in progress	Total
Cost								
Balance at 1 January 2014		143,790,498	2,000,000	40,860,311	15,582,835	-	-	202,233,644
Reclassification		(26,939,056)	-	(392,862)	2,312,866	-	-	(25,019,052)
Additions		100,422,912	-	1,288,735	4,105,218	-	-	105,816,865
Balance at 31 December 2014		217,274,354	2,000,000	41,756,184	22,000,919	-	-	283,031,457
Balance at 1 January 2015		217,274,354	2,000,000	41,756,184	22,000,919	-	-	283,031,457
Additions		55,538,537	-	24,065,225	7,259,495	-	208,810,258	295,673,515
Reclassification	6.1	(5,965,860)	-	7,122,860	(1,157,000)	-	-	-
Write off	6.1	(14,819,322)	-	(32,498,451)	(430,093)	-	-	(47,747,866)
Disposal		-	-	(3,035,457)	(2,208,107)	-	-	(5,243,564)
Transfer from work in progress		59,272,196	-	-	-	56,546,802	(115,818,998)	-
Balance at 31 December 2015		311,299,905	2,000,000	37,410,361	25,465,214	56,546,802	92,991,260	525,713,542

In Taka	Note	IT Equipment	Motor Vehicles	Office Furniture	Office Equipment	Leasehold Improvements	Work in progress	Total
Accumulated depreciation								
Balance at 1 January 2014		40,736,071	1,400,000	2,127,300	2,082,981	-	-	46,346,352
Reclassification		(11,515,199)	-	(71,827)	251,509	-	-	(11,335,517)
Depreciation	33	36,890,277	400,000	4,103,652	3,994,172	-	-	45,388,101
Balance at 31 December 2014		66,111,149	1,800,000	6,159,125	6,328,662	-	-	80,398,936
Balance at 1 January 2015		66,111,149	1,800,000	6,159,125	6,328,662	-	-	80,398,936
Depreciation	33	47,102,415	199,999	2,218,629	4,834,329	3,137,234	-	57,492,606
Reclassification	6.1	(1,836,345)	-	2,494,463	(658,118)	-	-	-
Write off	6.1	(8,484,992)	-	(6,308,269)	(179,245)	-	-	(14,972,506)
Disposal		-	-	(795,462)	(1,421,714)	-	-	(2,217,176)
Balance at 31 December 2015		102,892,227	1,999,999	3,768,486	8,903,914	3,137,234	-	120,701,860



Carrying amounts								
At 31 December 2014		151,163,205	200,000	35,597,059	15,672,257	-	-	202,632,521
At 31 December 2015		208,407,678	1	33,641,875	16,561,300	53,409,568	92,991,260	405,011,682

6.1

In the year 2014 and 2015, management conducted a physical verification of property, plant and equipment using a third party. Based from the observations from the same exercise, several assets were reclassified (among property, plant and equipment assets and between property, plant and equipment and intangible assets) and written off. The net impact of the reclassification was not material to these financial statements.

Notes to the financial statements

7 Intangible assets

See accounting policy in Note 43(f).

<i>In Taka</i>	<i>Note</i>	Software	Work in progress	Total
Cost				
Balance at 1 January 2014		59,186,022	-	59,186,022
Reclassification		24,984,307	-	24,984,307
Additions		131,401,657	-	131,401,657
Balance at 31 December 2014		215,571,986	-	215,571,986
Balance at 1 January 2015		215,571,986	-	215,571,986
Additions		-	232,322,281	232,322,281
Transfer from work in progress		136,117,149	(136,117,149)	-
Balance at 31 December 2015		351,689,135	96,205,132	447,894,267
Accumulated amortisation				
Balance at 1 January 2014		22,037,685	-	22,037,685
Reclassification	6.1	11,187,343	-	11,187,343
Amortisation	33	34,711,962	-	34,711,962
Balance at 31 December 2014		67,936,990	-	67,936,990
Balance at 1 January 2015		67,936,990	-	67,936,990
Amortisation	33	45,060,041	-	45,060,041
Balance at 31 December 2015		112,997,031	-	112,997,031
Carrying amounts				
At 31 December 2014		147,634,996	-	147,634,996
At 31 December 2015		238,692,104	96,205,132	334,897,236



Notes to the financial statements

8 Deferred tax assets/(liabilities)

See accounting policy in Note 43(d)(ii).

<i>In Taka</i>	<i>Note</i>	2015	2014
Balance at 1 January		39,972,550	158,214,850
Deferred tax expense for the year	36	(99,206,233)	(118,242,300)
Balance at 31 December		(59,233,683)	39,972,550

<i>In Taka</i>	Carrying amount on reporting date	Tax base	(Taxable)/deductible temporary difference
Property, plant and equipment	312,020,422	257,157,764	(54,862,658)
Intangible assets	238,692,104	117,442,664	(121,249,440)
Gratuity	6,873,005	-	6,873,005
(Taxable)/Deductible temporary differences	557,585,531	374,600,428	(169,239,093)

Applicable tax rate 35%

Deferred tax liabilities (59,233,683)

At 31 December 2014

Property, plant and equipment	202,632,521	170,722,567	(31,909,954)
Intangible assets	147,634,996	72,536,527	(75,098,469)
Provision for WPPF	16,298,174	-	16,298,174
Unabsorbed tax depreciation and business loss	-	204,917,534	204,917,534
(Taxable)/Deductible temporary differences	350,267,517	243,259,094	114,207,285

Applicable tax rate 35%

Deferred tax assets 39,972,550

9 Trade and other receivables

See accounting policy in Note 43(g)(i).

