Hoda Vasi
Chowdhury & Co

Robi Axiata Limited

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

INDEPENDENT AUDITORS' REPORT
To the Shareholders of
Robi Axiata Limited

Report on the Audit of the Financial Statements for the year ended 31 December 2019

Opinion

We have audited the accompanying financial statements of Robi Axiata Limited (hereinafter referred to as "the Company"), which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and Bangladesh Securities and Exchange Commission (BSEC), and we have fulfilled other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Implementation of IFRS 16: Leases

The Company implemented IFRS 16 "Leases" on 01 January 2019 following the transition under modified retrospective method under which the cumulative impact of applying IFRS 16 is accounted for as an adjustment to equity at the start of the current accounting period. The Company reported the Right of Use (RoU) asset for the amount of BDT 26.91 billion and Lease Obligation BDT 32.51 billion at the year end.

National Office : BTMC Bhaban (6th & 7th Floor), 7-9 Karwan Bazar Commercial Area, Dhaka- 1215, Bangladesh
Chattogram Office : Delwar Bhaban (4th Floor), 104 Agrabad Commercial Area, Chattogram-4100, Bangladesh

Given the first time adoption of IFRS 16 "Leases", connections to other items to the financial statements including depreciation and interest, high level of management judgments required for identifying the lease, lease period, discount rate etc. we consider the lease as key audit area.

How the scope of our audit responded to the key audit matter

We reviewed appropriateness of management's application of IFRS 16 and assessment of the impact on the financial statements. Our audit procedures included test classification and measurement of right-of-use of assets and lease liabilities in accordance with IFRS 16. We checked the present value calculation for lease and also reviewed loan agreements and made calculation to ascertain the appropriateness of the incremental borrowing rate used. We also examined the accuracy and appropriateness of accounting adjustments in the financial statements arising from the adoption of IFRS 16 as well as verified the sufficiency and appropriateness of disclosures in the financial statements.

Revenue recognition

At the year end the Company reported total revenue of BDT 74.81 billion. Revenues are recognized when the Company transfers control over goods to the customer or satisfies the performance obligation to a customer. This material item is subject to considerable inherent risk due to the complexity of the systems necessary for properly recording and identifying revenue and the impact of ever changing business, price and tariff models (including tariff structures, customer loyalty rewards and bundled subscription based products).

Within a number of the Company's markets, the estimation of discounts, incentives and rebates recognized based on sales made during the year is material and considered to be complex and judgmental processed through an Information Technology (IT) environment. Therefore, there is a risk of revenue being misstated as a result of faulty estimations or IT flaws resulting in misstatement of price, tariffs, incentives, rewards and relevant revenue related heads.

How the scope of our audit responded to the key audit matter:

Our audit procedures have a focus on information technology systems and controls due to the pervasive nature and complexity of the IT environment, the reliance on automated and IT dependent manual controls. Our areas of audit focus included user access management, developer access to the operation environments and changes to the IT environment. These are key to ensuring whether IT dependent and application-based revenue recognition are operating effectively.

We have tested the design and operating effectiveness of key controls focusing on the calculation of discounts, incentives and rebates, segregation of duties in invoice creation and modification and timing of revenue recognition. Our substantive procedures in relation to the revenue recognition comprised obtaining supporting documentation for sales transactions, reviewing the Bangladesh Telecommunication Regulatory Commission (BTRC) approvals and determining if appropriate rates are being used for respective packages, critical examination of material non-routine journals and the adjustments posted to revenue accounts.

Our audit procedures also included test of controls and substantive procedures on the IT environment used in revenue recognition, including obtaining and understanding of the environment and evaluation of the relevant IT systems and the design of controls. We segregated our tests in two broad categories as 1) IT General Controls and 2) IT Application Controls. We tested the operating effectiveness of controls over the capturing and recording of revenue transactions, authorization of rate changes and the input of this information to the billing systems and tested accuracy of calculation of amounts billed to customers. We also inspected and discussed with management to understand the product features of material bundled contracts to evaluate management's identification of separate performance obligations. We checked stand-alone selling prices used by management to allocate the transaction price for material bundled contracts to the published selling prices for the individual services or equipment or other available market prices. We finally assessed the appropriateness and presentation of disclosures against relevant accounting standards.

Various significant litigations

The Company has several legal proceedings, claims and government investigations and inquiries pending that expose it to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions and contingent liabilities. Overall, the legal provision represents the Company's best estimate for existing legal matters that have a probable and estimable impact on the Company's financial position.

How the scope of our audit responded to the key audit matter:

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the legal provision and contingencies process. We enquired to the management who are charged with governance to obtain their view on the status of all significant litigation and regulatory matters. We enquired of the Company's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We also received formal confirmations from external counsel on certain significant cases. We assessed the methodologies on which the provision amounts are based, recalculated the provisions and tested the completeness and accuracy of the underlying information. We also evaluated using our own experts regarding possibility of any future outflow and scanned for indications of reliable estimation. As certain significant litigations are on-going, various discussions with the regulatory and concerned authorities are in progress, the quantum of the Company's obligation and the outcome of the proceedings cannot be reliably estimated at this point. However, management has disclosed the facts category wise in the annexed notes. We assessed the Company's provisions and contingent liabilities disclosure as required.

Calculation of deferred tax

The Company reported net deferred tax assets totaling BDT 3.03 billion as at 31 December 2019. Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.

How the scope of our audit responded to the key audit matter:

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the recognition and measurement of deferred tax assets and the assumptions used in estimating the Company's future taxable income. We involved tax specialists to assess key assumptions, controls recognition and measurement of deferred tax assets. We also assessed the appropriateness of presentation of disclosures against IAS 12: Income Tax and Income Tax Ordinance 1984.

Responsibilities of management and Those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), the Company Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements:

In accordance with the Companies Act, 1994, the Securities and Exchange Rules, 1987 and International Standards on Auditing (ISAs), 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;

c) the Company's 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

d) the expenditures incurred was for the purposes of business.

Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 10 February 2020

Robi Axiata Limited
Statement of Financial Position
As at 31 December 2019

In BDT'000

	Note	31 December 2019	31 December 2018
Assets			
Property, plant and equipment (PPE), net	5	**100,540,016**	99,182,172
Intangible assets, net	6	**23,862,427**	29,451,908
Right-of-use asset (ROU), net	7	**26,913,067**	-
Deferred tax assets	16	**3,031,595**	1,586,415
Non-current assets		**154,347,105**	130,220,495
Inventories	8	**244,409**	282,680
Accounts and other receivables, net	9	**7,932,397**	7,121,048
Advances, deposits and prepayments	10	**4,574,123**	3,992,642
Short term investments - FDRs	11	**353,580**	352,982
Cash and cash equivalents	12	**4,517,026**	2,644,237
Current assets		**17,621,535**	14,393,589
Total assets		**171,968,640**	144,614,084
Equity			
Share capital	13	**47,141,400**	47,141,400
Other reserves	14	**6,662,397**	6,662,397
Retained earnings		**5,785,098**	6,787,836
Total equity		**59,588,895**	60,591,633
Liabilities			
Interest bearing term loans	15	**7,226,995**	11,154,106
Asset retirement obligation	17	**374,326**	364,506
Employee benefits	18	**363,370**	227,648
Lease obligation	19	**30,744,041**	452,629
Other non-current liability	20	**3,698,061**	3,497,283
Non-current liabilities		**42,406,793**	15,696,172
Accounts and other payables	21	**41,287,549**	38,458,287
Current tax liabilities	22	**5,914,240**	4,035,215
Intercompany payables - edotco BD	23	**3,625,991**	5,307,219
Intercompany payables - Axiata Group Berhad	24	**1,589,965**	1,854,402
Subscribers' security deposit	25	**245,402**	241,440
Lease obligation	19	**1,766,583**	57,701
Interest bearing term loans	15.1	**6,832,441**	4,959,194
Short term loan	26	**7,350,000**	13,412,821
Deposit against employee share purchase plan (ESPP)	27	**1,360,781**	-
Current liabilities		**69,972,952**	68,326,279
Total liabilities		**112,379,745**	84,022,451
Total equity and liabilities		**171,968,640**	144,614,084
Net asset value (NAV) per share	39	**12.64**	12.85

The annexed notes 1 to 52 form an integral part of these financial statements.

