

bKash Limited

Auditor's report and financial statements as at and
for the year ended 31 December 2016

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

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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 2016, 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.

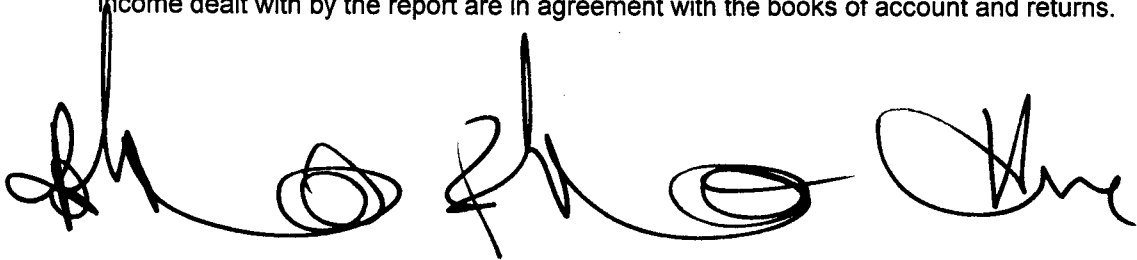
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 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.



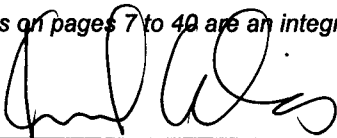
Dhaka, 15 FEB 2017



bKash Limited
Statement of financial position

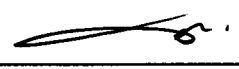
<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Assets			
Property, plant and equipment	6	708,337,120	405,011,682
Intangible assets	7	269,453,715	334,897,236
Deferred tax assets	8	1,338,020	-
Non-current assets		979,128,855	739,908,918
Operational and other receivables	9	219,966,379	158,096,780
Advances, deposits and prepayments	10	218,267,016	205,642,444
Advance income tax	11	366,946,533	225,305,584
Airtime balance	12	797,587,267	222,862,163
Restricted cash and cash equivalents	13	17,506,568,895	11,171,575,672
Investment in fixed deposits	14	1,620,000,000	1,470,000,000
Cash and cash equivalents	15	299,582,196	306,434,564
Current assets		21,028,918,286	13,759,917,207
Total assets		22,008,047,141	14,499,826,125
Equity			
Ordinary shares	16	38,194,900	38,194,900
Convertible preference shares	17	4,097,000	4,097,000
Share premium	18	2,133,618,396	2,133,618,396
Share money deposit	19	505,162	505,162
Retained earnings		415,549,081	80,396,610
Total equity		2,591,964,539	2,256,812,068
Liabilities			
Deferred tax liabilities	8	-	59,233,683
Employee benefits	20	118,480,000	6,873,005
Other non-current liabilities	24	7,145,802	7,145,802
Finance lease liabilities - non-current	25	18,519,200	-
Non-current liabilities		144,145,002	73,252,490
Customer deposits	21	11,487,721,167	7,346,784,052
Other deposits	22	5,800,892,990	3,614,553,210
Operational and other payables	23	672,970,358	606,469,285
Finance lease liabilities - current	25	6,206,558	-
Grant funds	26	49,464,389	27,155,154
Accrued expenses	27	902,986,476	490,556,258
Provision for tax	28	351,695,662	84,243,608
Current liabilities		19,271,937,600	12,169,761,567
Total liabilities		19,416,082,602	12,243,014,057
Total equity and liabilities		22,008,047,141	14,499,826,125

The notes on pages 7 to 40 are an integral part of these financial statements.


Chief Executive Officer


Director


Director


Company Secretary

As per our report of same date


Auditor

Rahman Rahman Huq
Chartered Accountants

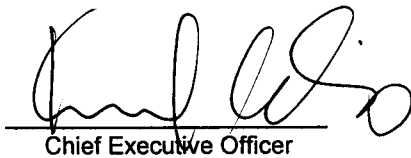
Dhaka, 15 FEB 2017

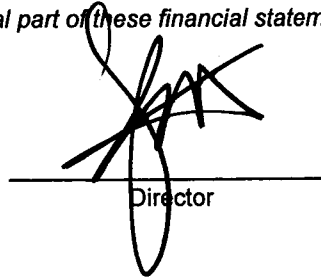
bKash Limited

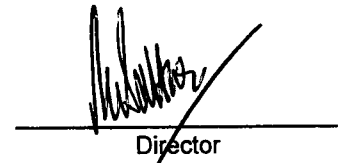
Statement of profit or loss and other comprehensive income

In Taka	Note	For the year ended 31 December	
		2016	2015
Gross revenue		13,848,451,389	9,831,547,171
VAT		(1,759,773,281)	(1,245,009,822)
Net revenue	29	12,088,678,108	8,586,537,349
Cost of services	30	(9,765,846,432)	(7,010,676,269)
Gross profit		2,322,831,676	1,575,861,080
Other income	31	1,123,864,592	896,591,008
Donor grants	43L	55,386,622	119,170,008
Operating and administrative expenses	32	(1,918,082,604)	(1,220,353,567)
Marketing and promotional expenses	33	(875,927,645)	(851,876,318)
Utilisation of donor grants	34	(55,386,622)	(119,170,008)
Foreign exchange loss		(538,556)	(1,223,369)
Profit before contribution to WPPF		652,147,463	398,998,834
Contribution to WPPF	43C	(31,054,641)	(18,999,944)
Profit before tax		621,092,822	379,998,890
Income tax expenses	35	(234,551,351)	(142,437,168)
Profit		386,541,471	237,561,722
Other comprehensive income/(expense) - net of tax	36	(51,389,000)	-
Total comprehensive income		335,152,471	237,561,722

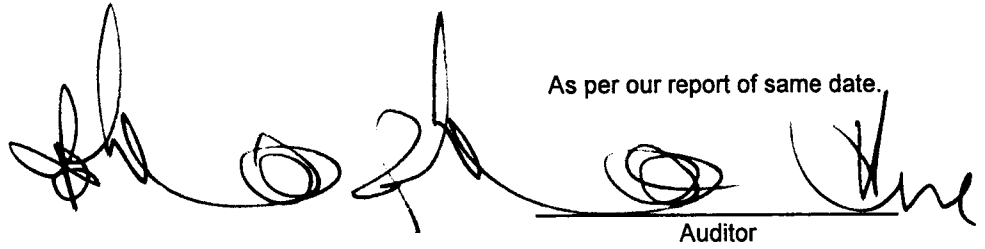
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Chief Executive Officer


Director

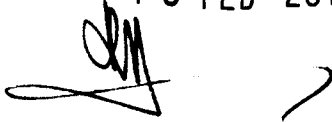

Director


Company Secretary


Auditor

As per our report of same date.