<i>In Taka</i>	<i>Note</i>	2015	2014
Trade receivables:			
Related party-BRAC Bank Limited		112,576	2,700,000
Other than related parties		826,521	757,951
		939,097	3,457,951
Less: Provision for doubtful debts		-	-
		939,097	3,457,951
Other receivables:			
Accrued interest on fixed deposits		157,157,683	95,957,298
		157,157,683	95,957,298
		158,096,780	99,415,249
Below six months		158,096,780	96,715,249
Over six months		-	2,700,000
Provision for doubtful debt		-	-
		158,096,780	99,415,249



Notes to the financial statements

10 Advances, deposits and prepayments

See accounting policy in Note 43(g)(i).

<i>In Taka</i>	<i>Note</i>	2015	2014
Advances:			
Staff		952,903	5,417,883
Suppliers		9,483,480	4,174,631
Office rent		126,965,028	17,719,543
VAT current account		3,157,443	119,882
		140,558,854	27,431,939
Deposits:			
Security deposits - rent		5,748,100	5,175,950
		5,748,100	5,175,950
Prepayments:			
Prepaid expenses		25,403,889	20,726,944
Agent commission*		33,931,601	-
		59,335,490	20,726,944
		205,642,444	53,334,833

*Agent commission represent amounts paid to agents through bKash wallet while performing cash in transactions for which revenue will be generated in the next financial period(s).

11 Advance income tax

<i>In Taka</i>	<i>Note</i>	2015	2014
Balance at 1 January		112,690,533	43,066,667
Deducted at source		112,615,051	69,623,866
		225,305,584	112,690,533

12 Airtime balance

<i>In Taka</i>	<i>Note</i>	2015	2014
Robi Axiata Limited		24,451,518	9,481,896
Banglalink Digital Communications Ltd.		42,925,807	15,999,971
Airtel Bangladesh Limited		19,659,690	10,262,150
Grameenphone Ltd.		69,306,287	9,601,817
		156,343,302	45,345,834

Airtime balance represents the unused amount of purchased mobile airtime from respective Mobile Network Operators (MNOs) for which service has not yet been availed by bKash customers. As such airtime has no expiry date in the hands of the Company, these are recorded at their face value until utilised or purchased by bKash customers.

13 Airtime proceeds in transit

Airtime proceeds in transit represents the balance to be transferred from restricted float account (BRAC Bank C/D Account 1501201806446003) to operational account (BRAC Bank C/D Account 1501201806446001) against sold airtime top-up (please also see Note 23).



Notes to the financial statements

14 Restricted cash and cash equivalents

<i>In Taka</i>	<i>Note</i>	2015	2014
Cash at bank (C/D A/C 1501201806446003)		1,571,575,672	822,912,249
Fixed deposits with BRAC Bank Limited		9,600,000,000	6,400,000,000
		11,171,575,672	7,222,912,249

Restricted cash and cash equivalents includes balance with customer deposits, channel partner deposits and merchants etc. which is kept with BRAC Bank Limited in the form of cash and Fixed Deposits Receipts (FDR). As per Bangladesh Bank licence, at any point of time, the physical cash balance of bKash account held by BRAC Bank Limited must be equal to the balance shown in the system of bKash digital wallet platform. This account shall remain under surveillance of Bangladesh Bank.

15 Fixed deposits

<i>In Taka</i>	<i>Note</i>	2015	2014
AB Bank Limited		900,000,000	-
Trust Bank Limited		570,000,000	-
BRAC Bank Limited		-	400,000,000
		1,470,000,000	400,000,000

16 Cash and cash equivalents

See accounting policy in Note 43(g)(i).

<i>In Taka</i>	<i>Note</i>	2015	2014
Cash in hand		1,510,386	178,330
Cash at digital wallet		18,525,932	841,471
Cash at banks	16.1	286,398,246	181,872,806
Fixed deposits with banks		-	920,000,000
		306,434,564	1,102,892,607

16.1 Cash at banks

<i>In Taka</i>	<i>Note</i>	2015	2014
BRAC Bank Limited (CD A/C 1501201806446001)		213,361,206	111,738,981
BRAC Bank Limited (CD A/C 1501201806446002)		71,330,610	67,867,174
BRAC Bank Limited (CD A/C 1501201806446004)		1,372,360	2,195,141
Islami Bank Bangladesh Limited (CD A/C 20503420100026004)		34,385	62,085
United Commercial Bank Limited (CD A/C 012311100002427)		7,350	9,425
Trust Bank Limited (CD A/C 70220212000341)		18,897	-
Regional balance with BRAC Bank Limited		273,438	-
		286,398,246	181,872,806

17 Ordinary shares

See accounting policy in Note 43(h).

<i>In Taka</i>	<i>Note</i>	2015	2014
In issue at 1 January		38,194,900	28,450,000
Issued during the year		-	9,744,900
In issue at 31 December - fully paid		38,194,900	38,194,900
Authorised- par value Tk. 100			

Percentage of shareholdings:

<i>In Taka</i>	No. of share	%	2015	2014
BRAC Bank Limited	194,800	51.00%	19,480,000	19,480,000
Money in Motion LLC, USA	139,405	36.50%	13,940,500	13,940,500
International Finance Corporation	47,744	12.50%	4,774,400	4,774,400
	381,949	100.00%	38,194,900	38,194,900



18 Convertible preference shares

<i>In Taka</i>	No. of share	%	2015	2014
In issue at 1 January			4,097,000	-
Issued	40,970	0.00%	-	4,097,000
In issue at 31 December - fully paid	40,970	0.00%	4,097,000	4,097,000

Convertible preference shares were issued as per the shareholder agreement dated 3 February 2014 among bKash Limited, BRAC Bank Limited, Money in Motion LLC, USA and The Bill & Melinda Gates Foundation. Total 40,970 shares of Tk. 100 each was issued with a premium of Tk. 20,684 (rounded off) with the approval of respective authority.