Managing Director | Director | Chief Financial Officer | Company Secretary

As per our report of same date

Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 10 February 2020

Robi Axiata Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

			In BDT'000
	Note	**2019**	**2018**
Revenue	28	**74,811,748**	67,982,295
Cost of revenue	29	**(46,973,632)**	(48,063,015)
Administrative expenses	30	**(4,368,878)**	(3,964,060)
Selling and distribution expenses	31	**(10,700,576)**	(12,441,864)
Operating expenses	32	**(4,109,806)**	(4,129,417)
Profit/(loss) from operations		**8,658,856**	(616,061)
Share of profit from associate		**-**	245,016
Gain relating to disposal of shares in edotco BD	33	**-**	6,307,547
Net finance expense	34	**(5,054,825)**	(2,971,050)
Foreign exchange loss		**(167,058)**	(182,075)
Non-operating income	35	**541,484**	30,268
Net profit before WPPF		**3,978,457**	2,813,645
Expense related to WPPF and welfare fund		**(189,450)**	(133,983)
Profit before tax		**3,789,007**	2,679,662
Income tax expense	36	**(3,619,918)**	(532,321)
Net profit for the year		**169,089**	2,147,341
Other comprehensive income/(expense)			
Actuarial gain/(loss) from defined benefit plan	37	**194,900**	(53,980)
Related taxes		**(107,604)**	-
Total comprehensive income		**256,385**	2,093,361
Earnings per share			
Basic and diluted earnings per share	38	**0.04**	0.46

The annexed notes 1 to 52 form an integral part of these financial statements.

Managing Director

Director

Chief Financial Officer

Company Secretary

As per our report of same date

Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, 10 February 2020

Robi Axiata Limited
Statement of changes in equity
For the year ended 31 December 2019

In BDT'000

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019		**47,141,400**	**6,662,397**	**6,787,836**	**60,591,633**
First time adoption adjustments	2.1	-	-	**(1,259,123)**	**(1,259,123)**
Adjusted balance as at 1 January 2019		47,141,400	6,662,397	5,528,713	59,332,510
Total comprehensive income					
Net profit for the year		-	-	**169,089**	**169,089**
Other comprehensive income		-	-	**87,296**	**87,296**
Total comprehensive income		-	-	**256,385**	**256,385**
Transaction with owners of the Company					
Contributions and distributions					
Dividend		-	-	-	-
Total contributions and distributions		-	-	-	-
Total changes in ownership interests		-	-	-	-
Total transaction with owners of the Company		-	-	-	-
Balance as at 31 December 2019		**47,141,400**	**6,662,397**	**5,785,098**	**59,588,895**
Balance as at 1 January 2018		47,141,400	6,662,397	4,867,025	58,670,822
First time adoption adjustments	2.1	-	-	(172,550)	(172,550)
Adjusted balance as at 1 January 2018		47,141,400	6,662,397	4,694,475	58,498,272
Total comprehensive income					
Net profit for the year		-	-	2,147,341	2,147,341
Other comprehensive income		-	-	(53,980)	(53,980)
Total comprehensive income		-	-	2,093,361	2,093,361
Transaction with owners of the Company					
Contributions and distributions					
Dividend		-	-	-	-
Total contributions and distributions		-	-	-	-
Total changes in ownership interests		-	-	-	-
Total transaction with owners of the Company		-	-	-	-
Balance as at 31 December 2018		47,141,400	6,662,397	6,787,836	60,591,633

The annexed notes 1 to 52 form an integral part of these financial statements.

Robi Axiata Limited
Statement of cash flows
For the year ended 31 December 2019

		In BDT'000
	2019	**2018**
Cash flows from operating activities		
Cash received from customers	**84,274,539**	74,621,546
Cash paid to suppliers, employees and others	**(36,096,707)**	(36,659,238)
Cash generated from operations	**48,177,832**	37,962,308
VAT and tax paid	**(19,417,400)**	(15,883,208)
Net cash from operating activities	**28,760,432**	22,079,100
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangibles	**(13,480,013)**	(23,418,818)
Proceeds from sale of property, plant and equipment	**78,268**	28,967
Payment for Tech Neutrality and 4G license	**-**	(3,988,295)
Interest and insurance claim received	**67,437**	110,339
Proceeds from sale of edotco BD shares	**-**	10,062,000
Net cash used in investing activities	**(13,334,308)**	(17,205,807)
Cash flows from financing activities		
Deposit against ESPP including interest**	**1,360,781**	-
Proceeds from loans and borrowings	**24,180,305**	54,562,821
Payment of lease obligation	**(4,807,911)**	(14,542)
Repayment of loans and borrowings	**(34,286,510)**	(58,153,322)
Net cash used in financing activities	**(13,553,335)**	(3,605,043)
Net change in cash and cash equivalents	**1,872,789**	1,268,250
Cash and cash equivalents as at 1 January*	**2,644,237**	1,375,987
Cash and cash equivalents as at 31 December	**4,517,026**	2,644,237
Net operating cash flows per share (NOCFPS)	**6.10**	4.68

* FDRs amounting BDT 352,981,988 was presented as part of cash and cash equivalents in 2018 which have now been reclassified to short term investments - FDRs to conform to the current year's presentation.

** Cash and cash equivalents as at 31 December 2019 includes BDT 1,360,781,337 received as share money deposit from eligible employees of the Company against prospective Initial Public Offering (IPO) which has also been disclosed in note 27 of these financial statements.

The annexed notes 1 to 52 form an integral part of these financial statements.

Managing Director | Director | Chief Financial Officer | Company Secretary

Robi Axiata Limited
Notes to the financial statements
As at and for the year ended 31 December 2019

1 Reporting entity

1.1 Company profile

Robi Axiata Limited (hereinafter referred to as "Robi"/"the Company"), a public company limited by shares, was incorporated under Companies Act, 1994 on 22 October 1995 and currently has its registered office at Nafi Tower (19th Floor), 53 Gulshan South Avenue, Gulshan 1, Dhaka 1212. The issued and paid up capital of the Company is BDT 47,141,400,010 as of 31 December 2019 of which 68.7% shares held by Axiata Investments (Labuan) Ltd., 25.0% shares held by Bharti International (Singapore) Pte Ltd., 6.3% shares held by NTT Docomo Inc. and rest of the shares are held by Axiata Group Berhad and other shareholders. Details of shareholding is shown in note 13.

Robi Axiata Limited has incorporated "Red Dot Digital Limited" (hereinafter referred to as "Red Dot"), as a subsidiary in November 2019. Red Dot is registered in the Bangabandhu Hi-Tech City, Kaliakoir, Gazipur. Bangladesh. The subsidiary will focus on Hi-Tech/ IT/ITES (IT Enabled Services) sector, developing software technology for mobile, IOT and FinTech services. The subsidiary will also facilitate data centre, incubation centre and R&D etc. It is expected to start its commercial operation in the first quarter of 2020. The paid up capital of Red Dot (BDT 1,000,000) is yet to be transferred to Red Dot's bank account. There is no transaction of Red Dot in 2019 and hence no financial statements of Red Dot have been prepared.

These are individual financial statements of Robi. The immediate parent of Robi is Axiata Investments (Labuan) Ltd. incorporated in Federal Territory of Labuan, Malaysia and the ultimate parent is Axiata Group Berhad incorporated in Malaysia.

1.2 Nature of business

Robi Axiata Limited is a licensed mobile telecommunication service provider in Bangladesh providing voice, data and digital services. The Company also provides other services including international roaming services with various operators of different countries across the world. The Company launched its commercial operations on 15 November 1997 and currently has nationwide 2G, 3G & 4G network covering population of 99%, 91% & 93% respectively.

The Company obtained 2G cellular mobile phone services operator license from the Ministry of Posts and Telecommunications (MOPT), Government of Bangladesh in 1996 which was renewed for a period of 15 years with effect from 11 November 2011. Robi merged with Airtel Bangladesh Limited on 16 November 2016 and obtained additional spectrum, certain bands of which will expire in December 2020, which is expected to be renewed accordingly.

The Company obtained 3G Cellular Mobile Phone Services Operator License (3G License) and related spectrum from Bangladesh Telecommunication Regulatory Commission (BTRC) on 12 September 2013 and 4G Cellular Mobile Phone Services Operator License (4G License) on 19 February 2018. The 3G License and 4G License was issued for a period of 15 years with effect from 12 September 2013 and 19 February 2018 respectively.

2 Basis of preparation of financial statements

The financial statements of the Company which comprises the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements including a summary of significant accounting policies have been prepared in accordance with International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws in Bangladesh.

These financial statements have been prepared on going concern basis. Unless otherwise specifically mentioned historical cost principle have been followed for the purpose of these financial statements. Comparative information has been rearranged wherever considered necessary to conform to the current period's presentation.

Details of the accounting policies are described in Note 52.