Dhaka, 15 FEB 2017



Rahman Rahman Huq
Chartered Accountants

bKash Limited
Statement of changes in equity

<i>In Taka</i>	For the year ended 31 December 2016					
	Share capital	Convertible preference shares	Share premium	Share money deposit	Retained earnings	Total equity
Balance at 1 January 2016	38,194,900	4,097,000	2,133,618,396	505,162	80,396,610	2,256,812,068
Total comprehensive income						
Profit for the year	-	-	-	-	386,541,471	386,541,471
Other comprehensive income/(expense) - net of tax	-	-	-	-	(51,389,000)	(51,389,000)
Total comprehensive income	-	-	-	-	335,152,471	335,152,471
Balance at 31 December 2016	38,194,900	4,097,000	2,133,618,396	505,162	415,549,081	2,591,964,539

<i>In Taka</i>	For the year ended 31 December 2015					
	Share capital	Convertible preference shares	Share premium	Share money deposit	Retained earnings	Total equity
Balance at 1 January 2015	38,194,900	4,097,000	2,133,618,396	505,162	(157,165,112)	2,019,250,346
Total comprehensive income						
Profit for the year	-	-	-	-	237,561,722	237,561,722
Total comprehensive income	-	-	-	-	237,561,722	237,561,722
Balance at 31 December 2015	38,194,900	4,097,000	2,133,618,396	505,162	80,396,610	2,256,812,068

The notes on pages 7 to 40 are an integral part of these financial statements.



bKash Limited
Statement of cash flows

<i>In Taka</i>	For the year ended 31 December	
	2016	2015
Cash flows from operating activities		
Cash receipt from customers	18,473,244,435	12,739,897,987
Cash paid to suppliers, employees and others	(12,557,858,678)	(8,978,781,897)
Cash generated from operating activities	5,915,385,757	3,761,116,090
Interest received from deposits	1,076,029,140	843,708,508
Income taxes paid	(141,640,949)	(112,615,051)
Net cash flows from operating activities	6,849,773,948	4,492,209,547
Cash flows from investing activities		
Acquisition of property, plant and equipment	(186,104,099)	(120,043,345)
Acquisition of intangible assets	(182,634,752)	(150,486,821)
Disposal of property, plant and equipment	-	525,999
Investment in fixed deposits	(150,000,000)	(1,070,000,000)
Net cash used in investing activities	(518,738,851)	(1,340,004,167)
Cash flows from financing activities		
Finance lease liabilities	(2,894,242)	-
Net cash used in financing activities	(2,894,242)	-
Net increase in cash and cash equivalents	6,328,140,855	3,152,205,380
Cash and cash equivalents (including restricted cash and cash equivalents) as at 1 January	11,478,010,236	8,325,804,856
Cash and cash equivalents (including restricted cash and cash equivalents) as at 31 December	17,806,151,091	11,478,010,236
Less: Restricted cash and cash equivalents	17,506,568,895	11,171,575,672
Cash and cash equivalents as at 31 December	299,582,196	306,434,564

The notes on pages 7 to 40 are an integral part of these 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, 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) 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.

1.3 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 MFS 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.

2 Basis of accounting**2.1 Statement of compliance**

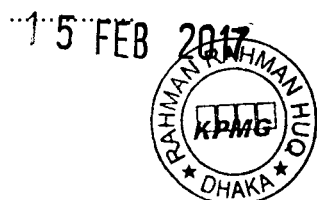
The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and as per the requirements of the Companies Act 1994.

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.

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

2.2 Date of authorisation

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



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, unless otherwise indicated.

4 Reporting period

The financial statements of the Company covers the year 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 judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

a. Judgments

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

Notes 25 and 43M	Finance lease liabilities
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b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended 31 December 2016 is included in the following notes:

Notes 6 and 43F	Property, plant and equipment
Notes 7 and 43G	Intangible assets
Notes 20 and 43C	Employee benefits
Notes 8 and 43E(ii)	Deferred tax assets/(liabilities)
Notes 28 and 43E(i)	Provision for tax
Notes 38, 39 and 43O	Commitments and contingencies

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.



6 Property, plant and equipment

See accounting policy in Note 43F

Reconciliation of carrying amount

<i>In Taka</i>	<i>Note</i>	IT equipment	Laptop and computer	Motor vehicles	Motor vehicles-leased	Office furniture	Office equipment	Leasehold improvements	Work in progress	Total
Cost										
Balance at 1 January 2015		177,927,622	39,346,732	2,000,000	-	41,756,184	22,000,919	-	-	283,031,457
Additions		27,355,246	28,183,291	-	-	24,065,225	7,259,495	-	208,810,258	295,673,515
Reclassification, net	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		243,769,882	67,530,023	2,000,000	-	37,410,361	25,465,214	56,546,802	92,991,260	525,713,542
Balance at 1 January 2016		243,769,882	67,530,023	2,000,000	-	37,410,361	25,465,214	56,546,802	92,991,260	525,713,542
Additions		53,358,421	16,507,925	-	31,137,444	8,173,443	14,586,302	22,842,009	276,113,531	422,719,075
Reclassification, net		-	-	-	-	-	-	(1,110,364)	(62,991)	(1,173,355)
Write off		(11,500)	(292,316)	-	-	(2,328,799)	(782,545)	-	-	(3,415,160)
Transfer from work in progress		92,928,269	-	-	-	-	-	-	(92,928,269)	-
Balance at 31 December 2016		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
Accumulated depreciation										
Balance at 1 January 2015		45,797,331	20,313,818	1,800,000	-	6,159,125	6,328,662	-	-	80,398,936
Depreciation	32.2	43,447,890	3,654,525	199,999	-	2,218,629	4,834,329	3,137,234	-	57,492,606
Reclassification, net	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		78,923,884	23,968,343	1,999,999	-	3,768,486	8,903,914	3,137,234	-	120,701,860
Balance at 1 January 2016		78,923,884	23,968,343	1,999,999	-	3,768,486	8,903,914	3,137,234	-	120,701,860
Depreciation	32.2	60,523,691	28,177,238	-	3,130,833	4,257,394	6,290,203	13,831,869	-	116,211,228
Reclassification, net	32.2	-	-	-	-	-	-	(203,567)	-	(203,567)
Write off		(10,343)	(39,637)	-	-	(726,635)	(425,924)	-	-	(1,202,539)
Balance at 31 December 2016		139,437,232	52,105,944	1,999,999	3,130,833	7,299,245	14,768,193	16,765,536	-	235,506,982
Carrying amounts										
At 31 December 2015		164,845,998	43,561,680	1	-	33,641,875	16,561,300	53,409,568	92,991,260	405,011,682
At 31 December 2016		250,607,840	31,639,688	1	28,006,611	35,955,760	24,500,778	61,512,911	276,113,531	708,337,120

- 6.1 During 2015, management had conducted a physical verification of property, plant and equipment by appointing a third party. Based on the observations of the same exercise, several assets were reclassified and written off.