The respective shareholders do not have any voting right associated to the convertible preference shares. At the option of The Bill & Melinda Gates Foundation, such shares shall be converted on a 1:1 basis into ordinary shares.

19 Share premium

<i>In Taka</i>	No. of share	Premium per share (rounded off)	2015	2014
BRAC Bank Limited	49,705	3,000	149,115,000	149,115,000
Money in Motion LLC, USA	122,255	3,000	366,765,000	366,765,000
International Finance Corporation	47,744	16,135	770,325,568	770,325,568
The Bill & Melinda Gates Foundation	40,970	20,684	847,412,828	847,412,828
			2,133,618,396	2,133,618,396

In 2014, share premium amounting of Tk. 847,412,828 was received in respect of 40,970 convertible preference shares allotted to The Bill & Melinda Gates Foundation.

20 Share money deposit

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

21 Non-current liabilities

<i>In Taka</i>	Note	2015	2014
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

The above amounts represent payment made by Money in Motion LLC, USA to Visa Cape Town Proprietary Limited on behalf of bKash in 2010.

22 Customer deposits

<i>In Taka</i>	Note	2015	2014
Balance at 1 January		4,547,309,328	2,376,523,727
Net addition during the year		2,799,474,724	2,170,785,601
Balance at 31 December		7,346,784,052	4,547,309,328

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



Notes to the financial statements

23 Other deposits

<i>In Taka</i>	<i>Note</i>	2015	2014
Agent deposit		2,821,431,611	1,641,672,181
Distributor deposit		670,900,140	475,069,675
Merchant deposit		55,438,814	28,678,354
Deposit in transit		66,782,645	129,877,941
		3,614,553,210	2,275,298,151

Other deposit represents the balance maintained by agents, distributors and merchants in their mobile phone in the form of bKash money. Deposit in transit represents the balance to be transferred from restricted float account (BRAC Bank C/D Account 1501201806446003) to operational account (BRAC Bank C/D Account 1501201806446001) against ATM cash out and sold airtime top up.

24 Trade and other payables

See accounting policy in Note 43(g)(ii).

<i>In Taka</i>	<i>Note</i>	2015	2014
Trade payables	24.1	384,196,463	156,890,388
Other payables	24.2	219,626,538	147,503,531
Unearned revenue	24.3	2,470,980	934,371
		606,293,981	305,328,290

24.1 Trade payables

<i>In Taka</i>	<i>Note</i>	2015	2014
Related party:			
BRAC Bank Limited		104,623	3,095,797
Other than related parties:			
Visa Cape Town Proprietary Limited		84,134,380	48,744,930
Express Systems Ltd.		135,244,686	-
Breakpoint Vantage (Pty) Limited		1,624,950	-
Aegis Services Limited		1,144,800	-
Thakral Information System Private Limited		68,894,900	-
Tech Valley Networks Ltd.		2,259,391	-
Computer Services Limited		1,125,000	-
Rangs Electronics Limited		625,462	-
Atelier Robin Architects		16,655,567	-
Accenture Communications Infrastructure Solutions Limited		3,665,120	-
Aamra Technologies Limited		989,656	8,824,880
Incentive to agency, agent and distributor*		50,142,537	78,226,753
Security deposit from distributors		16,335,368	13,567,787
Others**		1,250,023	4,430,241
		384,196,463	156,890,388

*Incentive is paid to agents and distributors on opening of customer accounts, based on certain criteria.

**Others is the accumulated amount owed to suppliers and others, whose individual balances are below Tk. 600,000.



Notes to the financial statements

24.2 Other payables

<i>In Taka</i>	<i>Note</i>	2015	2014
VAT payable*		118,114,677	85,506,397
Withholding tax payable		79,513,432	49,806,392
Interest on customer wallet balance**		20,734,476	10,070,499
Disbursement merchant		-	1,855,388
Others		1,263,953	264,855
		219,626,538	147,503,531

*VAT payable includes withholding VAT payable amounting to Tk. 7,750,702 for the year ended 31 December 2015 (2014: Tk 3,674,042).

**Customers are paid interest on their wallet balance according to Bangladesh Bank's approval. Interest is payable on an average daily balance in a month upon fulfilment of certain criteria.

24.3 Unearned revenue

<i>In Taka</i>	<i>Note</i>	2015	2014
Airtime top up:			
- Robi Axiata Limited		422,305	265,101
- Airtel Bangladesh Limited		365,194	205,243
- Banglalink Digital Communications Ltd.		643,887	319,999
- Grameenphone Limited		1,039,594	144,027
		2,470,980	934,371

This represents the unearned commission on unsold portion of purchased mobile airtime from different MNOs.

