

bKash Limited

Auditor's report and financial statements as at and
for the year ended 31 December 2017



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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 2017, 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 2017 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,



bKash Limited
Statement of financial position

<i>In Taka</i>	<i>Note</i>	31 December 2017	31 December 2016
Assets			
Property, plant and equipment	6	767,571,771	708,337,120
Intangible assets	7	463,632,762	269,453,715
Deferred tax assets	8	-	1,338,020
Non-current assets		1,231,204,533	979,128,855
Operational and other receivables	9	426,953,282	219,966,379
Advances, deposits and prepayments	10	232,336,222	218,267,016
Advance income tax	11	537,833,294	366,946,533
Airtime balance	12	1,163,143,640	797,587,267
Restricted cash and cash equivalents	13	21,986,269,408	17,506,568,895
Investment in fixed deposits	14	2,121,800,000	1,620,000,000
Cash and cash equivalents	15	186,243,340	299,582,196
Current assets		26,654,579,186	21,028,918,286
Total assets		27,885,783,719	22,008,047,141
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		903,366,797	415,549,081
Total equity		3,079,782,255	2,591,964,539
Liabilities			
Deferred tax liabilities	8	35,986,265	-
Employee benefits	20	-	118,480,000
Other non-current liabilities	24	7,145,802	7,145,802
Finance lease liabilities	25	40,774,231	18,519,200
Non-current liabilities		83,906,298	144,145,002
Employee benefits	20	44,515,670	-
Customer deposits	21	14,885,941,261	11,487,721,167
Other deposits	22	6,777,995,938	5,800,892,990
Operational and other payables	23	1,023,172,770	672,970,358
Finance lease liabilities	25	17,376,926	6,206,558
Grant funds	26	43,544,365	49,464,389
Accrued expenses	27	1,312,214,254	902,986,476
Provision for tax	28	617,333,982	351,695,662
Current liabilities		24,722,095,166	19,271,937,600
Total liabilities		24,806,001,464	19,416,082,602
Total equity and liabilities		27,885,783,719	22,008,047,141

The notes on pages 7 to 37 are an integral part of these financial statements.

Chief Executive Officer

Director

Director

Company Secretary

As per our report of same date.

Dhaka,

bKash Limited

Statement of profit or loss and other comprehensive income

<i>In Taka</i>	<i>Note</i>	<i>For the year ended</i>
		<i>31 December 2017</i>
		<i>31 December 2016</i>
Gross revenue		16,332,362,660
VAT		(2,074,019,100)
Net revenue	29	14,258,343,560
Cost of services	30	(11,299,194,131)
Gross profit		2,959,149,429
Other income	31	1,391,255,705
Donor grants	34	50,562,922
Operating and administrative expenses	32	(2,478,901,509)
Marketing and promotional expenses	33	(1,041,184,288)
Utilisation of grant funds	34	(50,562,922)
Profit before contribution to WPPF		830,319,337
Contribution to WPPF		(39,539,016)
Profit before tax		790,780,321
Income tax expenses	35	(302,962,605)
Profit		487,817,716
Other comprehensive income/(expense) - net of tax	36	-
Total comprehensive income		487,817,716

The notes on pages 7 to 37 are an integral part of these financial statements.

Chief Executive Officer

Director

Director

Company Secretary

As per our report of same date.

Dhaka,



Auditor

Rahman Rahman Huq
Chartered Accountants

bKash Limited
Statement of changes in equity

<i>In Taka</i>	For the year ended 31 December 2017					
	Ordinary shares	Convertible preference shares	Share premium	Share money deposit	Retained earnings	Total equity
Balance at 1 January 2017	38,194,900	4,097,000	2,133,618,396	505,162	415,549,081	2,591,964,539
Total comprehensive income						
Profit for the year	-	-	-	-	487,817,716	487,817,716
Total comprehensive income	-	-	-	-	487,817,716	487,817,716
Balance at 31 December 2017	38,194,900	4,097,000	2,133,618,396	505,162	903,366,797	3,079,782,255

<i>In Taka</i>	For the year ended 31 December 2016					
	Ordinary shares	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

The notes on pages 7 to 37 are an integral part of these financial statements.



bKash Limited
Statement of cash flows

<i>In Taka</i>	<i>For the year ended 31 December</i>	
	<i>2017</i>	<i>2016</i>
Cash flows from operating activities		
Cash receipt from customers	18,688,115,022	18,473,244,435
Cash paid to suppliers, employees and others	(14,239,125,513)	(12,557,858,678)
Cash generated from operating activities	4,448,989,509	5,915,385,757
Interest received from deposits	1,174,463,281	1,076,029,140
Income taxes paid	(170,886,761)	(141,640,949)
Net cash flows from operating activities	5,452,566,029	6,849,773,948
Cash flows from investing activities		
Acquisition of property, plant and equipment	(340,049,941)	(186,104,099)
Acquisition of intangible assets	(231,887,831)	(182,634,752)
Investment in fixed deposits	(501,800,000)	(150,000,000)
Net cash used in investing activities	(1,073,737,772)	(518,738,851)
Cash flows from financing activities		
Finance lease liabilities	(12,466,600)	(2,894,242)
Net cash used in financing activities	(12,466,600)	(2,894,242)
Net increase in cash and cash equivalents	4,366,361,657	6,328,140,855
Cash and cash equivalents (including restricted cash and cash equivalents) at 1 January	17,806,151,091	11,478,010,236
Cash and cash equivalents including restricted cash and cash equivalents as at 31 December	22,172,512,748	17,806,151,091
Less: Restricted cash and cash equivalents	21,986,269,408	17,506,568,895
Cash and cash equivalents as at 31 December	186,243,340	299,582,196