Notes to the financial statements (Continued)

7 Intangible assets

See accounting policy in Note 43G

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 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
 Balance at 1 January 2016		 351,689,135	 96,205,132	 447,894,267
Additions		38,475,376	10,297,808	48,773,184
Reclassification, net		(6,452,003)	(9,989,415)	(16,441,418)
Transfer from work in progress		86,228,447	(86,228,447)	-
Balance at 31 December 2016		469,940,955	10,285,078	480,226,033
 Accumulated amortisation				
Balance at 1 January 2015		67,936,990	-	67,936,990
Amortisation	32.2	45,060,041	-	45,060,041
Balance at 31 December 2015		112,997,031	-	112,997,031
 Balance at 1 January 2016		 112,997,031	 -	 112,997,031
Amortisation	32.2	97,775,287	-	97,775,287
Balance at 31 December 2016		210,772,318	-	210,772,318
 Carrying amounts				
At 31 December 2015		238,692,104	96,205,132	334,897,236
At 31 December 2016		259,168,637	10,285,078	269,453,715

Technology platform migration

Visa Cape Town Proprietary Limited (VISA), the technology provider to bKash's core platform, had earlier informed that as a part of reorganisation of the mobile money setup of VISA, the office will migrate from Cape Town to Bangalore, India and that the support for the platform will be provided from Bangalore. Since then the master customer agreement with VISA has been extended to May 2017. A separate maintenance service arrangement has been entered into with Nihilent Technologies Limited (Nihilent) who has been VISA's system integrator for the platform to date.

Moreover, bKash has selected Huawei Technologies Co. Ltd. as its new core platform provider. The core platform migration from VISA to Huawei is expected to be completed by April 2017. In this regard, the recoverable value of the entire platform, which is regarded to be the appropriate cash generating unit, was calculated and found to be in excess of the carrying value. The useful lives of the software related assets that are expected to be decommissioned as part of the migration have been revised accordingly.



8 Deferred tax assets/(liabilities)

See accounting policy in Note 43E(ii)

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Balance at 1 January		(59,233,683)	39,972,550
Deferred tax income/(expense) for the year	35.1	60,571,703	(99,206,233)
Balance at 31 December		1,338,020	(59,233,683)

<i>In Taka</i>	Carrying amount on reporting date	Tax base	Taxable/ (deductible) temporary difference
At 31 December 2016			
Property, plant and equipment	417,591,978	374,054,363	43,537,615
Intangible assets	259,168,637	176,992,723	82,175,915
Pre-operating expenses	-	11,056,445	(11,056,445)
Employee benefits	118,480,000	-	(118,480,000)
Taxable/(deductible) temporary differences	795,240,615	562,103,531	(3,822,915)

Applicable tax rate 35%

Deferred tax assets 1,338,020**At 31 December 2015**

Property, plant and equipment	312,020,422	257,157,764	54,862,658
Intangible assets	238,692,104	117,442,664	121,249,440
Employee benefits	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)**9 Operational and other receivables**

See accounting policy in Note 43H(i)

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Operational receivables			
Related party - BRAC Bank Limited		572,894	112,576
Other than related parties	9.1	12,589,877	826,521
		13,162,771	939,097
Less: Provision for doubtful debts		-	-
		13,162,771	939,097
Other receivables			
Accrued interest on fixed deposits		206,803,608	157,157,683
		206,803,608	157,157,683
		219,966,379	158,096,780
Below six months		219,966,379	158,096,780
		219,966,379	158,096,780

- 9.1 Other than related parties amount for the year 2016 includes receivables from Department for International Development (DFID) for TagPay Project of BDT 6,372,277 (Note 34.3).



10 Advances, deposits and prepayments

See accounting policy in Note 43H(i)

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Advances			
Staff		2,213,388	952,903
Suppliers		6,424,790	9,483,480
Office rent		94,900,273	126,965,028
VAT current account		1,127,271	3,157,443
		104,665,722	140,558,854
Deposits			
Rent		6,672,400	5,748,100
		6,672,400	5,748,100
Prepayments			
Expenses		55,116,195	25,403,889
Agent commission	10.1	51,812,699	33,931,601
		106,928,894	59,335,490
		218,267,016	205,642,444

- 10.1 Agent commission represents the amount 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

See accounting policy in Note 43E(i)

<i>In Taka</i>	31 December 2016	31 December 2015
Balance at 1 January	225,305,584	112,690,533
Deducted at source	141,640,949	112,615,051
Balance at 31 December	366,946,533	225,305,584

12 Airtime balance

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Airtime balance	12.1		
Robi Axiata Limited		19,965,991	24,451,518
Banglalink Digital Communications Limited		15,364,457	42,925,807
Grameenphone Limited		29,535,985	69,306,287
Airtel Bangladesh Limited	12.2	-	19,659,690
Teletalk Bangladesh Limited		5,631,858	-
		70,498,291	156,343,302
Airtime proceeds in transit	12.3	727,088,976	66,518,861
		727,088,976	66,518,861
		797,587,267	222,862,163

- 12.1 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. Since airtime has no expiry date in the hands of the Company, it is recorded at its face value until utilised or purchased by bKash customers.
- 12.2 Following the merger between Robi Axiata Limited (Robi) and Airtel Bangladesh Limited (Airtel), the airtime balance of Airtel for the year 2016 is included in Robi's balance.
- 12.3 Airtime proceeds in transit represents the balance to be transferred from restricted float accounts to operational accounts against sold airtime top-up (Note 22).



13 Restricted cash and cash equivalents

See accounting policy in Note 43H(i)

<i>In Taka</i>	31 December 2016	31 December 2015
Cash at bank		
BRAC Bank Limited	719,012,648	1,571,575,672
Trust Bank Limited	44,277,220	-
South East Bank Limited	700,458,508	-
One Bank Limited	130,146	-
Eastern Bank Limited	47,775,505	-
Jamuna Bank Limited	318,499,622	-
Mutual Trust Bank Limited	391,185,808	-
United Commercial Bank Limited	1,233,087,241	-
The City Bank Limited	778,179,789	-
Dhaka Bank Limited	887,498,020	-
NCC Bank Limited	75,070,797	-
Sonali Bank Limited	201,906,436	-
Eastern Bank Limited	609,487,155	-
	6,006,568,895	1,571,575,672
Fixed deposits		
Southeast Bank Limited	2,000,000,000	-
Trust Bank Limited	1,000,000,000	-
Mutual Trust Bank Limited	200,000,000	-
The City Bank Limited	3,250,000,000	-
Jamuna Bank Limited	400,000,000	-
NCC Bank Limited	1,650,000,000	-
BRAC Bank Limited	3,000,000,000	9,600,000,000
	11,500,000,000	9,600,000,000
	17,506,568,895	11,171,575,672

Restricted cash and cash equivalents includes balance with customer deposits, channel partner deposits and merchants etc., which is kept with different banks in the form of cash and Fixed Deposit Receipts (FDR). As per Payment System Operator (PSO) license and multi-banking approval issued by Bangladesh Bank, at any point of time, the physical cash balance of bKash accounts held in different banks must be equal to the balance shown in the system of bKash digital wallet platform. These accounts shall remain under surveillance of Bangladesh Bank.