25 Grant funds

<i>In Taka</i>	<i>Note</i>	2015	2014
Balance at 1 January		125,895,275	21,553,824
Settlement of liability		-	(21,553,824)
Fund received during the year	25.1	12,112,002	123,902,410
Interest on grant funds		8,317,885	1,992,865
Utilisation of donor grants	35	(119,170,008)	-
Balance at 31 December	25.2	27,155,154	125,895,275

25.1 Fund received during the year

<i>In Taka</i>	<i>Note</i>	2015	2014
International Finance Corporation		12,112,002	8,027,410
The Bill & Melinda Gates Foundation		-	115,875,000
		12,112,002	123,902,410

25.2 Closing balance

<i>In Taka</i>	<i>Note</i>	2015	2014
International Finance Corporation		845,149	8,027,410
The Bill & Melinda Gates Foundation		26,310,005	117,867,865
		27,155,154	125,895,275



Notes to the financial statements

26 Accrued expenses

<i>In Taka</i>	<i>Note</i>	2015	2014
Distributors commission		170,556,366	122,908,949
Mobile network operator service charges		57,771,304	39,665,152
Audit fee		655,500	655,500
Customer acquisition cost		1,772,524	1,888,532
Advertisement		95,220,774	3,296,702
Printing and material development cost		24,172,991	1,066,088
Alternative channel marketing		7,987,106	4,949,833
Business promotion expenses		1,848,800	1,681,942
Other accrued expenses		4,543,329	322,788
Employee benefits	26.1	90,778,008	46,298,174
Corporate event and marketing expenses		10,317,998	-
Repair expenses		11,100,000	-
Market research		4,953,950	-
Rent expenses		9,622,170	-
Training expenses		2,053,645	-
Travelling expenses		2,024,977	-
Car rent		2,225,125	-
		497,604,567	222,733,660

26.1 Employee benefits

<i>In Taka</i>	<i>Note</i>	2015	2014
Performance bonus		60,000,000	30,000,000
WPPF contribution		18,999,944	16,298,174
Gratuity		6,873,005	-
Leave fare assistance		2,134,418	-
Contractual staff overtime and others		2,770,641	-
		90,778,008	46,298,174

27 Provision for tax

See accounting policy in Note 43(d)(i).

<i>In Taka</i>	<i>Note</i>	2015	2014
Balance at 1 January		41,012,673	21,830,020
Provision made during the year	36	43,230,935	19,182,653
Balance at 31 December		84,243,608	41,012,673

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.

28 Revenue

See accounting policy in Note 43(a).

<i>In Taka</i>	<i>Note</i>	2015	2014
Service fees on:			
Cash out through agent		7,857,697,681	5,370,801,477
Person to Person (P2P)		413,107,330	269,812,684
Cash out through ATM		1,972,878	1,738,901
Merchants-collection		26,137,414	13,102,164
Merchants-disbursement		1,150,177	958,825
Commission on airtime purchase	28.1	286,471,869	75,091,655
		8,586,537,349	5,731,505,706

Revenue is presented as net of output VAT. Output VAT in the year of 2015 and 2014 was Tk. 1,245,009,822 and Tk. 848,462,107, respectively.



Notes to the financial statements

28.1 Commission on airtime purchase

<i>In Taka</i>	<i>Note</i>	2015	2014
Robi Axiata Limited		66,478,476	34,779,655
Airtel Bangladesh Limited		27,804,001	11,459,922
Banglalink Digital Communications Ltd.		78,015,459	22,706,605
Grameenphone Ltd.		114,173,933	6,145,473
		286,471,869	75,091,655

29 Cost of services

<i>In Taka</i>	<i>Note</i>	2015	2014
Agent commission on cash in	29.1	2,382,114,721	1,614,690,485
Agent commission on cash out	29.2	2,279,429,838	1,557,641,242
Distributor commission on cash in	29.3	903,603,310	612,255,564
Distributor commission on cash out	29.4	864,575,899	590,561,273
Mobile Network Operators service charges	29.5	580,794,065	397,887,776
ATM cash out charges	29.6	158,436	126,769
		7,010,676,269	4,773,163,109

- 29.1 Agent is paid commission on cash in amount deposited by customers in their bKash digital wallets.
- 29.2 Agent is paid commission on cash out amount withdrawn by customers from their bKash digital wallets.
- 29.3 Distributor is paid commission on cash in amount deposited by customers in their bKash digital wallets through agents.
- 29.4 Distributor is paid commission on cash out amount withdrawn by customers from their bKash digital wallets through agents.
- 29.5 MNOs are paid service charges on cash out through agents, merchant collection, Person to Person (P2P) transactions and cash out through BRAC Bank ATMs.
- 29.6 BRAC Bank Limited is paid commission on cash out amount withdrawn by customers from their bKash digital wallets through BRAC Bank ATMs.

30 Other income

<i>In Taka</i>	<i>Note</i>	2015	2014
Interest on fixed deposits		627,414,829	561,693,965
Interest on bank balance		269,095,143	79,464,295
Settlement of liability		-	21,553,824
Miscellaneous income		81,036	-
		896,591,008	662,712,084



Notes to the financial statements

31 Operating and administrative expenses

<i>In Taka</i>	<i>Note</i>	2015	2014
Office rent		80,780,967	40,387,305
Office maintenance		22,390,296	14,693,752
Conveyance charges		12,338,352	10,998,724
Business development expenses		43,775,105	12,802,592
Call centre cost		-	4,757,716
Professional and legal fees	31.1	8,302,133	15,349,206
Audit fee		655,500	655,500
Motor car expenses		72,617,541	46,543,963
Communication expenses		18,975,718	14,335,484
Software and other maintenance charge	31.2	102,882,916	63,108,959
Printing and stationery		8,067,319	4,299,899
Insurance expenses		10,585,098	5,545,248
Travelling expenses	31.3	25,339,780	16,555,750
Interest on customer wallet balance		34,896,153	15,772,159
Other operating and administrative expenses	31.4	82,820,655	29,108,852
		524,427,533	294,915,109

31.1 Professional and legal fees

<i>In Taka</i>	<i>Note</i>	2015	2014
Professional and consultancy fees		8,288,438	13,971,632
Other regulatory fees		13,695	1,377,574
		8,302,133	15,349,206

31.2 Software and other maintenance charge

<i>In Taka</i>	<i>Note</i>	2015	2014
Annual maintenance charge for software		89,030,919	55,082,082
Other maintenance charge		13,851,997	8,026,877
		102,882,916	63,108,959

Annual maintenance charge is incurred mostly for regular maintenance of the core operating software of bKash.