The notes on pages 7 to 37 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 its 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 2017 is included in the following notes:

Notes 6 and 43F	Property, plant and equipment
Notes 7 and 43G	Intangible assets
Notes 8 and 43E(ii)	Deferred tax assets/(liabilities)
Notes 20 and 43C	Employee benefits
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.



Notes to the financial statements (Continued)

6 Property, plant and equipment

See accounting policy in Note 43F

Reconciliation of carrying amount

In Taka	Note	IT equipment	Laptop & computer	Motor vehicles	Motor vehicles - leased	Office furniture	Office equipment	Leasehold improvements	Work in progress	Total
Cost										
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		-	-	-	-	-	-	(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
Balance at 1 January 2017		390,045,072	83,745,632	2,000,000	31,137,444	43,255,005	39,268,971	78,278,447	276,113,531	943,844,102
Additions		73,378,890	21,059,728	-	50,511,159	13,665,552	10,750,938	3,811,828	75,015,384	248,193,479
Reclassification		-	-	-	-	-	-	-	(35,155,647)	(35,155,647)
Write off		(2,552,265)	(13,572,782)	-	-	(1,091,879)	(213,956)	-	-	(17,430,882)
Transfer from work in progress		86,058,763	-	-	-	-	6,148,014	18,270,864	(110,477,641)	-
Balance at 31 December 2017		546,930,460	91,232,578	2,000,000	81,648,603	55,828,678	55,953,967	100,361,139	205,495,627	1,139,451,052
Accumulated depreciation										
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
Adjustments	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
Balance at 1 January 2017		139,437,232	52,105,944	1,999,999	3,130,833	7,299,245	14,768,193	16,765,536	-	235,506,982
Depreciation	32.2	87,212,934	21,263,367	-	12,724,249	4,737,593	9,210,633	16,970,262	-	152,119,038
Write off		(1,816,275)	(13,435,099)	-	-	(371,769)	(123,596)	-	-	(15,746,739)
Balance at 31 December 2017		224,833,891	59,934,212	1,999,999	15,855,082	11,665,069	23,855,230	33,735,798	-	371,879,281
Carrying amounts										
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
At 31 December 2017		322,096,569	31,298,366	1	65,793,521	44,163,609	32,098,737	66,625,341	205,495,627	767,571,771



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 2016		351,689,135	96,205,132	447,894,267
Additions		38,475,376	10,297,808	48,773,184
Reclassification		(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
Balance at 1 January 2017		469,940,955	10,285,078	480,226,033
Additions		101,138,998	168,134,782	269,273,780
Reclassification		-	35,155,647	35,155,647
Write off		(110,516,999)	-	(110,516,999)
Transfer from work in progress		46,903,441	(46,903,441)	-
Balance at 31 December 2017		507,466,395	166,672,066	674,138,461
Accumulated amortisation				
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
Balance at 1 January 2017		210,772,318	-	210,772,318
Amortisation	32.2	110,250,380	-	110,250,380
Write off		(110,516,999)	-	(110,516,999)
Balance at 31 December 2017		210,505,699	-	210,505,699
Carrying amounts				
At 31 December 2016		259,168,637	10,285,078	269,453,715
At 31 December 2017		296,960,696	166,672,066	463,632,762



Notes to the financial statements (Continued)

8 Deferred tax assets/(liabilities)

See accounting policy in Note 43E(ii)

<i>In Taka</i>	<i>Note</i>	2017	2016
Balance at 1 January		1,338,020	(59,233,683)
Deferred tax income/(expense) for the year	35.1	(37,324,285)	60,571,703
Balance at 31 December		(35,986,265)	1,338,020

<i>In Taka</i>	Carrying amount on reporting date	Tax base	Taxable/ (deductible) temporary difference
At 31 December 2017			
Property, plant and equipment	539,607,623	480,585,695	59,021,928
Intangible assets	296,960,695	198,698,254	98,262,441
Preliminary expenses	-	9,950,800	(9,950,800)
Employee benefits	44,515,670	-	(44,515,670)
Taxable/(deductible) temporary differences	881,083,988	689,234,749	102,817,899

Applicable tax rate 35%

Deferred tax liabilities	(35,986,265)
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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
Preliminary 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
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9 Operational and other receivables

See accounting policy in Note 43H(i)