14 Investment in fixed deposits

See accounting policy in Note 43H(i)

<i>In Taka</i>	31 December 2016	31 December 2015
AB Bank Limited	-	900,000,000
Jamuna Bank Limited	350,000,000	-
Southeast Bank Limited	520,000,000	-
Trust Bank Limited	-	570,000,000
NCC Bank Limited	50,000,000	-
BRAC Bank Limited	700,000,000	-
	1,620,000,000	1,470,000,000

15 Cash and cash equivalents

See accounting policy in Note 43H(i)

<i>In Taka</i>	Note	31 December 2016	31 December 2015
Cash in hand		687,850	1,510,386
Cash at digital wallet		5,754,959	18,525,932
Cash at banks	15.1	293,139,387	286,398,246
		299,582,196	306,434,564



15.1 Cash at banks

<i>In Taka</i>	31 December 2016	31 December 2015
BRAC Bank Limited	71,236,708	213,361,206
BRAC Bank Limited	19,740,672	71,330,610
BRAC Bank Limited	527,154	1,372,360
Islami Bank Bangladesh Limited	15,011	34,385
United Commercial Bank Limited	6,200	7,350
Trust Bank Limited	684,445	18,897
Prime Bank Limited	5,000	-
Eastern Bank Limited	161	-
The City Bank Limited	200,434,743	-
Regional balances with BRAC Bank Limited	489,293	273,438
	293,139,387	286,398,246

16 Ordinary shares

See accounting policy in Note 43I

<i>In Taka</i>	No. of shares	31 December 2016	31 December 2015
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	%	31 December 2016	31 December 2015
BRAC Bank Ltd.	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

17 Convertible preference shares

<i>In Taka</i>	No. of shares	%	31 December 2016	31 December 2015
Authorised				
Authorised (par value of Tk 100 each)	100,000		10,000,000	10,000,000
Paid up				
Bill & Melinda Gates Foundation (par value of Tk 100 each)	40,970	100.00%	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 Bill & Melinda Gates Foundation. Total 40,970 shares of Tk 100 each were 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.

18 Share premium

<i>In Taka</i>	No. of shares	Premium per share (rounded off)	31 December 2016	31 December 2015
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

19 Share money deposit

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

20 Employee benefits

See accounting policy in Note 43C(iii)

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Balance at 1 January		6,873,005	-
Service cost	20.1	111,897,900	6,873,005
Benefits paid		(290,905)	-
Balance at 31 December		118,480,000	6,873,005

20.1 Defined benefit obligation charged to profit or loss and other comprehensive income

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Profit or loss			
Current service cost		32,297,900	6,873,005
Interest accrued on defined benefit obligation		540,000	-
	32.1	32,837,900	6,873,005
Other comprehensive (income)/expense			
Actuarial (gain)/loss recognised directly in equity	36	79,060,000	-
		111,897,900	6,873,005

20.2 Actuarial assumptions

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

	31 December 2016
Discount rate	8%
Salary escalation rate	10%

21 Customer deposits

See accounting policy in Note 43H(ii)

<i>In Taka</i>	31 December 2016	31 December 2015
Balance at 1 January	7,346,784,052	4,547,309,328
Net addition during the year	4,140,937,115	2,799,474,724
Balance at 31 December	11,487,721,167	7,346,784,052

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

22 Other deposits

See accounting policy in Note 43H(ii)

<i>In Taka</i>	31 December 2016	31 December 2015
Agent deposit	1,020,631,106	2,821,431,611
Distributor deposit	3,923,497,092	670,900,140
Merchant deposit	130,966,336	55,438,814
Deposit in transit	725,798,456	66,782,645
	5,800,892,990	3,614,553,210

Other deposits represent 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 accounts to operational accounts against ATM cash out, sold airtime top up and requested inward remittance through Western Union.



23 Operational and other payables

See accounting policy in Note 43H(ii)

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Operational payables	23.1	257,902,187	316,643,839
Other payables	23.2	413,891,830	287,354,466
Unearned revenue	23.3	1,176,341	2,470,980
		672,970,358	606,469,285

23.1 Operational payables

<i>In Taka</i>		31 December 2016	31 December 2015
Related parties			
BRAC Bank Limited		2,922,647	104,623
BRAC IT Services Limited		2,614,465	175,304
Other than related parties			
Visa Cape Town Proprietary Limited		54,515,345	84,134,380
Computer Source Limited		49,560,098	-
Breakpoint Vantage (Pty) Limited		37,004,081	1,624,950
Computer Services Limited		29,829,966	1,125,000
Nihilent Technologies Limited		28,135,250	-
Thakral Information System Private Limited		15,154,494	68,894,900
Tech Valley Networks Limited		9,812,574	2,259,391
Express Systems Ltd.		9,091,289	135,244,686
CIBL Technology Consultants Limited		6,415,092	-
Flora Limited		5,434,515	-
Aamra Technologies Limited		1,804,296	989,656
Spirnytel Private Limited		1,125,000	-
Cerebrus Consultants Private Limited		1,032,938	-
Tech Republic Limited		803,250	-
Teleplan Consulting		800,000	-
Rangs Electronics Limited		625,462	625,462
Tech Valley Solutions Limited		526,292	-
Tech One Global (Pvt) Limited		348,333	-
Aegis Services Limited		346,800	1,144,800
Atelier Robin Architects		-	16,655,567
Accenture Communications Infrastructure Solutions Limited		-	3,665,120
		257,902,187	316,643,839

23.2 Other payables

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
VAT payable		172,300,587	118,114,677
Withholding tax payable		103,518,577	79,513,432
Incentive to agency, agent and distributor	23.2.1	76,920,176	50,142,537
Interest on customer wallet balance	23.2.2	39,542,655	20,734,476
Security deposit from distributors & agents		15,725,000	15,250,000
Other security deposits		5,003,292	1,085,368
Others		881,544	2,513,976
		413,891,830	287,354,466

23.2.1 Incentive is paid to agents and distributors on opening of customer accounts based on certain criteria. Payment of such incentive for the last four months of the year is held back for further scrutiny.