31.3 Travelling expenses

<i>In Taka</i>	<i>Note</i>	2015	2014
Travelling expenses - overseas		17,243,956	12,645,633
Travelling expenses - local		8,095,824	3,910,117
		25,339,780	16,555,750



Notes to the financial statements

31.4 Other operating and administrative expenses

<i>In Taka</i>	<i>Note</i>	2015	2014
Entertainment		10,985,371	9,012,329
Utility		11,453,949	7,540,636
Board meeting attendance fee		860,539	1,082,198
Training and workshop		5,775,525	2,356,317
Security charges		7,654,674	4,794,392
Bank charges		9,061,946	1,852,973
Revenue assets		1,337,217	522,375
Newspaper and magazine		147,179	172,683
Subscription		29,525	29,920
Rent, rate and taxes		171,371	115,814
Special incentive to agents		35,000	1,425,836
Property, plant and equipment written off		32,775,360	-
Loss on sale of property, plant and equipment		2,500,389	-
Miscellaneous expenses		32,610	203,379
		82,820,655	29,108,852

32 Salary and allowances

<i>In Taka</i>	<i>Note</i>	2015	2014
Salary and allowances		412,089,042	319,462,144
Festival bonus		44,399,222	32,734,129
Performance bonus		76,278,830	36,105,750
Salary and allowances - contractual		31,660,830	4,621,898
Arrear salary and other compensation		1,087,275	3,084,908
Transfer allowances		35,000	-
Employer's contribution to Gratuity Fund		6,873,005	-
Employer's contribution to Provident Fund		20,950,183	12,090,467
		593,373,387	408,099,296

33 Depreciation and amortisation

<i>In Taka</i>	<i>Note</i>	2015	2014
Depreciation	6	57,492,606	45,388,101
Amortisation	7	45,060,041	34,711,962
		102,552,647	80,100,063

34 Marketing and promotional expenses

<i>In Taka</i>	<i>Note</i>	2015	2014
Incentive		142,047,874	176,580,006
Customer acquisition cost		31,472,510	35,716,848
Printing and material development cost		162,009,702	49,429,207
Alternative channel marketing		76,342,406	64,619,719
Advertisement		377,388,627	148,270,085
Corporate event management		34,659,483	6,710,890
Agent training cost		5,057,846	8,632,686
Market research		22,109,849	5,291,113
Market strategy		788,021	428,000
		851,876,318	495,678,554



Notes to the financial statements

35 Utilisation of donor grants

<i>In Taka</i>	<i>Note</i>	2015	2014
Advertisement		5,168,270	-
Printing and material development cost		5,331,784	-
Salary and allowances		51,315,786	-
Other expenses		57,354,168	-
		119,170,008	-

36 Income tax expenses

See accounting policy in Note 43(d).

<i>In Taka</i>	<i>Note</i>	2015	2014
Current tax expense			
Current year		43,230,935	19,182,653
		43,230,935	19,182,653
Deferred tax expense/(income)			
Change in deferred tax assets/liabilities	8	99,206,233	118,242,300
		99,206,233	118,242,300
Tax expense/(income)	36.1	142,437,168	137,424,953

36.1 Reconciliation of effective tax rate

<i>In Taka</i>	2015 (%)	2014(%)	2015	2014
Profit before tax and WPPF			398,998,834	342,261,659
Tax using the Company's domestic rate	35.0%	35.0%	139,649,592	119,791,581
Tax effect of:				
Deductible expenses	-1.7%	-1.7%	(6,649,980)	(5,704,361)
Non deductible expenses	-4.5%	-0.4%	(18,047,541)	(1,415,333)
Recognition of tax effect of previously recognised tax losses	-18.0%	-32.9%	(71,721,136)	(112,671,887)
Change in recognised deductible temporary differences	24.9%	34.5%	99,206,233	118,242,300
	35.7%	34.5%	142,437,168	118,242,300
Minimum tax due to tax loss	-	5.6%	-	19,182,653
	35.7%	40.2%	142,437,168	137,424,953

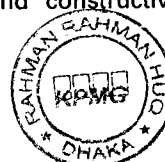
37 Financial risk management

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 Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. As accrued interest on fixed deposits is only significant part of the trade and other receivables and it is most unlikely for bank to default in paying interest, the Company is not subject to significant credit risk.