<i>In Taka</i>	2017	2016
Operational receivables		
Related party - BRAC Bank Limited	613,209	572,894
Other than related parties	53,219	12,589,877
	666,428	13,162,771
Less: Provision for doubtful debts	-	-
	666,428	13,162,771
Other receivables		
Accrued interest on fixed deposits	426,286,854	206,803,608
	426,286,854	206,803,608
	426,953,282	219,966,379
Below one year	426,953,282	219,966,379
	426,953,282	219,966,379



Notes to the financial statements (Continued)

10 Advances, deposits and prepayments

See accounting policy in Note 43H(i)

<i>In Taka</i>	<i>Note</i>	2017	2016
Advances			
Employees		5,836,286	2,213,388
Suppliers		15,261,377	6,424,790
Office rent		89,206,274	94,900,273
VAT current account		724,932	1,127,271
		111,028,869	104,665,722
Deposits			
Rent		5,416,600	6,672,400
		5,416,600	6,672,400
Prepayments			
Expenses		48,751,171	55,116,195
Agent commission	10.1	67,139,582	51,812,699
		115,890,753	106,928,894
		232,336,222	218,267,016

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

11 Advance income tax

See accounting policy in Note 43E(i)

<i>In Taka</i>	2017	2016
Balance at 1 January	366,946,533	225,305,584
Deducted at source	170,886,761	141,640,949
Balance at 31 December	537,833,294	366,946,533

12 Airtime balance

<i>In Taka</i>	<i>Note</i>	2017	2016
Airtime balance	12.1		
Robi Axiata Limited		285,962,671	19,965,991
Banglalink Digital Communications Limited		26,060,638	15,364,457
Grameenphone Limited		57,384,843	29,535,985
Teletalk Bangladesh Limited		44,216,859	5,631,858
		413,625,011	70,498,291
Airtime proceeds in transit	12.2	749,518,629	727,088,976
		749,518,629	727,088,976
		1,163,143,640	797,587,267

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. As such airtime has no expiry date in the hands of the Company, these are recorded at their face value until utilised or purchased by bKash customers.

12.2 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>	2017	2016
Cash at bank	6,596,269,405	6,006,568,895
Fixed deposits	15,390,000,003	11,500,000,000
	21,986,269,408	17,506,568,895

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 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. This account shall remain under surveillance of Bangladesh Bank.

Notes to the financial statements (Continued)

14 Investment in fixed deposits

See accounting policy in Note 43H(i)

Such investment represents unrestricted cash balances which are kept with different banks in the form of Fixed Deposit Receipts (FDR).

15 Cash and cash equivalents

See accounting policy in Note 43H(i)

<i>In Taka</i>	2017	2016
Cash in hand	1,928,762	687,850
Cash at digital wallet	14,039,509	5,754,959
Cash at banks	170,275,069	293,139,387
	186,243,340	299,582,196

16 Ordinary shares

See accounting policy in Note 43I

<i>In Taka</i>	No. of shares	2017	2016
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 shareholding

<i>In Taka</i>	No. of shares	%	2017	2016
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	%	2017	2016
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%	4,097,000	4,097,000

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

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

18 Share premium

<i>In Taka</i>	No. of shares	2017	2016
BRAC Bank Limited	49,705	149,115,000	149,115,000
Money in Motion LLC, USA	122,255	366,765,000	366,765,000
International Finance Corporation	47,744	770,325,568	770,325,568
The Bill & Melinda Gates Foundation	40,970	847,412,828	847,412,828
	260,674	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).

Notes to the financial statements (Continued)

20 Employee benefits

See accounting policy in Note 43C(iii)

<i>In Taka</i>	<i>Note</i>	2017	2016
Balance at 1 January		118,480,000	6,873,005
Service cost	20.1	50,010,000	111,897,900
Benefits paid		(123,974,330)	(290,905)
Balance at 31 December		44,515,670	118,480,000

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

<i>In Taka</i>	<i>Note</i>	2017	2016
Profit or loss			
Current service cost		40,930,000	32,297,900
Interest accrued on defined benefit obligation		9,080,000	540,000
	32.1	50,010,000	32,837,900
Other comprehensive (income)/expense			
Actuarial (gain)/loss recognised directly in equity	36	-	79,060,000
		50,010,000	111,897,900

20.2 Actuarial assumptions

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

	2017	2016
Discount rate	8%	8%
Salary escalation rate	10%	10%

21 Customer deposits

See accounting policy in Note 43H(ii)

<i>In Taka</i>	2017	2016
Balance at 1 January	11,487,721,167	7,346,784,052
Net addition during the year	3,398,220,094	4,140,937,115
Balance at 31 December	14,885,941,261	11,487,721,167

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

22 Other deposits

See accounting policy in Note 43H(ii)

<i>In Taka</i>	2017	2016
Agent deposit	2,356,784,446	1,020,631,106
Distributor deposit	3,530,423,664	3,923,497,092
Merchant deposit	133,147,832	130,966,336
Deposit in transit	757,639,996	725,798,456
	6,777,995,938	5,800,892,990

Other deposit represents the balance maintained by agents, distributors and merchants in their mobile phone in the form of e-money. Deposit in transit represents the balance to be transferred from restricted float accounts to operational accounts against operational revenue, ATM cash out, sold airtime top up and requested inward remittance.