This is the first set of the annual financial statements in which IFRS 16 "Leases" has been applied. The related changes to significant accounting policies are described in Note 2.1.

2.1 Changes in significant accounting policies

First time adoption adjustments - IFRS 16 adopted from 1 January 2019

Robi initially applied IFRS 16 "Leases" from 1 January 2019. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported, under IAS 17 "Leases" and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease". The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 52.3.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

B. As a lessee

As a lessee, the Company leases many assets which were previously classified as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases i.e. these leases are on-balance sheet.

At commencement or on modification of a telecom infrastructure/ equipment sharing related contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of land/ building the Company has considered not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

a) their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application or

b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has chosen the right-of-use asset measurement option (as mentioned above) on a lease by lease basis. For the most significant lease contract (i.e. contract with tower Company), the Company has applied the first option (option a) for measurement of right-of-use assets. For all other lease contracts, second option (option b) has been applied.

For lease term consideration, the Company considers non-cancellable period. Option to extend is considered only if that is a legally enforceable right.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used the practical expedient of not recognizing right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

ii. Leases classified as finance leases under IAS 17

The Company leases dark fibers. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. For those cases where the contract does not meet the criteria of a lease under IFRS 16, has been reclassified and treated accordingly under applicable standards.

C. Impact on financial statements

On transition to IFRS 16, the Company has recognized additional right-of-use assets and additional lease liabilities, recognizing the difference (net of tax) in retained earnings. The impact on transition is summarized below.

In BDT'000	Reported as at 31 December 2018	Reclassification	Adjustments	Restated as at 01 January 2019
Retained earnings	6,787,836	-	(1,259,123)	5,528,713
Intangible assets, net	29,451,908	(851,450)	-	28,600,458
Right-of-use asset (ROU), net	-	577,047	27,406,705	27,983,751
Advances, deposits and prepayments	3,992,642	114,194	-	4,106,836
Accounts and other payables	38,458,287	(1,356,316)	-	37,101,971
Lease obligation	510,330	-	31,917,651	32,427,982
Deferred tax assets	1,586,415	-	2,055,718	3,642,133

To understand further about the impact of IFRS 16 on profit or loss for the year please also see note 19. For the details of accounting policies under IFRS 16 and IAS 17, see Note 52.3.

First time adoption adjustments - IFRS 15 and IFRS 9 adopted from 1 January 2018

The Company adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 1 January 2018 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application. The impact of IFRS15 was mainly in the area of connection revenue recognition and free minutes deferment while the impact of IFRS 9 was mainly in the area of impairment of accounts receivables.

The impact on transition to IFRS 15 and IFRS 9 is summarized below -

In BDT'000	Reported as at 31 December 2017	Reclassification	Adjustments	Restated as at 01 January 2018
Retained earnings	4,867,025	-	(172,550)	4,694,475
Deferred tax assets	463,740	-	141,177	604,917
Accounts and other payables	40,941,807	-	230,825	41,172,632
Accounts and other receivables, net	9,743,805	-	(82,902)	9,660,903

2.2 Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company on 10 February 2020.

2.3 Reporting period

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

3 Functional and presentation currency

The financial statements are presented in Bangladeshi Taka (BDT), which is both functional and presentation currency of the Company. All financial information are presented in BDT and have been rounded off to the nearest BDT in thousand unless otherwise indicated.

4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in these financial statements are stated in the following notes:

	Note reference
Property, plant and equipment	5 and 52.1
Intangible asset	6 and 52.2
Right-of-use asset	7 and 52.3
Provision for impairment	9.1.2 and 52.5
Deferred tax (assets)/liabilities	16 and 52.10
Asset retirement obligation	17 and 52.8
Employee benefits	18 and 52.7
Leases	19 and 52.3
Provisions	21 and 52.8
Current tax liabilities	22 and 52.10
Provision for obsolescence	8 and 52.6

5 Property, plant and equipment (PPE), net

In BDT'000	Freehold land	Furniture and fixture	Office and other equipment	Computer	IT infrastructure	IT applications	Billing equipment	Telecom equipment and infrastructure	Motor vehicle	Capital work-in-progress (CWIP)	Total
Cost											
Balance as at 1 January 2018	293,885	600,746	2,336,458	367,186	3,934,660	3,663,674	992,343	112,852,255	171,131	10,531,230	135,743,568
Additions	-	51,492	79,858	43,926	323,505	348,943	354,469	19,605,657	-	19,053,235	39,861,085
Disposals/Adjustments/Transfer	-	(18,563)	(14,939)	(42,179)	(14,386)	-	-	(962,733)	(11,110)	(19,783,184)	(20,847,094)
Balance as at 31 December 2018	293,885	633,675	2,401,377	368,933	4,243,779	4,012,617	1,346,812	131,495,179	160,021	9,801,281	154,757,559
Balance as at 1 January 2019	**293,885**	**633,675**	**2,401,377**	**368,933**	**4,243,779**	**4,012,617**	**1,346,812**	**131,495,179**	**160,021**	**9,801,281**	**154,757,559**
Additions	-	**51,216**	**805,588**	**59,508**	**760,624**	**695,363**	**0**	**17,761,923**	**31,148**	**13,729,037**	**33,894,407**
Disposals/Adjustments/Transfer	-	**(41,884)**	**(50,204)**	**(13,614)**	**(12,880)**	-	-	**(1,171,220)**	**(39,458)**	**(19,952,027)**	**(21,281,287)**
Balance as at 31 December 2019	**293,885**	**643,007**	**3,156,761**	**414,827**	**4,991,523**	**4,707,980**	**1,346,812**	**148,085,882**	**151,711**	**3,578,291**	**167,370,679**
Accumulated depreciation											
Balance as at 1 January 2018	-	409,126	1,666,328	275,496	2,138,281	1,007,503	856,221	38,102,387	160,097	-	44,615,439
Charged during the year	-	67,279	282,338	42,243	716,044	615,635	145,943	10,127,764	4,344	-	12,001,590
Disposals/Adjustments	-	(13,936)	(14,293)	(41,102)	(14,386)	-	-	(946,815)	(11,110)	-	(1,041,642)
Balance as at 31 December 2018	-	462,469	1,934,373	276,637	2,839,939	1,623,138	1,002,164	47,283,336	153,331	-	55,575,387
Balance as at 1 January 2019	-	**462,469**	**1,934,373**	**276,637**	**2,839,939**	**1,623,138**	**1,002,164**	**47,283,336**	**153,331**	-	**55,575,387**
Charged during the year	-	**73,067**	**211,603**	**41,008**	**610,092**	**749,112**	**110,613**	**10,719,886**	**6,439**	-	**12,521,820**
Disposals/Adjustments	-	**(41,385)**	**(49,786)**	**(13,225)**	**(8,733)**	-	-	**(1,113,957)**	**(39,458)**	-	**(1,266,544)**
Balance as at 31 December 2019	-	**494,151**	**2,096,190**	**304,420**	**3,441,298**	**2,372,250**	**1,112,777**	**56,889,265**	**120,312**	-	**66,830,663**
Carrying amounts											
As at 31 December 2018	293,885	171,206	467,004	92,296	1,403,840	2,389,479	344,648	84,211,843	6,690	9,801,281	99,182,172
As at 31 December 2019	**293,885**	**148,856**	**1,060,571**	**110,407**	**1,550,225**	**2,335,730**	**234,035**	**91,196,617**	**31,399**	**3,578,291**	**100,540,016**