(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:

In Taka	Note	Carrying amount	
		2015	2014
Trade receivables:	9		
Related party-BRAC Bank Limited		112,576	2,700,000
Other than related parties		826,521	757,951
Other receivables:	9		
Accrued interest on fixed deposits		157,157,683	95,957,298
Security deposits - rent	10	5,748,100	5,175,950
Restricted cash and cash equivalents	14	11,171,575,672	7,222,912,249
Fixed deposits	15	1,470,000,000	400,000,000
Cash and cash equivalents	16	306,434,564	1,102,892,607
		13,111,855,116	8,830,396,055

(b) Impairment

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

In Taka	Carrying amount	
	2015	2014
Neither past due nor impaired	158,096,780	99,415,249
Past due 1 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 91 - 120 days	-	-
Past due 91 - 360 days	-	-
Past due 361+ days	-	-
	158,096,780	99,415,249



Notes to the financial statements

(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 trade and other receivables together with expected cash outflows on trade 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 2015- In Taka	Note	Carrying amount	Contractual cash flows					
			Total	2 months or less	2-12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities:								
Non-current liabilities	21	7,145,802	7,145,802	-	-	-	7,145,802	-
Customer deposits	22	7,346,784,052	7,346,784,052	-	7,346,784,052	-	-	-
Other deposits	23	3,614,553,210	3,614,553,210	-	3,614,553,210	-	-	-
Trade and other payables	24	606,293,981	606,293,981	2,470,980	603,823,001	-	-	-
Grant funds	25	27,155,154	27,155,154	-	27,155,154	-	-	-
Accrued expenses	26	497,604,567	497,604,567	228,327,670	269,276,897	-	-	-
		12,099,536,766	12,099,536,766	230,798,650	11,861,592,314	-	7,145,802	-
Derivative financial liabilities								
		12,099,536,766	12,099,536,766	230,798,650	11,861,592,314	-	7,145,802	-



31 December 2014 In Taka	Note	Carrying amount	Contractual cash flows					
			Total	2 months or less	2-12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities:								
Non-current liabilities	21	7,145,802	7,145,802	-	-	7,145,802	-	-
Customer deposits	22	4,547,309,328	4,547,309,328	-	4,547,309,328	-	-	-
Other deposits	23	2,275,298,151	2,275,298,151	-	2,275,298,151	-	-	-
Trade and other payables	24	305,328,290	305,328,290	934,371	304,393,919	-	-	-
Grant funds	25	125,895,275	125,895,275	-	125,895,275	-	-	-
Accrued expenses	26	222,733,660	222,733,660	162,574,101	60,159,559	-	-	-
		7,483,710,506	7,483,710,506	163,508,472	7,313,056,232	7,145,802	-	-
Derivative financial liabilities								
		7,483,710,506	7,483,710,506	163,508,472	7,313,056,232	7,145,802	-	-



Notes to the financial statements

(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 respective functional currency of the Company. The functional currency of the Company is Bangladesh 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>	2015	2014
Foreign currency denominated liabilities			
Non-current liabilities	21	91,029	91,672
Visa Cape Town Proprietary Limited	24.1	1,071,776	625,336
Breakpoint Vantage (Pty) Limited	24.1	20,700	-
Others	26	15,281	-
Net exposure		1,198,786	717,008

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

<i>In Taka</i>	Average rate		Year-end spot rate	
	2015	2014	2015	2014
USD	77.97	77.61	78.50	77.95

Sensitivity analysis

A reasonably possible strengthening (weakening) of foreign currency against functional currency at 31 December 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 2015				
USD (5% movement)	(4,705,235)	4,705,235	(4,705,235)	4,705,235
31 December 2014				
USD (5% movement)	(2,794,539)	2,794,539	(2,794,539)	2,794,539



b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. At present the company has no borrowings which is subject to interest rate risk.

Exposure to interest rate risk

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

In Taka	Note	Nominal Amount	
		2015	2014
Fixed rate instruments			
<i>Financial assets</i>			
Cash at banks	14	1,571,575,672	822,912,249
Fixed deposits with banks	14,15 & 16	11,070,000,000	7,720,000,000
<i>Financial liabilities</i>			
		-	-
		12,641,575,672	8,542,912,249
Variable rate instruments			
		-	-
		-	-



Notes to the financial statements

v) Financial instruments - Fair values and financial risk management

Accounting classifications and fair values

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

31 December 2015	Note	Carrying amount					Fair value						
		Held-for- trading	Designated at fair value	Fair value - hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Financial assets not measured at fair value													
Trade and other receivables	9	-	-	-	-	158,096,780	-	-	158,096,780	-	-	-	-
Security deposits - rent	10	-	-	-	-	5,748,100	-	-	5,748,100	-	-	-	-
Cash at banks	14 & 16	-	-	-	-	1,857,973,918	-	-	1,857,973,918	-	-	-	-
Fixed deposits with banks	14, 15 & 16	-	-	-	11,070,000,000	-	-	-	11,070,000,000	-	-	-	-
		-	-	-	11,070,000,000	2,021,818,798	-	-	13,091,818,798	-	-	-	-
Financial liabilities measured at fair value													
Financial liabilities not measured at fair value													
Non-current liabilities	21	-	-	-	-	-	-	7,145,802.00	7,145,802	-	-	-	-
Customer deposits	22	-	-	-	-	-	-	7,346,784,052	7,346,784,052	-	-	-	-
Other deposits	23	-	-	-	-	-	-	3,614,553,210	3,614,553,210	-	-	-	-
Trade and other payables	24	-	-	-	-	-	-	603,823,001	603,823,001	-	-	-	-
Grant funds	25	-	-	-	-	-	-	27,155,154	27,155,154	-	-	-	-
Accrued expenses	26	-	-	-	-	-	-	497,604,567	497,604,567	-	-	-	-
		-	-	-	-	-	-	12,089,919,984	12,089,919,984	-	-	-	-