23 Operational and other payables

See accounting policy in Note 43H(ii)

<i>In Taka</i>	<i>Note</i>	2017	2016
Operational payables	23.1	519,896,635	258,470,369
Other payables	23.2	497,095,765	413,323,648
Unearned revenue	23.3	6,180,370	1,176,341
		1,023,172,770	672,970,358



Notes to the financial statements (Continued)

23.1 Operational payables

<i>In Taka</i>	2017	2016
Related parties	901,998	5,537,112
Other than related parties	518,994,637	252,933,257
	519,896,635	258,470,369

23.2 Other payables

<i>In Taka</i>	2017	2016
VAT payable	186,841,396	172,300,587
Withholding tax payable	116,532,585	103,518,577
Subscriber acquisition charges payable	116,617,228	76,920,175
Interest on customer wallet balance	60,031,846	39,542,655
Security deposit from distributors and agents	14,750,000	15,725,000
Other security deposits	1,333,782	5,003,292
Others	988,928	313,362
	497,095,765	413,323,648

23.3 Unearned revenue

<i>In Taka</i>	2017	2016
Airtime top-up		
Robi Axiata Limited	3,801,942	342,015
Banglalink Digital Communications Limited	390,908	230,467
Grameenphone Limited	815,528	434,903
Teletalk Bangladesh Limited	1,171,992	168,956
	6,180,370	1,176,341

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>	2017	2016
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>	2017	2016
Finance lease liabilities - non current	40,774,231	18,519,200
Finance lease liabilities - current	17,376,926	6,206,558
	58,151,157	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>	2017	2016	2017	2016	2017	2016
Not later than one year	22,301,143	8,429,794	4,924,218	2,223,236	17,376,926	6,206,558
Later than one year but not later than five years	45,313,437	21,049,963	4,539,206	2,530,763	40,774,231	18,519,200
	67,614,580	29,479,757	9,463,424	4,753,999	58,151,157	24,725,758

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



Notes to the financial statements (Continued)

26 Grant funds

See accounting policy in Note 43L

<i>In Taka</i>	<i>Note</i>	2017	2016
Balance at 1 January		49,464,389	27,155,154
Fund received during the year	26.1	41,952,076	69,513,107
Interest on grant fund		2,690,822	1,810,473
Utilisation of fund		(50,562,922)	(49,014,345)
Balance at 31 December	26.2	43,544,365	49,464,389

26.1 Fund received during the year

<i>In Taka</i>	2017	2016
International Finance Corporation	21,327,076	-
Bill & Melinda Gates Foundation	20,625,000	69,513,107
	41,952,076	69,513,107

26.2 Closing balance

<i>In Taka</i>	2017	2016
International Finance Corporation	350	78,444
Bill & Melinda Gates Foundation	43,544,015	49,385,945
	43,544,365	49,464,389

27 Accrued expenses

See accounting policy in Note 43H(ii)

<i>In Taka</i>	2017	2016
Distributors commission	224,847,532	210,275,139
Capital expenditure	104,459,888	159,812,103
Mobile network operator service charges	423,018,594	156,163,125
Other employee benefits	227,079,772	150,937,182
Advertisement	132,975,298	121,020,173
Point of sale materials	47,493,960	29,687,645
Other accruals	75,579,722	32,002,723
Alternative channel marketing	12,000,000	10,904,866
Office rent	9,278,057	7,398,100
Car rent	12,495,960	6,363,535
Market research	5,007,540	5,893,790
Training	13,934,881	4,764,189
Customer communication	4,248,245	3,179,194
Audit fee	927,500	800,000
Corporate event and marketing	11,006,249	1,789,160
Travelling	1,199,558	1,416,751
Business promotion	6,661,498	578,803
	1,312,214,254	902,986,476

28 Provision for tax

See accounting policy in Note 43E(i)

<i>In Taka</i>	<i>Note</i>	2017	2016
Balance at 1 January		351,695,662	84,243,608
Provision made during the year	35	265,638,320	260,011,729
Adjustment on completion of assessment for prior years	35	-	7,440,325
Balance at 31 December		617,333,982	351,695,662

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>	2017	2016
Service fees on			
Cash out through agent		13,079,438,531	11,156,986,894
Person to Person (P2P)		636,083,174	508,239,161
Cash out through ATM		2,430,457	1,655,831
Merchants - collection		106,685,380	63,524,444
Merchants - disbursement		1,807,804	1,263,329
Remittance		348,652	152,216
Commission on airtime purchase	29.1	431,549,562	356,856,233
		14,258,343,560	12,088,678,108