6 Intangible assets, net

In BDT'000	Software	IRU asset *	Spectrum assignment fee	2G license fee	3G license fee	4G license fee	Tech neutrality fee	Customer list	Brand	Goodwill	Total
Cost											
Balance as at 1 January 2018	1,747,368	574,441	1,600,000	23,866,785	15,611,037	-	-	1,700,380	567,061	402,000	46,069,072
Additions	-	498,601	-	-	-	117,650	3,870,645	-	-	-	4,486,895
Disposals/Adjustments	(10,392)	-	-	-	-	-	-	-	-	-	(10,392)
Balance as at 31 December 2018	1,736,976	1,073,042	1,600,000	23,866,785	15,611,037	117,650	3,870,645	1,700,380	567,061	402,000	50,545,575
Balance as at 1 January 2019	**1,736,976**	**1,073,042**	**1,600,000**	**23,866,785**	**15,611,037**	**117,650**	**3,870,645**	**1,700,380**	**567,061**	**402,000**	**50,545,575**
Additions	**19,318**	-	-	-	-	-	-	-	-	-	**19,318**
Reclassified to right-of-use asset (ROU) *	-	**(631,042)**	-	-	-	-	-	-	-	-	**(631,042)**
Reclassified to advance, deposits and prepayments *	-	**(442,000)**	-	-	-	-	-	-	-	-	**(442,000)**
Disposals/Adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	**1,756,294**	-	**1,600,000**	**23,866,785**	**15,611,037**	**117,650**	**3,870,645**	**1,700,380**	**567,061**	**402,000**	**49,491,851**
Accumulated amortization											
Balance as at 1 January 2018	1,706,520	139,292	807,408	9,102,103	3,136,057	-	-	767,131	212,842	-	15,871,353
Charged during the year	32,052	82,300	88,889	2,442,231	1,162,910	6,609	547,423	681,272	189,020	-	5,232,706
Disposals/Adjustments	(10,392)	-	-	-	-	-	-	-	-	-	(10,392)
Balance as at 31 December 2018	1,728,180	221,592	896,297	11,544,334	4,298,967	6,609	547,423	1,448,403	401,862	-	21,093,667
Balance as at 1 January 2019	**1,728,180**	**221,592**	**896,297**	**11,544,334**	**4,298,967**	**6,609**	**547,423**	**1,448,403**	**401,862**	-	**21,093,667**
Charged during the year	**8,083**	-	**88,889**	**2,442,231**	**1,162,910**	**7,511**	**630,549**	**251,977**	**165,199**	-	**4,757,349**
Reclassified to right-of-use asset (ROU) *	-	**(53,995)**	-	-	-	-	-	-	-	-	**(53,995)**
Reclassified to advance, deposits and prepayments *	-	**(167,597)**	-	-	-	-	-	-	-	-	**(167,597)**
Disposals/Adjustments	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	**1,736,263**	-	**985,186**	**13,986,565**	**5,461,877**	**14,120**	**1,177,972**	**1,700,380**	**567,061**	-	**25,629,424**
Carrying amounts											
As at 31 December 2018	8,795	851,450	703,703	12,322,451	11,312,070	111,041	3,323,222	251,977	165,199	402,000	29,451,908
As at 31 December 2019	**20,031**	-	**614,814**	**9,880,220**	**10,149,160**	**103,530**	**2,692,673**	-	-	**402,000**	**23,862,427**

* IRU asset means indefeasible right of use asset relating to transmission fiber. During 2019, these assets have been reclassified as per the guidance of IFRS 16.

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7 Right-of-use asset (ROU), net

In BDT'000	Land & building	Transmission fiber	Telecom equipment and infrastructure	Total
Cost				
Balance as at 1 January 2019	-	-	-	-
Reclassified from intangible assets	-	631,042	-	631,042
Adjustments on adoption of IFRS16 as at 1 January 2019	400,329	-	27,006,376	27,406,705
Additions	-	-	2,214,834	2,214,834
Disposals/Adjustments	-	(498,601)	-	(498,601)
Balance as at 31 December 2019	400,329	132,441	29,221,210	29,753,980
Accumulated depreciation				
Balance as at 1 January 2019	-	-	-	-
Reclassified from intangible assets	-	53,995	-	53,995
Charged during the year	153,270	64,309	2,643,491	2,861,070
Disposals/Adjustments	-	(74,152)	-	(74,152)
Balance as at 31 December 2019	153,270	44,152	2,643,491	2,840,913
Carrying amounts				
As at 31 December 2019	247,059	88,289	26,577,719	26,913,067

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8 Inventories

In BDT'000	2019	2018
SIM cards and starter kits	**34,920**	78,456
Scratch cards	**19,385**	7,758
Device and others	**208,143**	216,427
	262,448	302,641
Provision for obsolescence	**(18,039)**	(19,961)
	244,409	282,680

8.1 Number of inventories

In Number'000	2019	2018
SIM cards and starter kits	**1,780**	3,595
Scratch cards	**130,063**	39,832
Device and others	**1,669**	6,923
	133,512	50,350

9 Accounts and other receivables, net

In BDT'000	Note	2019	2018
Accounts receivable, net	9.1	**4,973,881**	4,157,940
Other receivables		**2,958,516**	2,963,108
		7,932,397	7,121,048

Other receivables mainly consist of indemnification assets arising from business combination.

9.1 Accounts receivable, net

In BDT'000	Note	2019	2018
Interconnection receivables		**2,570,961**	2,485,568
Post-paid receivables		**383,001**	362,485
Infrastructure sharing receivables		**235,231**	174,882
International roaming receivables		**132,146**	180,972
Others	9.1.1	**3,383,090**	2,716,175
		6,704,429	5,920,082
Provision for impairment	9.1.2	**(1,730,548)**	(1,762,142)
		4,973,881	4,157,940

9.1.1 Other account receivables mainly include receivable from channel partners and receivables from digital business.

9.1.2 Provision for impairment

In BDT'000	2019	2018
Balance as at 1 January	**1,762,142**	1,650,224
Adjustment on initial application of IFRS 9	**-**	82,902
Provision made during the year	**264,818**	118,124
Write back	**(15,225)**	(63,224)
Reclassification during the year	**26,741**	-
Bad debt written off during the year	**(307,928)**	(25,885)
Balance as at 31 December	**1,730,548**	1,762,142

Details of provision for impairment based on analysis of credit risk exposure has been disclosed in note 41 (B) (I) (c) of these financial statements.

10 Advances, deposits and prepayments

In BDT'000	**2019**	**2018**
Advances	**2,847,984**	2,759,637
Deposits	**145,025**	145,605
Prepayments	**1,581,114**	1,087,400
	4,574,123	3,992,642

11 Short term investments - FDRs

This represents term deposits with Bank Al-falah Limited and Eastern Bank Limited with maturity over 90 days. These are under lien against bank guarantees for customs duty in respect of import of Subscriber Identification Module (SIM) card, scratch card and network equipment.

12 Cash and cash equivalents

In BDT'000	*Note*	**2019**	**2018**
Cash in hand	12.1	**52,010**	41,905
Cash at bank	12.2	**4,465,016**	2,602,332
		4,517,026	2,644,237

12.1 Cash in hand includes cash available in mobile financial service (MFS) wallets.

12.2 FDRs amounting BDT 352,981,988 was presented as part of cash and cash equivalents in 2018 which have now been reclassified to short term investments - FDRs to conform to the current year's presentation.

Cash at bank as at 31 December 2019 includes BDT 1,360,781,337 received as share money deposit from eligible employees of the Company against prospective IPO which has also been disclosed in note 27 of these financial statements.

13 Share capital

In BDT'000	2019	2018
Authorized:		
6,000,000,000 ordinary shares of BDT 10 each	**60,000,000**	60,000,000
	60,000,000	60,000,000
Issued, subscribed, called up and paid up:		
Balance as at 1 January	**47,141,400**	47,141,400
Balance as at 31 December	**47,141,400**	47,141,400

13.1 Shareholding position

	2019			2018		
Name of shareholders	No. of share	% of holding	Value BDT'000	No. of share	% of holding	Value BDT'000
Axiata Investments (Labuan) Ltd.	**3,238,304,100**	**68.7%**	**32,383,041**	3,238,304,100	68.7%	32,383,041
Axiata Group Berhad	**900**	**0.0%**	**9**	900	0.0%	9
Bharti International (Singapore) Pte Ltd.	**1,178,535,001**	**25.0%**	**11,785,350**	1,178,535,001	25.0%	11,785,350
NTT DOCOMO INC.	**297,299,960**	**6.3%**	**2,973,000**	297,299,960	6.3%	2,973,000
Other shareholders	**40**	**0.0%**	**0**	40	0.0%	0
	4,714,140,001	**100%**	**47,141,400**	4,714,140,001	100.0%	47,141,400

Other shareholders include Neasden Assets Limited, Ephraim Assets Limited, Calamint Investments Limited and Thurso Investments Limited having 10 shares each.

14 Other reserves

On 21 September 2016, High Court of Bangladesh has approved the Scheme of Amalgamation (the Scheme) to merge Robi Axiata Limited with Airtel Bangladesh Limited. The Merger has been effected via issuance of 1,178,535,001 new ordinary shares at the face value BDT 10 each by Robi to Bharti International (Singapore) Pte Ltd. for shareholding of up to 25% plus 1 share in the surviving entity Robi Axiata Limited. The merger was a cash free debt free transaction and there was no other consideration between the parties.