Notes to the financial statements

31 December 2014 In Taka	Carrying amount						Fair value						
	Note	Held-for- trading	Designated at fair value	Fair value - hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Financial assets not measured at fair value													
Trade and other receivables	9	-	-	-	-	99,415,249	-	-	99,415,249	-	-	-	-
Security deposits - rent	10	-	-	-	-	5,175,950	-	-	5,175,950	-	-	-	-
Cash at banks	14 & 16	-	-	-	-	1,004,785,055	-	-	1,004,785,055	-	-	-	-
Fixed deposits with banks	14, 15 & 16	-	-	-	-	7,720,000,000	-	-	7,720,000,000	-	-	-	-
		-	-	-	-	7,720,000,000	1,109,376,254	-	8,829,376,254	-	-	-	-
Financial liabilities measured at fair value													
Financial liabilities not measured at fair value													
Non-current liabilities	21	-	-	-	-	-	-	7,145,802	7,145,802	-	-	-	-
Customer deposits	22	-	-	-	-	-	-	4,547,309,328	4,547,309,328	-	-	-	-
Other deposits	23	-	-	-	-	-	-	2,275,298,151	2,275,298,151	-	-	-	-
Trade and other payables	24	-	-	-	-	-	-	304,393,919	304,393,919	-	-	-	-
Grant funds	25	-	-	-	-	-	-	125,895,275	125,895,275	-	-	-	-
Accrued expenses	26	-	-	-	-	-	-	222,733,660	222,733,660	-	-	-	-
		-	-	-	-	-	-	7,482,776,135	7,482,776,135	-	-	-	-

The Company has not disclosed the fair values for financial instruments because their carrying amounts are a reasonable approximation of fair values.



38 Commitments

During 2015, the Company is committed to incur capital expenditure in 2016 of BDT 15 million (2014: Nil).

39 Contingencies

See accounting policy in Note 43(m).

Since February 2014, there has been difference of opinion between GP and bKash over the computation methodology for network connectivity fees payable to GP. bKash has obtained and provided to GP external legal opinion supporting what it believes to be the appropriate methodology, one that is followed by three other MNOs, but GP continues to bill bKash on a different basis. Discussions with GP are currently ongoing in order to resolve the matter.

There are unresolved disputed corporate tax assessments by the authorities for the financial years 2010 and 2012. Considering the merits of the authorities' assessments, it has not been deemed necessary to make provisions for additional tax claimed as per such assessments.

40 Related parties

a) Parent and ultimate controlling party

BRAC Bank Limited holds 51% shares in the Company. As a result, the ultimate controlling party of the Company is BRAC Bank Limited.

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>	2015	2014
Board meeting attendance fee	860,539	1,082,198
	860,539	1,082,198

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

(c) Other related party transactions

<i>In Taka</i>	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2015	2014	2015	2014
Purchase of services and supplies				
<u>Parent and ultimate controlling party</u>				
BRAC Bank Limited				
Other services	2,991,174	(25,609,856)	(104,623)	(3,095,797)
<u>Entities with significant influence</u>				
Money in Motion LLC, USA	-		(7,145,802)	(7,145,802)
Others				
<u>Parent and ultimate controlling party</u>				
BRAC Bank Limited				
– Other receivables	(2,808,552)	2,700,000	112,576	2,700,000
<u>Entities with common control</u>				
BRAC IT Services Limited	175,304	-	(175,304)	-
<u>Entities with significant influence</u>				
International Finance Corporation				
– Grant funds	7,182,262	(8,027,410)	(845,149)	(8,027,410)
The Bill & Melinda Gates Foundation				
– Grant funds	91,557,860	(117,867,864)	(26,310,005)	(117,867,864)

41 Other disclosures

41.1 Number of employees

As at 31 December 2015, number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 566 (31 December 2014: 418).

41.2 Operating lease

a) Leases as lessee

The Company leases a number of offices and warehouse facilities under operating leases. 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.

i) Future minimum lease payments

At 31 December 2015 and 2014 there were no future minimum lease payments receivable under non-cancellable leases.

b) Leases as lessor

At 31 December 2015 and 2014 the Company does not have any leased out property.

41.3 Events after the reporting period

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



41.4 Draft MFS Guidelines

In July 2015, Bangladesh Bank (BB) issued draft guidelines on Mobile phone based Financial Services (MFS). The purpose of the guidelines is to:

- provide regulatory framework for Mobile phone based Financial Services (MFS) providing an enabling environment for innovations in cost efficient off branch financial services delivery;
- reduce use of cash and its associated costs;
- put in place compliance drills required by Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) laws and regulations; and
- promote access to formal financial services at affordable cost especially for the poor and unbanked population segments.

Under these guidelines, existing and potential mobile financial services providers would need to undergo a new licensing process. The draft guidelines also include provisions on matters such as a multi-bank led ownership structure and minimum capital requirements.

BB sought feedback on the draft guidelines from various stakeholders and requested feedback before 30 October 2015. The industry awaits the final guidelines from BB.

41.5 Technology Platform

Visa Cape Town Proprietary Limited (VISA), the technology provider to bKash's core platform, has confirmed that in order to consolidate its operations it is migrating its mobile financial services support function to Bangalore, India. Accordingly, March 2016 onwards the support for the platform will be provided from Bangalore. The related maintenance service arrangement with VISA expires in June 2016 and a similar agreement is expected to be entered into with Nihilent Technologies Limited (Nihilent) who has been VISA's system integrator for the platform to date. For the purposes of business continuity, Nihilent will receive backup support from VISA until December 2016.

Meanwhile, with increasing popularity and demand for new financial products, bKash is assessing the capacity and flexibility of other platform providers.

42 Basis of measurement

The financial statements have been prepared on going concern basis under the historical cost convention.