29.1 Commission on airtime purchase

<i>In Taka</i>	2017	2016
Robi Axiata Limited	99,259,022	98,624,235
Banglalink Digital Communications Limited	91,188,748	81,268,246
Grameenphone Limited	207,999,878	167,456,430
Teletalk Bangladesh Limited	33,101,914	9,507,322
	431,549,562	356,856,233

30 Cost of services

<i>In Taka</i>	<i>Note</i>	2017	2016
Agent commission on cash in	30.1	3,929,834,103	3,380,538,408
Agent commission on cash out	30.2	3,703,942,901	3,195,732,765
Distributor commission on cash in	30.3	1,388,915,645	1,217,970,069
Distributor commission on cash out	30.4	1,308,996,475	1,150,565,366
Mobile Network Operators service charges	30.5	967,190,079	820,890,284
ATM cash out charges		267,628	126,707
Remittance service cost		47,300	22,833
		11,299,194,131	9,765,846,432

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 ATMs.



Notes to the financial statements (Continued)

31 Other income

See accounting policy in Note 43D

<i>In Taka</i>	2017	2016
Interest on fixed deposits	1,040,918,712	859,661,878
Interest on bank balances	348,536,225	247,697,694
Miscellaneous income	1,800,768	16,505,020
	1,391,255,705	1,123,864,592

32 Operating and administrative expenses

<i>In Taka</i>	Note	2017	2016
Salary and allowances	32.1	1,154,124,527	846,188,836
Depreciation and amortisation	32.2	262,369,418	213,782,948
Office rent		156,584,242	122,553,603
Office maintenance		42,655,939	27,520,841
Business development		33,442,869	29,537,786
Training and workshop		37,666,893	30,801,028
Bank charges		29,696,345	54,026,464
Utility		20,741,968	18,584,540
Employee welfare		17,225,339	13,716,317
Security charges		13,632,175	10,171,364
Outbound call cost		576,390	19,852
Professional and legal fees		54,421,413	67,388,606
Audit fee		927,500	846,000
Data entry and archiving		16,538,700	18,540,215
Vehicle rental expense		82,950,611	62,977,596
Communication		27,844,973	20,234,184
Postage and courier		11,347,531	12,396,567
Software and other maintenance charge	32.3	245,943,575	226,438,701
Printing and stationery		7,436,827	9,891,779
Insurance		14,235,882	11,364,303
Travelling expenses	32.4	106,993,558	80,540,230
Loss on sale of fixed assets		-	4,082,357
Interest on customer wallet balance		108,095,482	65,457,042
Interest expense - finance lease		4,799,831	1,429,496
Other operating and administrative expenses	32.5	28,649,521	16,148,412
		2,478,901,509	1,964,639,067

32.1 Salary and allowances

<i>In Taka</i>	2017	2016
Salary and allowances - regular	946,939,783	685,932,454
Salary and allowances - contractual	119,084,852	100,081,895
Employer's contribution to gratuity fund	50,010,000	32,837,900
Employer's contribution to provident fund	38,089,892	27,336,587
	1,154,124,527	846,188,836

32.2 Depreciation and amortisation

<i>In Taka</i>	Note	2017	2016
Depreciation - property, plant and equipment	6	152,119,038	116,007,661
Amortisation - intangible assets	7	110,250,380	97,775,287
		262,369,418	213,782,948

32.3 Software and other maintenance charge

<i>In Taka</i>	2017	2016
Annual maintenance charge	212,497,366	188,568,963
Other maintenance charge	33,446,209	37,869,738
	245,943,575	226,438,701



Notes to the financial statements (Continued)

32.4 Travelling expenses

<i>In Taka</i>	2017	2016
Travelling expenses - overseas	34,836,598	16,570,977
Travelling expenses - local	72,156,960	63,969,253
	106,993,558	80,540,230

32.5 Other operating and administrative expenses

<i>In Taka</i>	2017	2016
Meeting	4,230,723	5,973,607
Corporate social responsibility	7,973,170	-
Foreign exchange loss	5,955,218	538,556
Office accessories	4,427,039	3,375,436
Entertainment	858,518	1,305,944
Board meeting attendance fee	1,520,259	994,705
Write off of property, plant and equipment	3,237,357	2,212,614
Newspaper and magazine	189,296	157,504
Rent, rate and taxes	223,029	172,675
Miscellaneous	34,912	1,417,371
	28,649,521	16,148,412

33 Marketing and promotional expenses

<i>In Taka</i>	2017	2016
Subscriber acquisition charges	362,491,571	221,074,226
Campaign charges	75,577,888	62,779,538
Customer communication	13,061,029	14,825,681
Point of sale materials	173,693,733	162,380,473
Alternative channel marketing	95,163,886	95,031,198
Advertisement	263,383,696	199,897,296
Corporate event management	42,024,055	54,820,887
Market research	15,788,430	19,100,439
	1,041,184,288	829,909,738