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



23.3 Unearned revenue

<i>In Taka</i>	31 December 2016	31 December 2015
Airtime top-up		
Robi Axiata Limited	342,015	422,305
Airtel Bangladesh Limited	-	365,194
Banglalink Digital Communications Limited	230,467	643,887
Grameenphone Limited	434,903	1,039,594
Teletalk Bangladesh Limited	168,956	-
	1,176,341	2,470,980

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

24 Other non-current liabilities

<i>In Taka</i>	31 December 2016	31 December 2015
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 payments made by Money in Motion LLC, USA to Visa Cape Town Proprietary Limited on behalf of bKash in 2010.

25 Finance lease liabilities

See accounting policy in Note 43M

<i>In Taka</i>	31 December 2016	31 December 2015
Finance lease liabilities - non-current	18,519,200	-
Finance lease liabilities - current	6,206,558	-
	24,725,758	-

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest	Present value of minimum lease payments	
<i>In Taka</i>	31 December 2016	31 December 2015	2016	31 December 2016	31 December 2015
Not later than one year	8,429,793	-	2,223,236	6,206,558	-
Later than one year but not later than five years	21,049,962	-	2,530,763	18,519,200	-
	29,479,755	-	4,753,999	24,725,758	-

The future lease payments might vary which is contingent on changes in future bank interest rates.

The Company has entered into a lease agreement with Eastern Bank Limited for the purchase of motor vehicles. The tenure of the lease is four years and lease rental is paid in monthly instalments. Obligation under finance lease has been recognised as liability in the statement of financial position at an amount equal to the acquisition cost of vehicles which is lower of fair value of leased asset and present value of minimum lease payments at the inception of lease.

26 Grant funds

See accounting policy in Note 43L

<i>In Taka</i>	Note	31 December 2016	31 December 2015
Balance at 1 January		27,155,154	125,895,275
Fund received during the year	26.1	69,513,107	12,112,002
Interest on grant funds		1,810,473	8,317,885
Utilisation of fund	34.1 & 34.2	(49,014,345)	(119,170,008)
Balance at 31 December	26.2	49,464,389	27,155,154



Notes to the financial statements (Continued)

26.1 Fund received during the year

<i>In Taka</i>	31 December 2016	31 December 2015
International Finance Corporation	-	12,112,002
Bill & Melinda Gates Foundation	69,513,107	-
	69,513,107	12,112,002

26.2 Closing balance

<i>In Taka</i>	31 December 2016	31 December 2015
International Finance Corporation	78,444	845,149
Bill & Melinda Gates Foundation	49,385,945	26,310,005
	49,464,389	27,155,154

27 Accrued expenses

See accounting policy in Note 43H(ii)

<i>In Taka</i>	31 December 2016	31 December 2015
Distributors commission	210,275,139	170,556,366
Capital expenditure	167,220,013	11,100,000
Mobile network operator service charges	156,163,125	57,771,304
Other employee benefits	150,937,182	83,905,003
Advertisement	121,020,173	95,220,774
Printing and material development cost	29,687,645	24,172,991
Other accrued expenses	24,449,811	4,368,025
Alternative channel marketing	10,904,866	7,987,106
Rent expenses	7,398,100	9,622,170
Car rent	6,363,535	2,225,125
Market research	5,893,790	4,953,950
Training expenses	4,764,189	2,053,645
Customer acquisition cost	2,979,194	1,772,524
Audit fee	1,145,000	655,500
Corporate event and marketing expenses	1,789,160	10,317,998
Travelling expenses	1,416,751	2,024,977
Business promotion expenses	578,803	1,848,800
	902,986,476	490,556,258

28 Provision for tax

See accounting policy in Note 43E(i)

<i>In Taka</i>	Note	31 December 2016	31 December 2015
Balance at 1 January		84,243,608	41,012,673
Provision made during the year	35	260,011,729	43,230,935
Adjustment on completion of assessment for prior years	35	7,440,325	-
Balance at 31 December		351,695,662	84,243,608

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)

29 Net revenue

See accounting policy in Note 43A

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Service fees on			
Cash out through agent		11,156,986,894	7,857,697,681
Person to person (P2P)		508,239,161	413,107,330
Cash out through ATM		1,655,831	1,972,878
Merchants - collection		63,524,444	26,137,414
Merchants - disbursement		1,263,329	1,150,177
Western Union - remittance		152,216	-
Commission on airtime purchase	29.1	356,856,233	286,471,869
		12,088,678,108	8,586,537,349

Revenue is presented as net of output VAT. Output VAT in the year of 2016 and 2015 was Tk 1,759,773,281 and Tk 1,245,009,822 respectively.

29.1 Commission on airtime purchase

<i>In Taka</i>	31 December 2016	31 December 2015
Robi Axiata Limited	98,624,235	66,478,476
Airtel Bangladesh Limited	-	27,804,001
Banglalink Digital Communications Limited	81,268,246	78,015,459
Grameenphone Limited	167,456,430	114,173,933
Teletalk Bangladesh Limited	9,507,322	-
	356,856,233	286,471,869

Following the merger between Robi Axiata Limited (Robi) and Airtel Bangladesh Limited (Airtel), the commission on airtime purchase from Airtel for the year 2016 is included in Robi's balance.

30 Cost of services

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Agent commission on cash in	30.1	3,380,538,408	2,382,114,721
Agent commission on cash out	30.2	3,195,732,765	2,279,429,838
Distributor commission on cash in	30.3	1,217,970,069	903,603,310
Distributor commission on cash out	30.4	1,150,565,366	864,575,899
Mobile Network Operators service charges	30.5	820,890,284	580,794,065
ATM cash out charges		126,707	158,436
Western Union service cost		22,833	-
		9,765,846,432	7,010,676,269

- 30.1 Agent is paid commission on cash in amount deposited by customers in their bKash digital wallets.
- 30.2 Agent is paid commission on cash out amount withdrawn by customers from their bKash digital wallets.
- 30.3 Distributor is paid commission on cash in amount deposited by customers in their bKash digital wallets through agents.
- 30.4 Distributor is paid commission on cash out amount withdrawn by customers from their bKash digital wallets through agents.
- 30.5 Mobile Network Operators (MNOs) are paid service charges on cash out through agents, merchant collection, Person to Person (P2P) transactions and cash out through BRAC Bank Limited ATMs.