In accordance with IFRS 3 "Business Combinations", consideration given for any business combination has to be measured at fair value on the acquisition date. Based on the Purchase Price Allocation (PPA) exercise, the total fair value of the shares issued to Bharti International (Singapore) Pte Ltd. was derived at BDT 18,447,746,789 resulting in the recording of an amount of BDT 6,662,396,779 in excess of face value of shares. The excess amount has been recorded as "Other reserves".

15 Interest bearing term loans

In BDT'000	Note	2019	2018
Standard Chartered Bank (Sinosure backed)	15.2	**250,431**	734,277
International Finance Corporation	15.3	**5,020,605**	6,607,071
Eastern Bank Limited	15.4	**-**	800,000
IDCOL SCB (Syndication)	15.5	**5,988,400**	7,971,952
Dutch Bangla Bank Limited	15.6	**2,800,000**	-
Total outstanding interest bearing term loans		**14,059,436**	16,113,300
Interest bearing term loans - current portion	15.1	**(6,832,441)**	(4,959,194)
Interest bearing term loans - non-current portion		**7,226,995**	11,154,106

15.1 Interest bearing term loans - current portion

In BDT'000	Note	2019	2018
Standard Chartered Bank (Sinosure backed)	15.2	**250,431**	496,984
International Finance Corporation	15.3	**1,682,010**	1,662,210
Eastern Bank Limited	15.4	**-**	800,000
IDCOL SCB (Syndication)	15.5	**4,000,000**	2,000,000
Dutch Bangla Bank Limited	15.6	**900,000**	-
		6,832,441	4,959,194

15.2 The amount represents the loan facility of USD 29.60m of which USD 25.20m received from Standard Chartered Bank (SCB) London which is guaranteed by Sinosure and USD 4.4m received from SCB, Offshore Banking Unit (OBU), Bangladesh to finance the purchase of telecommunication equipment supplied by Huawei against hypothecation of the Company's property, plant and equipment, all bank accounts and book debts.

15.3 The amount represents the loan facility of USD 99m received from International Finance Corporation (IFC) for purchase of telecommunication equipment supplied by foreign vendors through Letter of credit. This financing has been guaranteed by Axiata Group Berhad.

15.4 The amount represents the loan facility of BDT 1600m received from Eastern Bank Limited (EBL) for take over funded liability of Airtel Bangladesh Limited with EBL. Security of this loan is standard charge documents (e.g. Promissory note, Letter of arrangement, Letter of continuity etc.) as per Bank's format. This loan has been fully paid off during 2019.

15.5 The amount represents BDT 8000m syndication term loan received from Standard Chartered Bank (SCB), Dhaka and Infrastructural Development Company Limited (IDCOL), Dhaka for a duration of 3 years with 1st year moratorium. The purpose of this loan is to arrange the funding for optimization of the core network and payment of 4G spectrum/technical neutrality fee and/or license fee. The security of this term loan is negative pledge on future asset.

15.6 The amount represents the loan facility of BDT 3800m received from Dutch Bangla Bank Limited (DBBL) for a duration of 3 years. This loan has been taken to finance the purchase of telecommunication equipment. BDT 1000m has been repaid during the year.

16 Deferred tax (assets)/liabilities

Deferred tax assets and liabilities have been recognized and measured in accordance with the provisions of IAS 12 "Income Taxes".

In BDT'000	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
31 December 2019			
Property, plant and equipment (excluding land, IRU, goodwill)	**120,472,894**	**77,746,943**	**42,725,951**
Right-of-use asset (excluding IRU)	**26,824,777**	**-**	**26,824,777**
Lease obligation	**(32,510,622)**	**-**	**(32,510,622)**
Provision for impairment	**(1,730,548)**	**-**	**(1,730,548)**
Provision for inventory obsolescence	**(137,132)**	**-**	**(137,132)**
Employee benefit	**24,248**	**-**	**24,248**
Unabsorbed depreciation and business loss	**-**	**41,933,552**	**(41,933,552)**
Net taxable/(deductible) temporary difference			**(6,736,878)**
Applicable tax rate			**45%**
Deferred tax assets			**(3,031,595)**

In BDT'000	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
31 December 2018			
Property, plant and equipment (excluding land, IRU, goodwill)	117,386,196	75,646,002	41,740,193
Provision for doubtful debt	(1,762,142)	-	(1,762,142)
Provision for impairment	(55,704)	-	(55,704)
Employee benefit	(214,872)	-	(214,872)
Unabsorbed depreciation and business loss	-	43,232,842	(43,232,842)
Net taxable/(deductible) temporary difference			(3,525,367)
Applicable tax rate			45%
Deferred tax assets			(1,586,415)

16.1 Deferred tax expense/(income)

In BDT'000	2019	2018
Deferred tax (assets)/liabilities at 1 January		
As previously reported	**(1,586,415)**	(463,740)
First time adoption adjustments	**(2,055,718)**	(141,177)
As restated	**(3,642,133)**	(604,917)
Debit to profit or loss:		
Property, plant and equipment (excluding land, IRU, goodwill)	**443,591**	2,613,746
Provision for impairment	**14,217**	(13,058)
Provision for inventory obsolescence	**(36,643)**	(15,638)
ROU assets and lease liabilities (net)	**(502,912)**	-
Unabsorbed depreciation and business loss	**584,681**	(3,670,420)
Deferred revenue-IFRS 15 transition	**-**	103,871
Sharing with Bharti International (Singapore) Pte ltd.	**200,778**	323,418
	703,712	(658,081)
Debit to OCI:		
Actuarial reserve	**107,604**	-
Sharing with Bharti International (Singapore) Pte ltd.	**(200,778)**	(323,418)
	(3,031,595)	(1,586,416)

17 Asset retirement obligation

The Company recognizes Asset Retirement Obligation (ARO) in respect of roof-top, green field base stations and office space for any constructive and/or legal obligations for dismantling, removal or restoration incurred by the Company as a consequence of installing or constructing the sites. ARO is measured at the present value of expected cash outflows required to settle such obligations. Periodic accretion of such liabilities due to the passage of time is recorded as finance cost. The significant assumptions used in estimating the provision are: timing of assets removals; costs of restorations; expected inflation rates; and the discount rates. There can be no assurances that actual costs and the probability of incurring obligations will not differ from these estimates.

In BDT'000	2019	2018
Opening balance	**364,506**	429,151
Provision made during the year	**44,342**	45,835
Provision released during the year	**(34,522)**	(110,480)
Closing balance	**374,326**	364,506

18 Employee benefits

18.1 Movement in net defined benefit (asset) liability

In BDT'000	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liability
Balance at 1 January 2018	1,151,815	1,009,030	142,785
Included in profit or loss			
Current service cost	128,690	-	128,690
Past service credit	-	-	-
Interest cost/income	85,550	79,480	6,070
	214,240	79,480	134,760
Included in other comprehensive income			
Remeasurement loss (gain):			
Actuarial loss (gain) arising from:			
Financial assumptions	21,590	-	21,590
Experience adjustment	31,380	-	31,380
Return on plan assets:			
(Lesser)/greater than discount rate	-	(1,010)	1,010
	52,970	(1,010)	53,980
Other			
Employer contribution	-	-	-
Contributions paid directly	(103,877)	-	(103,877)
Benefits paid	-	-	-
Transfer to edotco fund	(90,268)	(90,268)	-
	(194,145)	(90,268)	(103,877)
Balance at 31 December 2018	1,224,880	997,232	227,648
Balance at 1 January 2019	**1,224,880**	**997,232**	**227,648**
Included in profit or loss			
Current service cost	**143,430**	**-**	**143,430**
Past service credit	**398,998**	**-**	**398,998**
Interest cost /income	**93,308**	**80,846**	**12,462**
	635,736	**80,846**	**554,890**
Included in other comprehensive income			
Remeasurement loss (gain):			
Actuarial loss (gain) arising from:			
financial assumptions	**(148,810)**	**-**	**(148,810)**
experience adjustment	**(44,700)**	**-**	**(44,700)**
Return on plan assets			
(lesser)/greater than discount rate	**-**	**1,390**	**(1,390)**
	(193,510)	**1,390**	**(194,900)**

In BDT'000	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset) liability
Other			
Employer contribution	**-**	**78,000**	**(78,000)**
Contributions paid directly	**(146,268)**	**-**	**(146,268)**
Benefits paid	**-**	**-**	**-**
Transfer to edotco fund	**-**	**-**	**-**
	(146,268)	**78,000**	**(224,268)**
Balance at 31 December 2019	**1,520,838**	**1,157,468**	**363,370**

Represented by:

In BDT'000	2019	2018
Net defined benefit liability/(asset)	**363,370**	227,648

18.2 Significant actuarial assumptions

	2019	2018
Discount rates	**9.0%**	8.0%
Rate of salary increase	**6.0%**	6.5%
Attrition rate		
Age 20-40	**10.0%**	10.0%
Age 41-58	**3.0%**	3.0%

18.3 Sensitivity analysis on Defined Benefit Obligation (DBO)

	Amount (in BDT'000)	Percentage impact
Effect on DBO due to increase in the discount rate by 1%	(82,360)	-7.3%
Effect on DBO due to decrease in the discount rate by 1%	95,010	8.4%
Effect on DBO due to increase in the salary escalation rate by 1%	97,010	8.6%
Effect on DBO due to decrease in the salary escalation rate by 1%	(85,340)	-7.5%
Effect on DBO due to increase in the attrition rate by 1%	15,430	1.4%
Effect on DBO due to decrease in the attrition rate by 1%	(17,660)	-1.6%

18.4 Significant rules relating to the plan

Plan sponsor :	Robi Axiata Limited
Nature of benefits :	Defined benefit plan (Funded gratuity scheme)
Vesting criteria :	5 year of continuous service (for Robi employees). No such criteria for employees transferred from Airtel
Applicable salary :	Last drawn monthly basic salary (Robi employee). Last drawn monthly gross salary (Employee from Airtel).
Basis of gratuity :	Accrued benefit
Normal retirement age :	58 years (Robi) 60 years (Employee from Airtel)
Maximum limit:	No limit
Benefit calculation :	Robi: 1 month equivalent basic salary for each completed year of service for service upto 8 years. 1.5 months equivalent basic salary for each completed year of service for service upto 10 years. 2 months equivalent basic salary for each completed year of service for service above 10 years. Airtel: 1 month equivalent gross salary for each completed year of service for service upto 10 years. 1.5 months equivalent gross salary for each completed year of service for service above 10 years.

19 Leases

i) Lease liabilities recognized in statement of financial position

In BDT'000	2019	2018
Lease obligation: current portion	**1,766,583**	57,701
Lease obligation: non-current portion	**30,744,041**	452,629
	32,510,624	510,330

ii) Amounts recognized in profit or loss

In BDT'000	2019	2018
Interest on lease liabilities	**3,216,690**	26,271
Depreciation expense	**2,861,070**	82,300
	6,077,760	108,571

iii) Amounts recognized in statement of cash flows

In BDT'000	2019	2018
Total cash-outflow for leases	**4,807,911**	14,542

iv) Movement in lease payable

In BDT'000	2019	2018
At 1 January	**510,330**	-
First time adoption adjustments under IFRS16	**31,917,651**	-
Additions	**2,214,834**	498,601
Remeasurement	**50,724**	-
Interest accrued	**3,216,690**	26,271
Repayment	**(4,807,911)**	(14,542)
Disposal	**(591,695)**	-
	32,510,624	510,330

v) Measurement of lease liabilities

The reconciliation between the operating lease commitments disclosed applying IAS 17 at 31 December 2018 to the lease liabilities under IFRS 16 recognized at 1 January 2019 is as below:

In BDT'000	2019
Operating lease commitment disclosed on 31 December 2018	-
Operating lease discounted using the lessee's incremental borrowings rate of at the date of application	**31,917,651**
Add: finance lease liabilities recognized as at 31 December 2018	**510,330**
Lease liability recognized as at 1 January 2019	**32,427,981**
Of which are:	
Non-current	**1,646,807**
Current	**30,781,174**
	32,427,981

vi) Interest rates

Year 2019	**Land & building**	**Transmission fiber**	**Telecom equipment and infrastructure**
Between one (1) to two (2) years	**8.89%**	-	**8.89%**
Between two (2) to three (3) years	**8.89%**	-	**8.89%**
Between three (3) to four (4) years	**8.89%**	-	**8.89%**
Between four (4) to five (5) years	**8.89%**	-	**8.89%**
Between five (5) to ten (10) years	**9.25%**	-	**9.25%**
Between ten (10) to fifteen (15) years	**9.61% - 9.75%**	9.39%	**9.61% - 9.75%**
More than 15 years	**9.75%**	-	-
Lease terms (no. of years)	**1.1 - 40**	**10 - 15**	**2.5 - 15**

20 Other non-current liability

This represents provision for Robi's obligation to Bharti International (Singapore) Pte Ltd. for certain tax benefits.

21 Accounts and other payables

In BDT'000	*Note*	2019	2018
Accounts payable including liability for capital expenditure		**7,006,522**	6,938,347
Accrued expenses including accrual for capital expenditure		**14,910,440**	13,232,210
Other payables	21.1	**8,524,124**	7,802,882
Provisions		**10,846,462**	10,484,848
		41,287,549	38,458,287

21.1 Other payables include indirect unearned revenue, security deposit from suppliers and indirect tax.

22 Current tax liabilities

In BDT'000	2019	2018
Balance as at 1 January	**4,035,215**	3,745,957
Provision made during the year	**2,916,206**	1,190,402
	6,951,421	4,936,359
Payment during the year	**(1,037,181)**	(901,144)
Balance as at 31 December	5,914,240	4,035,215

23 Intercompany payables - edotco BD

This represents net payable to edotco BD mainly in connection with expenses incurred in relation to telecom tower infrastructure sharing arrangement.

24 Intercompany payables - Axiata Group Berhad

In BDT'000	2019	2018
Balance as at 1 January	**1,854,402**	1,806,382
Secondment fees and other intercompany payables	**205,543**	304,084
Waiver received from group	**(480,679)**	-
Repayment/ Transfer	**(10,031)**	(280,379)
Unrealized foreign exchange loss	**20,730**	24,315
Balance as at 31 December	**1,589,965**	1,854,402

These transactions and balances are related to only Axiata Group Berhad i.e. the ultimate parent of Robi.

25 Subscribers' security deposit

In BDT'000	2019	2018
Balance as at 1 January	**241,440**	249,021
Addition during the year	**14,751**	8,101
	256,191	257,122
Adjustment/refunded to the subscribers	**(10,789)**	(15,682)
Balance as at 31 December	**245,402**	241,440

Subscribers' security deposits represent security money deposited by subscribers at the time of obtaining the new connection as safeguard against default in payment of bills against future mobile usage. This amount may be applied to all or any portion thereof in payment of any amount due from the subscriber at the time of termination of the contract or disconnection.

26 Short term loan

This represents local currency loan taken for short tenure to meet the working capital requirements of the Company from different banks. The tenure of the loan is from 30 days to 180 days and renewable in nature maximum up to 360 days. The interest rate for the short term loans outstanding as at 31 December 2019 is between 6.85% to 9%.

In BDT'000	2019	2018
Citibank, N.A.	**1,400,000**	1,400,000
Standard Chartered Bank	**1,200,000**	1,712,821
HSBC	**-**	4,000,000
Eastern Bank Limited	**1,000,000**	750,000
Commercial Bank of Ceylon	**1,250,000**	1,250,000
Dutch Bangla Bank Ltd.	-	3,300,000
National Credit and Commerce Bank Ltd.	-	1,000,000
BRAC Bank Limited	**1,500,000**	-
Jamuna Bank Limited	**1,000,000**	-
	7,350,000	13,412,821

27 Deposit against employee share purchase plan (ESPP)

In the event shareholders of the Company may decide to float its shares to public through Initial Public Offering (IPO) in stock exchanges of Bangladesh share money deposit from eligible employees of the Company have been accepted before 31 December 2019. In the event, the Company do not lists its securities on public exchanges, the deposited money will be fully refunded to the employees with interest earned.