34 Utilisation of grant funds

<i>In Taka</i>	2017	2016
Advertisement	4,718,604	6,768,781
Point of sale materials	1,843,059	1,317,105
Subscriber acquisition charges	3,673,837	13,297,380
Salary and allowances	-	21,179,206
Donated asset	-	5,012,050
Campaign charges	13,090,466	6,052,741
Cash out and bank charges	18,659,327	1,750,359
Business development	1,646,670	-
Corporate event management	6,843,931	-
Others	87,028	9,000
	50,562,922	55,386,622

34.1 International Finance Corporation

<i>In Taka</i>	2017	2016
Point of sale materials	1,032,634	766,705
Advertisement	3,863,954	-
Subscriber acquisition charges	2,722,776	-
Business development	746,000	-
Campaign charges	13,039,806	-
	21,405,170	766,705



Notes to the financial statements (Continued)

34.2 Bill & Melinda Gates Foundation

<i>In Taka</i>	2017	2016
Point of sale materials	810,425	550,400
Advertisement	854,650	6,768,781
Business development	900,670	-
Campaign charges	50,660	6,052,741
Salary and allowances	-	19,818,979
Subscriber acquisition charges	951,060	13,297,380
Cash out and bank charges	18,659,327	1,750,359
Corporate event management	6,843,931	-
Others	87,028	9,000
	29,157,751	48,247,640

34.3 Department for International Development

<i>In Taka</i>	2017	2016
Donated assets	-	5,012,050
Salary & allowances	-	1,360,227
	-	6,372,277

35 Income tax expenses

See accounting policy in Note 43E

<i>In Taka</i>	Note	2017	2016
Current tax		265,638,320	260,011,729
Adjustment on completion of assessment for prior years		-	7,440,325
		265,638,320	267,452,054
Deferred tax expense/(income) recognised directly in profit	35.1	37,324,285	(32,900,703)
		302,962,605	234,551,351

35.1 Deferred tax expense/(income)

<i>In Taka</i>	Note	2017	2016
Deferred tax asset/(liabilities) at the beginning of the year	8	1,338,020	(59,233,683)
Less: Deferred tax asset/(liabilities) at the end of the year	8	(35,986,265)	1,338,020
		37,324,285	(60,571,703)
Deferred tax attributable to actuarial loss recognised directly in equity	36	-	27,671,000
Deferred tax expense/(income) recognised directly in profit		37,324,285	(32,900,703)

35.2 Reconciliation of effective tax rate

<i>In Taka</i>	2017 (%)	2016 (%)	2017	2016
Profit before tax and WPPF			830,319,337	652,147,463
Tax using the Company's domestic rate	35.0%	35.0%	290,611,768	228,251,612
Tax effect of:				
Deductible expenses (WPPF)	-1.7%	-1.7%	(13,838,656)	(10,869,124)
Non deductible expenses	-1.3%	6.5%	(11,134,793)	42,629,241
Recognition of tax effect of previously recognised tax losses	0.0%	1.1%	-	7,440,325
Change in recognised (taxable)/deductible temporary	4.5%	-5.0%	37,324,285	(32,900,703)
	36.5%	36.0%	302,962,604	234,551,351

36 Other comprehensive income

See accounting policy in Note 43C(iii)

<i>In Taka</i>	2017	2016
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



Notes to the financial statements (Continued)

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>	2017	2016
Operational and other receivables	9	426,953,282	219,966,379
Security deposits - rent	10	5,416,600	6,672,400
Restricted cash and cash equivalents	13	21,986,269,408	17,506,568,895
Investment in fixed deposits	14	2,121,800,000	1,620,000,000
Cash at banks	15	170,275,069	293,139,387
		24,710,714,359	19,646,347,061

(b) Aging 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>	<i>Note</i>	2017	2016
Neither past due nor impaired	9	426,953,282	219,966,379
Past due 1 - 30 days		-	-
Past due 31 - 90 days		-	-
Past due 91 - 120 days		-	-
Past due 91 - 360 days		-	-
Past due 361+ days		-	-
		426,953,282	219,966,379



Notes to the financial statements (Continued)

(iii) Liquidity risk

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

The Company aims to maintain the level of its cash and cash equivalents and other investments at amounts in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on 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 2017		Carrying	Total	2 months	2-12	1-2 years	2-5 years	More than
In Taka	Note	amount		or less	months			5 years
Non-derivative financial liabilities								
Employee benefits	20	44,515,670	44,515,670	-	44,515,670	-	-	-
Customer deposits	21	14,885,941,261	14,885,941,261	14,885,941,261	-	-	-	-
Other deposits	22	6,777,995,938	6,777,995,938	6,777,995,938	-	-	-	-
Operational and other payables	23	1,023,172,770	1,023,172,770	6,180,370	1,016,992,400	-	-	-
Other non-current liabilities	24	7,145,802	7,145,802	-	-	-	7,145,802	-
Finance lease liabilities	25	58,151,157	58,151,157	2,767,036	14,609,889	19,164,652	21,609,580	-
Accrued expenses	27	1,312,214,254	1,312,214,254	647,866,126	664,348,128	-	-	-
		24,109,136,852	24,109,136,852	22,320,750,731	1,740,466,087	19,164,652	28,755,382	-
Derivative financial liabilities								
		-	-	-	-	-	-	-
		24,109,136,852	24,109,136,852	22,320,750,731	1,740,466,087	19,164,652	28,755,382	-
		Contractual cash flows						
31 December 2016		Carrying	Total	2 months	2-12	1-2 years	2-5 years	More than
In Taka	Note	amount		or less	months			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	24,725,758	24,725,758	984,300	5,222,257	6,865,914	11,653,287	-
Accrued expenses	27	902,986,476	902,986,476	366,438,264	536,548,212	-	-	-
		19,014,922,551	19,014,922,551	17,657,213,061	1,221,788,481	15,075,389	41,785,619	79,060,000
Derivative financial liabilities								
		-	-	-	-	-	-	-
		19,014,922,551	19,014,922,551	17,657,213,061	1,221,788,481	15,075,389	41,785,619	79,060,000