Notes to the financial statements (Continued)

31 Other income

See accounting policy in Note 43D

<i>In Taka</i>	31 December 2016	31 December 2015
Interest on fixed deposits	859,661,878	627,414,829
Interest on bank balance	247,697,694	269,095,143
Miscellaneous income	16,505,020	81,036
	1,123,864,592	896,591,008

32 Operating and administrative expenses

<i>In Taka</i>	Note	31 December 2016	31 December 2015
Salary and allowances	32.1	846,160,236	593,373,387
Depreciation and amortisation	32.2	213,782,948	102,552,647
Office rent		122,553,603	80,780,967
Office maintenance		27,520,841	22,390,296
Conveyance charges		21,629,573	12,338,352
Business development expenses		27,341,636	43,775,105
Call center cost		19,852	-
Professional and legal fees		66,473,606	8,302,133
Audit fee		1,191,000	655,500
Motor car expenses		87,654,986	72,617,541
Communication expenses		32,630,751	18,975,718
Software and other maintenance charge	32.3	227,008,702	102,882,916
Printing and stationery		11,156,577	8,067,319
Insurance expenses		11,364,303	10,585,098
Travelling expenses	32.4	31,350,404	25,339,780
Interest on customer wallet balance		65,457,042	34,896,153
Interest expense - finance lease		1,429,496	-
Other operating and administrative expenses	32.5	123,357,048	82,820,655
		1,918,082,604	1,220,353,567

32.1 Salary and allowances

<i>In Taka</i>	31 December 2016	31 December 2015
Salary and allowances - regular	755,526,579	535,108,203
Salary and allowances - contractual	30,459,170	30,441,996
Employer's contribution to gratuity fund	32,837,900	6,873,005
Employer's contribution to provident fund	27,336,587	20,950,183
	846,160,236	593,373,387

32.2 Depreciation and amortisation

<i>In Taka</i>	Note	31 December 2016	31 December 2015
Depreciation - property, plant and equipment	6	116,007,661	57,492,606
Amortisation - intangible assets	7	97,775,287	45,060,041
		213,782,948	102,552,647



Notes to the financial statements (Continued)

32.3 Software and other maintenance charge

<i>In Taka</i>	31 December 2016	31 December 2015
Annual maintenance charge for software	171,530,229	89,030,919
Other maintenance charge	55,478,473	13,851,997
	227,008,702	102,882,916

Annual maintenance charge is incurred mostly for regular maintenance of the core operating software of bKash, Visa/Fundamo.

32.4 Travelling expenses

<i>In Taka</i>	31 December 2016	31 December 2015
Travelling expenses - overseas	16,907,752	17,243,956
Travelling expenses - local	14,442,652	8,095,824
	31,350,404	25,339,780

32.5 Other operating and administrative expenses

<i>In Taka</i>	31 December 2016	31 December 2015
Bank charges	54,026,464	9,061,946
Utility	18,584,540	11,453,949
Entertainment	14,390,040	10,985,371
Training and workshop	12,094,281	5,775,525
Security charges	10,171,364	7,654,674
Loss on sale of property, plant and equipment	-	2,500,389
Board meeting attendance fee	994,705	860,539
Revenue assets	3,375,436	1,337,217
Newspaper and magazine	157,504	147,179
Rent, rate and taxes	172,675	171,371
Write off of property, plant and equipment	2,212,614	32,775,360
Regional office expenses	2,976,351	-
Miscellaneous expenses	4,201,074	97,135
	123,357,048	82,820,655

33 Marketing and promotional expenses

<i>In Taka</i>	31 December 2016	31 December 2015
Incentive	221,074,226	142,047,874
Customer acquisition cost	101,784,718	31,472,510
Printing and material development cost	162,673,323	162,009,702
Alternative channel marketing	88,412,720	76,342,406
Advertisement	199,331,447	377,388,627
Corporate event management	63,521,594	34,659,483
Agent training cost	18,700,913	5,057,846
Market research	20,079,634	22,109,849
Market strategy	349,070	788,021
	875,927,645	851,876,318



Notes to the financial statements (Continued)

34 Utilisation of donor grants

<i>In Taka</i>	31 December 2016	31 December 2015
Advertisement	6,768,781	5,168,270
Printing and material development cost	1,317,105	5,331,783
Incentive	13,297,380	13,723,975
Salary and allowances	21,179,206	51,315,786
Donated asset	5,012,050	-
Customer acquisition cost	6,052,741	28,087,839
Cash out and bank charge	1,750,359	21,960
Professional and consultancy fees	-	5,845,749
Business development expenses	-	1,071,525
Training expenses	-	7,492,564
Other expenses	9,000	1,110,556
	55,386,622	119,170,008

34.1 International Finance Corporation

<i>In Taka</i>	31 December 2016	31 December 2015
Printing and material development cost	766,705	5,261,679
Advertisement	-	5,168,270
Professional and consultancy fees	-	1,948,125
Business development expenses	-	338,100
Customer acquisition cost	-	6,095,089
Others	-	483,000
	766,705	19,294,263

34.2 Bill and Melinda Gates Foundation

<i>In Taka</i>	31 December 2016	31 December 2015
Printing and material development cost	550,400	70,104
Advertisement	6,768,781	-
Professional and consultancy fees	-	3,897,624
Business development expenses	-	733,425
Customer acquisition cost	6,052,741	21,992,750
Salary and allowances	19,818,979	51,315,786
Incentive	13,297,380	13,723,975
Training expenses	-	7,492,564
Cash out and bank charge	1,750,359	21,960
Others	9,000	627,556
	48,247,640	99,875,745

34.3 Department for International Development

<i>In Taka</i>	31 December 2016	31 December 2015
Donated assets	5,012,050	-
Salary and allowances	1,360,227	-
	6,372,277	-



Notes to the financial statements (Continued)

35 Income tax expenses

See accounting policy in Note 43E

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Current tax		260,011,729	43,230,935
Adjustment on completion of assessment for prior years		7,440,325	-
		267,452,054	43,230,935
Deferred tax expense/(income) recognised directly in profit	35.1	(32,900,703)	99,206,233
		234,551,351	142,437,168

35.1 Deferred tax expense/(income)

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Deferred tax assets/(liabilities) at the beginning of the year	8	(59,233,683)	39,972,550
Deferred tax assets/(liabilities) at the end of the year	8	1,338,020	(59,233,683)
		(60,571,703)	99,206,233
Deferred tax attributable to actuarial loss recognised directly in equity	36	27,671,000	-
Deferred tax expense/(income) recognised directly in profit		(32,900,703)	99,206,233

35.2 Reconciliation of effective tax rate

<i>In Taka</i>	2016 (%)	2015 (%)	31 December 2016	31 December 2015
Profit before tax and WPPF	-	-	652,147,463	398,998,834
Tax using the Company's domestic rate	35.0%	35.0%	228,251,612	139,649,592
Tax effect of:				
Deductible expenses (WPPF)	-1.7%	-1.7%	(10,869,124)	(6,649,980)
Non deductible expenses	6.5%	-4.5%	42,629,241	(18,047,541)
Recognition of tax effect of previously recognised tax losses	1.1%	-18.0%	7,440,325	(71,721,136)
Change in recognised deductible temporary differences	-5.0%	24.9%	(32,900,703)	99,206,233
	36.0%	35.7%	234,551,351	142,437,168

36 Other comprehensive (income)/expense - net of tax

See accounting policy in Note 43C(iii)

<i>In Taka</i>	31 December 2016	31 December 2015
Actuarial loss on defined benefit plans	79,060,000	-
Deferred tax income for actuarial loss on defined benefit plans	(27,671,000)	-
	51,389,000	-

During the year 2016, an appointed third party performed an actuarial valuation of the Company's unfunded defined benefit plan. As per the valuation report, bKash has recognised the required amount of service cost in operating and administrative expenses (Note 32.1) and the related actuarial loss in other comprehensive income/expenses - net of tax (35%) as per *Bangladesh Accounting Standards (BAS) 19 - Employee Benefits*.