43 Significant accounting policies

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

Certain comparative amounts in the statement of financial position, statement of profit or loss and other comprehensive income (OCI) have been reclassified either as a result of a correction of errors regarding the presentation of items or change in the classification of certain depreciation expenses during current year.



Notes to the financial statements

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

- a. Revenue
- b. Foreign currency
- c. Employee benefits
- d. Income tax
- e. Property, plant and equipment
- f. Intangible assets
- g. Financial instruments
- h. Share capital
- i. Impairment
- j. Provisions
- k. Grants
- l. Leases
- m. Going concern
- n. Contingencies
- o. Statement of cash flows
- p. Events after the reporting period

(a) Revenue

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

Revenue comprises of the following:

- (i) Service fee on cash out through agent : Revenue from this service is recognised when a customer performs a cash-out transaction using his/her bKash wallet.
- (ii) Service fee on send money (P2P): Revenue from this service is recognised when a customer transfers e-money from his/her own bKash wallet to another bKash customer wallet.
- (iii) Service fee on cash out through ATM: Revenue from this services recognised when a customer encash his/her e-money using a BRAC Bank ATM machine.
- (iv) Service fee on merchants collection: Revenue from this service is recognised when a customer makes payment (e.g. payment to retailer/service providers etc.) using his bKash wallet.
- (v) Service fee on merchants disbursement: Revenue from this service is recognised when e-money is disbursed from a disbursement merchant's (normally an organisation) master bKash wallet to individual customer's bKash wallet.
- (vi) Commission on airtime purchase: Commission on airtime is recognised when a customer purchases mobile air-time using his/her e-money in bKash wallet.
- (vii) Unearned revenue: When bKash purchases air-time in bulk from the mobile operators, it is recognised as airtime balance available for sale to customers and the respective commission on the purchase of mobile-airtime is recognised as unearned revenue till the same is sold to the

(b) Foreign currency

Transactions in foreign currencies are translated to the functional currencies at exchange rate at 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 plan

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. The eligibility is determined according to the National Board of Revenue (NBR) approved terms and conditions set forth in the trust deed. All permanent employees contribute at the rate of 10% of their basic salary to the provident fund and the Company also makes equal contribution.

(iii) Defined benefit plan

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 unfunded gratuity scheme for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company.

(iv) Workers' profit participation fund (WPPF)

The Company provides 5% of its profit before tax before charging such expense as WPPF in accordance with The Bangladesh Labour Act, 2006.



(d) 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 2015 and Income Tax Ordinance 1984 (2014: 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.

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.

(e) 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.

(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 following month of capitalisation and no depreciation is charged in the month of disposal.

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

<i>In Year</i>	2015	2014
Office furniture	10	10
Office equipment	5	5
IT equipment	5	5
Motor vehicles	5	5
Leasehold improvements	5	N/A

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

(f) **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.

(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 computer software is 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) **Financial instruments**

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

(i) **Financial assets**

The Company initially recognises receivables and deposits issued on the date when they are originated. All other financial assets are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Company's financial assets comprise trade and other receivables, refundable deposits and cash and cash equivalents.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any bad debts provision. Trade receivables represent the amounts due from related parties, distributors and other institutional customers. These are measured and stated at cost less allowance for doubtful debt, if any.

Other receivables include accrued interest on fixed deposits which is recognised at the amount that would be received at the contractual interest rate.

Cash and cash equivalents

Cash comprises cash in hand and cash at banks which are available for use by the Company without any restriction. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash and cash equivalents

Restricted cash comprises of balance with customer, deposit channel partner and merchants etc. which is kept with BRAC Bank Limited in the form of cash and Fixed Deposits Receipts (FDR). According to Bangladesh Bank approval, at any point of time, the physical cash balance of bKash account held by BRAC Bank Limited must be equal to the balance shown in the system of bKash digital wallet platform. This account shall remain under surveillance of Bangladesh Bank.

Fixed deposits

Fixed deposits consist of short term investments with a maturity of over three months to one year convertible to known amounts of cash at maturity.

(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 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.

The Company's financial liabilities comprise deposits, trade and other payables, grant funds and accrued expenses.

Customers and others deposits

Customer deposit represents the balance maintained by customers in their bKash digital wallets. Other deposit represents the balance maintained by bKash, agents, distributors and merchants in their bKash digital wallets.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade payables are stated at amortised cost using the effective interest method. Trade and others payables represent the amounts due to related parties, distributors and other suppliers and government authorities.

Grant funds

Grant funds represent the remaining balance of grant contribution from different parties which are yet to be expensed at the reporting date.

Accrued expenses

Accrued expenses represent various operating expenses that are due at the reporting date which are initially measured at fair value.



(iii) 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.

(h) Share capital

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

(i) Impairment

(i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers; or
- observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.



(ii) 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.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

(i) 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 BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

(k) Grants

Income from grants is recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

(l) 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 separate 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.

ii) Lease payments

Payments made under operating lease are on profit or loss on 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.

(m) Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the management continue 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.



(n) 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.

(o) Statement of cash flows

Cash flows from operating activities are presented under direct method as per BAS 7: Statement of cash flows.

(p) 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.

43.1 New accounting standards not yet adopted

The Company has consistently applied the accounting policies as set out in Note 43 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2015 have been considered. However, these amendments have no material impact on the financial statements of the Company.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Company has not early applied the following new standards in preparing these financial statements.

(a) BFRS 9 Financial Instruments

BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is yet to assess the potential impact of BFRS 9 on its financial statements.

(b) BFRS 15 Revenue from Contracts with Customers

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRI 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is yet to assess the potential impact of BFRS 15 on its financial statements.