Notes to the financial statements (Continued)

(iv) Market risk

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

a) Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the functional currency of the Company. The functional currency of the Company is 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>	2017	2016
Foreign currency denominated liabilities			
Other non-current liabilities	24	91,029	91,029
Visa Cape Town Proprietary Limited	23	-	692,698
Breakpoint Vantage (Pty) Limited	23	95,296	470,192
Nihilent Technologies Limited	23	-	357,500
Huawei Technologies (Bangladesh) Limited	23	423,376	-
Tigerspike Ltd	23	36,845	-
Net exposure		646,546	1,611,419

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

<i>In Taka</i>	Average rate		Year-end spot rate	
	2017	2016	2017	2016
USD	80.63	78.47	82.70	78.70

Sensitivity analysis

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

<i>Effect in Taka</i>	Profit/(loss)		Equity, net of tax increase/(decrease)	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2017				
USD (5% movement)	(2,673,468)	2,673,468	(2,673,468)	2,673,468
31 December 2016				
USD (5% movement)	(6,340,933)	6,340,933	(6,340,933)	6,340,933



Notes to the financial statements (Continued)

b) Interest rate risk

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

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:

<i>In Taka</i>	<i>Note</i>	Nominal amount	
		2017	2016
Fixed rate instruments			
Financial assets			
Restricted fixed deposits	13	15,390,000,003	11,500,000,000
Operational fixed deposits	14	2,121,800,000	1,620,000,000
Financial liabilities		-	-
		17,511,800,003	13,120,000,000
Variable rate instruments			
Financial assets			
Restricted cash at banks	13	6,596,269,405	6,006,568,895
Operational cash at banks	15	170,275,069	293,139,387
Financial liabilities			
Finance lease liabilities	25	(58,151,157)	(24,725,758)
		6,708,393,317	6,274,982,524



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 2017		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	-	-	-	-	426,953,282	-	-	426,953,282	-	-	-	-
Security deposits - rent	10	-	-	-	-	5,416,600	-	-	5,416,600	-	-	-	-
Cash at banks	13 & 15	-	-	-	-	6,766,544,474	-	-	6,766,544,474	-	-	-	-
Fixed deposits with banks	13 & 14	-	-	-	17,511,800,003	-	-	-	17,511,800,003	-	-	-	-
		-	-	-	17,511,800,003	7,198,914,356	-	-	24,710,714,359	-	-	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value													
Employee benefits	20	-	-	-	-	-	-	44,515,670	44,515,670	-	-	-	-
Customer deposits	21	-	-	-	-	-	-	14,885,941,261	14,885,941,261	-	-	-	-
Other deposits	22	-	-	-	-	-	-	6,777,995,938	6,777,995,938	-	-	-	-
Operational and other payables	23	-	-	-	-	-	-	1,016,992,400	1,016,992,400	-	-	-	-
Other non-current liabilities	24	-	-	-	-	-	-	7,145,802	7,145,802	-	-	-	-
Finance lease liabilities	25	-	-	-	-	-	-	58,151,157	58,151,157	-	-	-	-
Accrued expenses	27	-	-	-	-	-	-	1,312,214,254	1,312,214,254	-	-	-	-
		-	-	-	-	-	-	24,102,956,482	24,102,956,482	-	-	-	-



Notes to the financial statements (Continued)

		Carrying amount								Fair value			
31 December 2016		Held-for-	Designated	Fair value-		Loans and	Available	Other financial					
<i>In Taka</i>	<i>Note</i>	trading	at fair value	hedging instruments	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	-	-	-	-	219,966,379	-	-	219,966,379	-	-	-	-
Security deposits - 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)

38 Commitments

As at 31 December 2017, the Company is committed to incur capital expenditure of BDT 60 million (31 December 2016: 27 million).