In BDT'000	2019	2018
Deposit against ESPP	**1,360,509**	-
Interest earned	**272**	-
	1,360,781	-

28 Revenue

In BDT'000	2019	2018
Installation charges	**26,192**	42,037
Post-paid airtime	**1,083,443**	1,088,034
Pre-paid airtime	**40,725,970**	39,398,087
Data	**19,928,808**	15,578,580
Value added services (VAS)	**7,502,274**	6,204,786
Interconnection revenue	**4,002,913**	4,447,380
International roaming revenue	**157,637**	162,355
Non-mobile revenue	**900,787**	641,279
Infrastructure sharing revenue	**483,724**	419,757
	74,811,748	67,982,295

28.1 Disaggregation of revenue by timing of revenue recognition

In BDT'000	2019	2018
Revenue under IFRS15:		
At a point of time	**885,838**	640,820
Over time	**73,442,187**	66,921,718
	74,328,024	67,562,538
Infrastructure sharing revenue	**483,724**	419,757
	74,811,748	67,982,295

29 Cost of revenue

In BDT'000	*Note*	2019	2018
Direct cost of revenue		**13,676,286**	12,909,252
Network operation and maintenance expenses		**13,430,891**	18,033,333
Depreciation and amortization	29.1	**19,866,455**	17,120,430
		46,973,632	48,063,015

29.1 Depreciation and amortization

In BDT'000	2019	2018
Depreciation of property, plant and equipment	**12,401,306**	11,887,724
Depreciation of right-of-use asset	**2,707,800**	-
Amortization of intangible asset	**4,757,349**	5,232,706
	19,866,455	17,120,430

30 Administrative expenses

In BDT'000	2019	2018
Salaries and allowances	**3,311,192**	3,392,195
Gratuity expenses	**542,428**	128,690
Provident fund	**91,064**	109,087
Staff welfare	**286,609**	202,469
Gas and petrol	**57,206**	61,258
Stationery and printing	**8,795**	6,689
Office expenses	**71,584**	63,672
	4,368,878	3,964,060

31 Selling and distribution expenses

In BDT'000	2019	2018
Advertisement and promotion	**2,471,232**	3,312,522
Trade promotion expenses	**61,311**	50,578
Dealers commission	**7,895,326**	8,731,141
Subsidy on SIM (VAT & SD)	**272,707**	347,623
	10,700,576	12,441,864

32 Operating expenses

In BDT'000	Note	2019	2018
Audit fees		**1,200**	1,200
Automobile insurance and license		**3,470**	1,463
Automobile repair and maintenance		**7,571**	6,196
Bank charges		**22,159**	19,668
Subscription		**26,324**	22,514
Electricity and water		**55,979**	49,633
License fees		**148,018**	103,941
Office rentals		**191,183**	423,476
Vehicle rentals		**303,627**	329,909
Postage and courier		**18,624**	26,276
Professional fees		**284,765**	295,850
Legal fees		**29,658**	53,816
Repair and maintenance of building and equipment		**21,596**	38,048
Security guard		**210,535**	179,731
Software and hardware maintenance		**838,300**	743,193
Training expense		**8,390**	10,600
Travelling and accommodation		**103,421**	94,381
Directors' allowance		**25,742**	25,397
Customer care expenses		**577,830**	725,076
Net expense for impairment	32.1	**249,593**	54,902
Depreciation of property, plant and equipment		**120,514**	113,865
Depreciation of right-of-use asset		**153,270**	-
Other expenses		**708,037**	810,282
		4,109,806	4,129,417

32.1 Net expense for impairment

In BDT'000	2019	2018
Provision during the year	**264,818**	118,126
Write back	**(15,225)**	(63,224)
	249,593	54,902

33 Gain relating to disposal of shares in edotco BD

In BDT'000	Note	2019	2018
Gain realized from edotco share sale	33.1	-	6,307,547
		-	6,307,547

The Company sold all of its 20% stake in edotco BD on 11 September 2018 to edotco Investments (Labuan) Limited. The gain from this share sale transaction has been recognized under the guidance of IAS 28 "Investment in Associate".

Share of edotco's profit upto the disposal date has been shown as "Share of Profit from Associate" in the comparative financial statements under the guidance of IAS 28 "Investment in Associate"

Please see note 33.1 below for more detail break-up on the gain realized from edotco share sale transaction.

33.1 Gain realized from edotco share sale

In BDT'000	2019	2018
Proceeds from sale of shares	-	10,062,000
Book value of investment at sale date	-	(3,754,453)
	-	6,307,547

34 Net finance expense

In BDT'000	2019	2018
Interest expense on lease	**3,216,690**	26,271
Interest expense on loan	**1,868,447**	2,997,224
Interest expense on asset retirement obligation	**39,606**	44,765
Interest expense on defined benefit obligation/plan asset	**12,462**	6,070
Interest income on FDR and SND	**(82,380)**	(103,280)
	5,054,825	2,971,050

35 Non-operating income

In BDT'000	*Note*	2019	2018
Gain on disposal of property, plant & equipment	35.1	**19,698**	6,699
Other miscellaneous income		**521,786**	23,569
		541,484	30,268

35.1 Gain on disposal of property, plant & equipment

In BDT'000	2019	2018
Disposed assets:		
Cost	**1,329,259**	1,074,302
Accumulated depreciation	**(1,266,542)**	(1,052,034)
Net book value	**62,717**	22,268
Reclassification	**(4,147)**	-
Sales proceeds	**78,268**	28,967
(Gain)/loss on disposal	**(19,698)**	(6,699)

36 Income tax expense

In BDT'000	*Note*	2019	2018
Current tax		**2,916,206**	1,190,402
Deferred tax expense/(income)	16.1	**703,712**	(658,081)
		3,619,918	532,321

37 Other comprehensive income/(expense)

Other comprehensive income/(expense) resulted from the actuarial valuation of gratuity fund conducted by a professional actuary firm. Detail of this actuarial gain/loss is provided in note 18 "Employee benefits".

38 Earnings per share

	Note	2019	2018
Earnings attributable to ordinary shareholders (net profit after tax) (BDT'000)		**169,089**	2,147,341
Weighted average number of ordinary shares outstanding during the year (number'000)	38.1	**4,714,140**	4,714,140
Basic earnings per share (in BDT)		**0.04**	0.46

No diluted earnings per share is required to be calculated for the year as there was no convertible securities for dilution during the year.

There was an one off extraordinary gain arising from the sale of shares in edotco BD in 2018 which impacted the respective year's EPS.

38.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

In Number'000	**2019**	2018
Issued ordinary shares as at 1 January	**4,714,140**	4,714,140
Effect of share issued during the year	**-**	-
Weighted average number of ordinary shares as at 31 December	**4,714,140**	4,714,140

39 Net asset value (NAV) per share

In BDT'000	**2019**	**2018**
Total assets	**171,968,640**	144,614,084
Total liabilities	**112,379,745**	84,022,451
	59,588,895	60,591,633
Weighted average number of ordinary shares as at 31 December	**4,714,140**	4,714,140
NAV per share	**12.64**	12.85

40 Reconciliation of net operating cash flows

In BDT'000	**2019**	**2018**
Profit before tax	**3,789,007**	2,679,662
Adjustment for:		
Depreciation & Amortization	**20,140,238**	17,234,295
(Gain)/Loss on sale of asset	**(19,698)**	(6,699)
Finance cost	**5,054,825**	2,971,050
Sale of edotco shares	**-**	(6,307,547)
Share of associate's income	**-**	(245,016)
Tax paid	**(1,037,181)**	(901,144)
Capex inventory obsolescence	**122,004**	31,540
Asset retirement obligation	**(14,680)**	(107,063)
Provision adjusted through retained earnings	**1,356,316**	(82,902)
Gratuity fund	**(68,728)**	(65,455)
Changes in:		
Inventories	**38,272**	(71,846)
Accounts and other receivables, net	**(811,350)**	2,622,757
Advances, deposits and prepayments	**(581,481)**	1,129,479
Accounts and other payables	**2,734,591**	857,656
Intercompany payables - edotco BD	**(1,681,228)**	2,295,053
Intercompany payables - Parent Co.	**(264,437)**	52,860
Subscribers' security deposit	**3,962**	(7,581)
Net cash from operating activities	**28,760,432**	22,079,100

41 Financial instruments - fair values and risk management

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values, where applicable, of financial assets and financial liabilities. 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		
In BDT'000	Note	Financial assets at amortized cost	Other financial liabilities	Total amount
31 December 2019				
Financial assets not measured at fair value				
Accounts receivable, net	9	4,973,881	-	4,973,881
Other receivables	9	2,958,516	-	2,958,516
Deposits	10	145,025	-	145,025
Short term investments - FDRs	11	353,580	-	353,580
Cash at bank	12	4,465,016	-	4,465,016
		12,896,018	-	12,896,018
Financial liabilities not measured at fair value				
Interest bearing term loans	15	-	14,059,436	14,059,436
Lease obligation	19	-	32,510,624	32,510,624
Other non-current liability	20	-	3,698,061	3,698,061
Accounts and other payables	21	-	41,287,549	41,287,549
Intercompany payables - edotco BD	23	-	3,625,991	3,625,991
Intercompany payables - Axiata Group Berhad	24	-	1,589,965	1,589,965
Subscribers' security deposit	25	-	245,402	245,402
Short term loan	26	-	7,350,000	7,350,000
Deposit against employee share purchase plan (ESPP)	27	-	1,360,781	1,360,781
		-	105,727,809	105,727,809
31 December 2018				
Financial assets not measured at fair value				
Accounts receivable, net	9	4,157,940	-	4,157,940
Other receivables	9	2,963,108	-	2,963,108
Deposits	10	145,605	-	145,605
Short term investments - FDRs	11	352,982	-	352,982
Cash at bank	12	2,602,332	-	2,602,332
		10,221,967	-	10,221,967
Financial liabilities not measured at fair value				
Interest bearing term loans	15	-	16,113,300	16,113,300
Lease obligation	19	-	510,330	510,330
Other non-current liability	20	-	3,497,283	3,497,283
Accounts and other payables	21	-	38,458,287	38,458,287
Intercompany payables - edotco BD	23	-	5,307,219	5,307,219
Intercompany payables - Axiata Group Berhad	24	-	1,854,402	1,854,402
Subscribers' security deposit	25	-	241,440	241,440
Short term loan	26	-	13,412,821	13,412,821
		-	79,395,082	79,395,082