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 the only significant part of the operational and other receivables and it is most unlikely for a 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:

<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Operational receivables	9	13,162,771	939,097
Other receivables	9	206,803,608	157,157,683
Security deposits - rent	10	6,672,400	5,748,100
Restricted cash and cash equivalents	13	17,506,568,895	11,171,575,672
Investment in fixed deposits	14	1,620,000,000	1,470,000,000
Cash and cash equivalents	15	299,582,196	306,434,564
		19,652,789,870	13,111,855,116

(b) Ageing of operational and other receivables

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

<i>In Taka</i>	31 December 2016	31 December 2015
Neither past due nor impaired	219,966,379	158,096,780
Past due 1 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 91 - 120 days	-	-
Past due 91 - 360 days	-	-
Past due 361+ days	-	-
	219,966,379	158,096,780

(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 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.

		Contractual cash flows						
31 December 2016		Carrying		2 months	2-12			
<i>In Taka</i>	<i>Note</i>	amount	Total	or less	months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Employee benefits	20	118,480,000	118,480,000	-	8,223,995	8,209,475	22,986,530	79,060,000
Customer deposits	21	11,487,721,167	11,487,721,167	-	11,487,721,167	-	-	-
Other deposits	22	5,800,892,990	5,800,892,990	-	5,800,892,990	-	-	-
Operational and other payables	23	672,970,358	672,970,358	1,176,341	671,794,017	-	-	-
Other non-current liabilities	24	7,145,802	7,145,802	-	-	-	7,145,802	-
Finance lease liabilities	25	24,725,757	24,725,757	984,300	5,222,257	6,865,913	11,653,286	-
Accrued expenses	27	902,986,476	902,986,476	366,438,264	536,548,212	-	-	-
		19,014,922,550	19,014,922,550	368,598,905	18,510,402,638	15,075,388	41,785,618	79,060,000
Derivative financial liabilities								
		-	-	-	-	-	-	-
		19,014,922,550	19,014,922,550	368,598,905	18,510,402,638	15,075,388	41,785,618	79,060,000
		Contractual cash flows						
31 December 2015		Carrying		2 months	2-12			
<i>In Taka</i>	<i>Note</i>	amount	Total	or less	months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Employee benefits	20	6,873,005	6,873,005	-	6,873,005	-	-	-
Customer deposits	21	7,346,784,052	7,346,784,052	-	7,346,784,052	-	-	-
Other deposits	22	3,614,553,210	3,614,553,210	-	3,614,553,210	-	-	-
Operational and other payables	23	606,469,285	606,469,285	2,470,980	603,998,305	-	-	-
Other non-current liabilities	24	7,145,802	7,145,802	-	-	-	7,145,802	-
Accrued expenses	27	490,556,258	490,556,258	228,327,670	262,228,588	-	-	-
		12,072,381,612	12,072,381,612	230,798,650	11,834,437,160	-	7,145,802	-
Derivative financial liabilities								
		-	-	-	-	-	-	-
		12,072,381,612	12,072,381,612	230,798,650	11,834,437,160	-	7,145,802	-

(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 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>	31 December 2016	31 December 2015
Foreign currency denominated liabilities			
Other non-current liabilities	24	91,029	91,029
Visa Cape Town Proprietary Limited	23.1	692,698	1,071,776
Breakpoint Vantage (Pty) Limited	23.1	470,192	20,700
Nihilent Technologies Limited	23.1	357,500	-
Others	27	-	15,281
Net exposure		1,611,419	1,198,786

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

<i>In Taka</i>	Average rate		Year-end spot rate	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
USD	78.47	77.97	78.70	78.50

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 2016				
USD (5% movement)	(6,340,933)	6,340,933	(6,340,933)	6,340,933
31 December 2015				
USD (5% movement)	(4,705,235)	4,705,235	(4,705,235)	4,705,235



b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings.

Exposure to interest rate risk

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

		Nominal Amount	
<i>In Taka</i>	<i>Note</i>	31 December 2016	31 December 2015
Fixed rate instruments			
Financial assets			
Restricted fixed deposits	13	11,500,000,000	9,600,000,000
Operational fixed deposits	14	1,620,000,000	1,470,000,000
Financial liabilities			
		-	-
		13,120,000,000	11,070,000,000
Variable rate instruments			
Financial assets			
Restricted cash at banks	13	6,006,568,895	1,571,575,672
Operational cash at banks	15	293,139,387	286,398,246
Financial liabilities			
Finance lease liabilities	25	(24,725,757)	-
		6,274,982,525	1,857,973,918



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.

		Carrying amount							Fair value				
31 December 2016		Held-for-	Designated	Fair value-		Loans and	Available	Other financial		Level 1	Level 2	Level 3	Total
<i>In Taka</i>	<i>Note</i>	trading	at fair value	hedging	Held to maturity	receivables	for sale	liabilities	Total				
Financial assets measured at fair value		-	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value													
Operational and other receivables	9	-	-	-	-	219,966,379	-	-	219,966,379	-	-	-	-
Deposit against rent	10	-	-	-	-	6,672,400	-	-	6,672,400	-	-	-	-
Cash at banks	13 & 15	-	-	-	-	6,299,708,282	-	-	6,299,708,282	-	-	-	-
Fixed deposits with banks	13 & 14	-	-	-	13,120,000,000	-	-	-	13,120,000,000	-	-	-	-
		-	-	-	13,120,000,000	6,526,347,061	-	-	19,646,347,061	-	-	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value													
Employee benefits	20	-	-	-	-	-	-	118,480,000	118,480,000	-	-	-	-
Customer deposits	21	-	-	-	-	-	-	11,487,721,167	11,487,721,167	-	-	-	-
Other deposits	22	-	-	-	-	-	-	5,800,892,990	5,800,892,990	-	-	-	-
Operational and other payables	23	-	-	-	-	-	-	671,794,017	671,794,017	-	-	-	-
Other non-current liabilities	24	-	-	-	-	-	-	7,145,802	7,145,802	-	-	-	-
Finance lease liabilities	25	-	-	-	-	-	-	24,725,758	24,725,758	-	-	-	-
Accrued expenses	27	-	-	-	-	-	-	902,986,476	902,986,476	-	-	-	-
		-	-	-	-	-	-	19,013,746,210	19,013,746,210	-	-	-	-