39 Contingencies

See accounting policy in Note 43O.

a) Income tax

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.

b) Demand guarantee

<i>In Taka</i>	Expiry date	2017
World Food Programme	19 December 2021	1,800,000

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

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>	2017	2016
Board meeting attendance fee	1,520,259	994,705
	1,520,259	994,705

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



Notes to the financial statements (Continued)

(c) Other related party transactions

In Taka	Transaction values for the year ended		Balance outstanding as at	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Purchase of services and supplies				
<i>Parent and ultimate controlling party</i>				
BRAC Bank Limited	194,875,089	145,000,690	(901,998)	(2,922,647)
- Other services				
<i>Entities with significant influence</i>				
Money in Motion LLC, USA	-	-	(7,145,802)	(7,145,802)
Others				
<i>Parent and ultimate controlling party</i>				
BRAC Bank Limited				
- Other receivables / (payables)	1,031,564	1,746,037	613,209	572,894
<i>Entities with common control</i>				
BRAC IT Services Limited	-	21,118,779	-	(2,614,465)
<i>Entities with significant influence</i>				
International Finance Corporation				
- Grant funds	21,327,076	(766,705)	(350)	(78,444)
Bill & Melinda Gates Foundation				
- Grant funds	23,856,655	23,075,940	(43,544,015)	(49,385,945)

41 Other disclosures

41.1 Number of employees

As at 31 December 2017, number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 701 (31 December 2016: 638).

41.2 Comparatives

Previous year's figures have been rearranged, 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 2017 and 2016 there were no future minimum lease payments payable under non-cancellable leases.

b) Leases as lessor

In 2017 and 2016 the Company does not have any leased out property.

41.4 Directive restricting number of accounts per customer

In January 2017, BB issued a circular to Mobile Financial Services (MFS) providers which included a requirement for each MFS provider to reduce the number of accounts held under individual National Identification Number to just one. In this regard, bKash has provided a roadmap to BB outlining a plan on how it will comply with this requirement and is updating the regulator on its progress on a regular basis.

Notes to the financial statements (Continued)

41.5 Price Sensitive Information declared by BRAC Bank Limited

bKash has entered into a non-binding "Summary of Terms" under which a strategic investor may acquire a minority shareholding in bKash. The proposed acquisition, however, remains subject to satisfactory due diligence, negotiation, completion of a definitive share acquisition agreement and compliance with all applicable regulatory requirements.

This information was announced by BRAC Bank Limited as Price Sensitive Information on 9 October 2017 in Dhaka & Chittagong Stock Exchange.

41.6 Subsequent events

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

42 Basis of measurement

The financial statements have been prepared on going concern basis under the historical cost convention except for defined benefit liability which is measured at present value of defined benefit obligation as described in Note 43C(iii).

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.

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

A	Revenue	30
B	Foreign currency	30
C	Employee benefits	30
D	Finance income and finance costs	31
E	Income tax	31
F	Property, plant and equipment	32
G	Intangible assets	33
H	Financial instruments	33
I	Share capital	34
J	Impairment	35
K	Provisions	35
L	Grant funds	35
M	Leases	36
N	Going concern	36
O	Contingencies	36
P	Statement of cash flows	36
Q	Events after the reporting period	37
R	Materiality and aggregation	37



Notes to the financial statements (Continued)

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/her 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) bKash master wallet to individual customer's bKash wallet.
- (vi) Commission on airtime purchase: Commission on airtime is recognised when a customer purchases mobile air-time using his/her e-money in bKash wallet.
- (vii) Unearned revenue: When bKash purchases air-time in bulk from the mobile 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 an exchange rate prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

C Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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.



Notes to the financial statements (Continued)

(iii) Defined benefit plan

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

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

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

The Employees' Gratuity fund is being considered as a defined benefit plan as it meets the recognition criteria. The Company operates a gratuity scheme from 2015 for its permanent employees. Employees are entitled to gratuity benefit after completion of minimum five years of service with the Company. The fund is registered as funded with a separate trustee board from 1 November 2017 which is under process to be recognised by National Board of Revenue.

(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 2017 and Income Tax Ordinance 1984 (2016: 35%).

(ii) Deferred tax

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

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



Notes to the financial statements (Continued)

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

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

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

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

F Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of assets. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner. Work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use which is measured at cost.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

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

In Years

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

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



Notes to the financial statements (Continued)

(iv) Impairment

The carrying amount of the 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, investment in fixed 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.

Notes to the financial statements (Continued)

Investment in fixed deposits

Investment represents fixed deposit receipts 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 customers, deposit channel partners and merchants etc. which is kept with several banks in the form of cash and Fixed Deposit 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.



Notes to the financial statements (Continued)

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 otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers; or
- observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

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

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

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

(ii) Non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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 Grant funds

Utilisation of 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.

Notes to the financial statements (Continued)

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 Standards "Statement of cash flows" under direct method.

Notes to the financial statements (Continued)

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

In January 2018 the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as IFRSs. As the ICAB previously adopted such standards as Bangladesh Financial Reporting Standards without any modification, this recent adoption will not have any impact on the financial statements of the Company going forward.

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) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 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 IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact of IFRS 9 on its financial statements.

(b) IFRS 15 Revenue from Contracts with Customers

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

(c) IFRS 16 Leases

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

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company is assessing the potential impact of IFRS 16 on its financial statements.