Notes to the financial statements (Continued)

		Carrying amount							Fair value				
31 December 2015		Held-for-	Designated	Fair value-		Loans and	Available	Other financial					
In Taka	Note	trading	at fair value	hedging	Held to maturity	receivables	for sale	liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value		-	-	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value													
Operational and other receivables	9	-	-	-	-	158,096,780	-	-	158,096,780	-	-	-	-
Deposit against rent	10	-	-	-	-	5,748,100	-	-	5,748,100	-	-	-	-
Cash at banks	13 & 15	-	-	-	-	1,857,973,918	-	-	1,857,973,918	-	-	-	-
Fixed deposits with banks	13 & 14	-	-	-	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													
Employee benefits	20	-	-	-	-	-	-	6,873,005	6,873,005	-	-	-	-
Customer deposits	21	-	-	-	-	-	-	7,346,784,052	7,346,784,052	-	-	-	-
Other deposits	22	-	-	-	-	-	-	3,614,553,210	3,614,553,210	-	-	-	-
Operational and other payables	23	-	-	-	-	-	-	603,998,305	603,998,305	-	-	-	-
Other non-current liabilities	24	-	-	-	-	-	-	7,145,802	7,145,802	-	-	-	-
Accrued expenses	27	-	-	-	-	-	-	490,556,258	490,556,258	-	-	-	-
		-	-	-	-	-	-	12,069,910,632	12,069,910,632	-	-	-	-

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



38 Commitments

As at 31 December 2016, the Company is committed to incur capital expenditure of BDT 27 million (31 December 2015:15 million).

39 Contingencies

See accounting policy in Note 43O.

There are unresolved disputed corporate tax assessments by the authorities for the financial year 2012. Considering the merits of the authorities' assessment, 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>	31 December 2016	31 December 2015
Board meeting attendance fee	994,705	860,539
	994,705	860,539

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

(c) Other related party transactions

<i>In Taka</i>	Transaction values for the year ended		Balance outstanding as at	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Purchase of services and supplies				
<u>Parent and ultimate controlling party</u>				
BRAC Bank Limited				
- Other services	145,000,690	2,991,174	(2,922,647)	(104,623)
<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 / (payables)	1,746,037	(2,808,552)	572,894	112,576
<u>Entities with common control</u>				
BRAC IT Services Limited	21,118,779	175,304	(2,614,465)	(175,304)
<u>Entities with significant influence</u>				
International Finance Corporation				
- Grant funds	(766,705)	7,182,262	(78,444)	(845,149)
Bill & Melinda Gates Foundation				
- Grant funds	23,075,940	91,557,860	(49,385,945)	(26,310,005)



41 Other disclosures

41.1 Number of employees

As at 31 December 2016, number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 638 (31 December 2015: 556).

41.2 Comparatives

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

41.3 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.

Future minimum lease payments

In 2016 and 2015 there were no future minimum lease payments payable under non-cancellable leases.

b) Leases as lessor

In 2016 and 2015 the Company does not have any leased out property.

41.4 Events after the reporting period

In January 2017, Bangladesh Bank issued a circular to mobile financial service (MFS) providers which includes a revision of permitted limits on MFS transaction volumes and amounts and puts restriction on the number of accounts per National Identification number. bKash has now amended its transaction limits to be in line with the circular; given the size of customer base of bKash, a tool is being developed to identify accounts which are outside of the recommended limit per National Identity number.

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



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.

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

A	Revenue	32
B	Foreign currency	33
C	Employee benefits	33
D	Finance income and finance costs	34
E	Income tax	34
F	Property, plant and equipment	35
G	Intangible assets	36
H	Financial instruments	36
I	Share capital	37
J	Impairment	38
K	Provisions	38
L	Grants	39
M	Leases	39
N	Going concern	39
O	Contingencies	39
P	Statement of cash flows	40
Q	Events after the reporting period	40
R	Materiality and aggregation	40

A Revenue

Revenue is recognised when service is rendered, to the extent it is probable that the economic benefit from the transactions will flow to the Company and the revenue can be reliably measured. Revenue is 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 service is 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.



Notes to the financial statements (Continued)

- (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 network 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 customers (see (vi) above).

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 plans

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.



Notes to the financial statements (Continued)

The Employees' Gratuity fund is being considered as a defined benefit plan as it meets the recognition criteria. The Company operates an 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 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 and finance costs

Finance income comprises interest on financial deposits with banks. Finance income is recognised on an accrual basis and shown under statement of profit or loss and other comprehensive income. The Company's finance cost includes interest expense 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 2016 and Income Tax Ordinance 1984 (2015: 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:

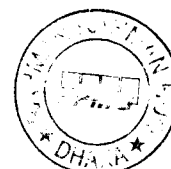
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill.

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.



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 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>	2016	2015
Office furniture	10	10
Office equipment	5	5
IT equipment	5	5
Laptop & computer	3	5
Motor vehicles	5	5
Leasehold improvements	5	5
Motor vehicles - leased	5	-

The Company has changed the useful life of laptop & computer from 5 years to 3 years. This change in estimation is effective from 1 January 2016.

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

(iv) Impairment

The carrying amount of the entity'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

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.

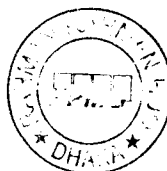
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or 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 operational and other receivables, refundable deposits and cash and cash equivalents.

Operational and other receivables

Operational and other receivables are recognised initially at fair value. Subsequent to initial recognition, operational and other receivables are measured at amortised cost using the effective interest method, less any bad debts provision. operational receivables represent the amounts due from related parties. 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.



Investment in 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.

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 several banks in the form of cash and Fixed Deposits Receipts (FDR). According to requirement of Bangladesh Bank, at any point of time, the physical cash balance of bKash account held by banks must be equal to the balance shown in the system of bKash digital wallet platform. These accounts shall remain under surveillance of Bangladesh Bank.

(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, operational and other payables, grant funds and accrued expenses.

Customer and other 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.

Operational and other payables

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

Accrued expenses

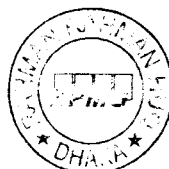
Accrued expenses represent various operating expenses that are due at the reporting date which are initially measured at fair value.

(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.

I Share capital

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



J 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
- 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.

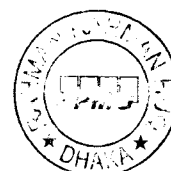
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (Cash-generating units).

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.

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 BAS 37: Provisions, Contingent Liabilities and Contingent Assets.



L 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.

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.

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 Bangladesh Accounting Standard 7: "Statement of cash flows" under direct method.

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.

44 Standards issued but not yet effective

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 2016 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 on or 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.