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

B. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

I) Credit risk
II) Liquidity risk
III) Market risk

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 analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. This note presents information about the Company's exposure to financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

I) 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, and arises principally from the Company's receivables from subscribers, interconnection operators, roaming partners and dealers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile i.e. their legal status, financial condition, ageing profile etc. Trade receivables are mainly related to the Company's subscribers/customers, interconnection operators, channel partners and roaming partners for provision of services. The Company's exposure to credit risk on trade and other receivables is mainly influenced by the individual payment characteristics of post paid subscribers, interconnection operators and corporate customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In BDT'000	*Note*	**2019**	**2018**
Trade receivables, gross			
Interconnection receivables	9.1	**2,570,961**	2,485,568
Post-paid receivables	9.1	**383,001**	362,485
Infrastructure sharing receivables	9.1	**235,231**	174,882
International roaming receivables	9.1	**132,146**	180,972
Others	9.1	**3,383,090**	2,716,175
		6,704,429	5,920,082
Other receivables	9	**2,958,516**	2,963,108
Deposits	10	**145,025**	145,605
Short term investments - FDRs	11	**353,580**	352,982
Cash at bank	12	**4,465,016**	2,602,332
		14,626,566	11,984,109

The maximum exposure to credit risk for account receivable as at the statement of financial position date by geographic regions was:

In BDT'000	**2019**	**2018**
Domestic	**6,497,410**	5,654,709
Foreign	**207,019**	265,373
	6,704,429	5,920,082

b) Ageing of accounts receivable

The ageing of gross account receivables at the statement of financial position date was:

31 December 2019

In BDT'000	Not past due	0-90 days past due	91-180 days past due	181-365 days past due	Over 365 days past due
Interconnection receivables	**994,275**	**47,259**	**39,249**	**4,653**	**1,485,525**
Post-paid receivables	**139,458**	**117,186**	**36,079**	**31,392**	**58,886**
Infrastructure sharing receivables	**52,465**	**96,777**	**37,493**	**3,749**	**44,747**
International roaming receivables	**11,403**	**27,408**	**18,418**	**511**	**74,406**
Others	**2,447,355**	**424,726**	**197,394**	**66,215**	**247,399**
	3,644,956	**713,356**	**328,633**	**106,520**	**1,910,963**

31 December 2018

In BDT'000	Not past due	0-90 days past due	91-180 days past due	181-365 days past due	Over 365 days past due
Interconnection receivables	837,237	210,370	4,246	37,607	1,396,108
Post-paid receivables	168,085	102,710	22,605	31,899	37,186
Infrastructure sharing receivables	62,970	34,975	35,633	32,303	9,001
International roaming receivables	28,185	29,832	11,738	14,527	96,690
Others	1,712,117	190,051	132,910	164,215	516,882
	2,808,594	567,938	207,132	280,551	2,055,867

c) Impairment losses

Impairment losses on the above receivables were recognized as per the Company policy mentioned in note: 52.5. Quantitative disclosure for such impairment losses are disclosed in note: 9.1.2 of the financial statements.

31 December 2019

In BDT'000	Not past due	0-90 days past due	91-180 days past due	Over 181 days past due	Total
Gross trade receivables	**3,644,956**	**713,356**	**328,633**	**2,017,484**	**6,704,429**
Provision for impairment	**-**	**(11,025)**	**(17,636)**	**(1,701,887)**	**(1,730,548)**
Net trade receivables	**3,644,956**	**702,331**	**310,997**	**315,597**	**4,973,881**

31 December 2018

In BDT'000	Not past due	0-90 days past due	91-180 days past due	Over 181 days past due	Total
Gross trade receivables	2,808,594	567,938	207,132	2,336,418	5,920,082
Provision for impairment	-	(14,801)	(18,405)	(1,728,936)	(1,762,142)
Net trade receivables	2,808,594	553,137	188,727	607,482	4,157,940

II) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its liabilities as they fall due. The Company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, based on time line of payment of financial obligations and accordingly arrange for sufficient liquidity/fund to make the expected payments within due dates. Moreover, the Company seeks to maintain short term and long term lines of credit with scheduled commercial banks and in form of suppliers' credit (showing credit facility) to ensure payment of obligation in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines with banks are negotiated accordingly.

In extreme stressed conditions, the Company may get support from the ultimate parent company (Axiata Group Berhad) in the form of shareholders' term loan or equity injection. The Company is not associated with any derivative transaction.

The followings are the financial liabilities of the Company:

31 December 2019

In BDT'000	Carrying amount	Contractual cash flows: Total contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Interest bearing term loans	14,059,436	14,097,482	3,232,457	3,601,005	5,202,010	2,062,010	-
Accounts payable including liability for capital expenditure	7,006,522	7,006,522	7,006,522	-	-	-	-
Accrued expenses including accrual for capital expenditure	14,910,440	14,910,440	10,304,081	4,606,359	-	-	-
Intercompany payables - edotco BD	3,625,991	3,625,991	3,625,991	-	-	-	-
Intercompany payables - Axiata Group Berhad	1,589,965	1,589,965	1,589,965	-	-	-	-
Lease obligation	32,510,624	53,281,649	2,444,420	2,425,584	4,762,781	14,462,283	29,186,581
Short term loan	7,350,000	7,350,000	7,350,000	-	-	-	-
	81,052,978	101,862,049	35,553,436	10,632,948	9,964,791	16,524,293	29,186,581

31 December 2018

In BDT'000	Carrying amount	Contractual cash flows: Total contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Interest bearing term loans	16,113,300	16,113,300	1,479,597	3,479,597	5,901,746	5,252,360	-
Accounts payable including liability for capital expenditure	6,938,347	6,943,187	6,943,187	-	-	-	-
Accrued expenses including accrual for capital expenditure	13,232,210	13,232,210	9,144,315	4,087,895	-	-	-
Intercompany payables - edotco BD	5,307,219	5,307,219	5,307,219	-	-	-	-
Intercompany payables - Axiata Group Berhad	1,854,402	1,849,562	-	1,849,562	-	-	
Short term loan	13,412,821	13,412,821	10,912,821	2,500,000	-	-	-
	56,858,299	56,858,299	33,787,139	11,917,054	5,901,746	5,252,360	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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III) 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.

a) Currency risk

The Company is exposed to currency risk on certain revenues and purchases such as roaming revenues and expenses, telecom equipment purchases, network related costs and interest expense and repayment relating to borrowings incurred in foreign currencies. Majority of the Company's foreign currency transactions are denominated in USD and related to procurement of capital items from abroad. The Company maintains a USD bank account where all receipts from international roaming services are deposited and all corresponding payments are made.

i) Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts (in BDT):

	2019		2018	
	USD	**EURO**	**USD**	**EURO**
Foreign currency denominated assets				
Accounts receivable	**207,019**	-	265,373	-
Cash at bank	**380,131**	-	364,027	-
	587,150	-	629,400	-
Foreign currency denominated liabilities				
Interest bearing term loans	**(5,271,036)**		(7,341,348)	-
Accounts and other payables	**(3,902,607)**		(4,143,838)	(2,313)
Intercompany payables - Axiata Group Berhad	**(1,589,965)**		(1,854,402)	
Interest on borrowings	**(7,062)**	-	(20,489)	-
	(10,770,670)	-	(13,360,077)	(2,313)
Net exposure	**(10,183,520)**	-	(12,730,677)	(2,313)

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2019	**2018**	**2019**	**2018**
US Dollar (USD)	**84.51**	83.70	**84.95**	83.95
EURO	**94.36**	100.51	**95.09**	97.44

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening or weakening of the BDT, as indicated below, against the foreign currencies at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit /(loss)		Equity	
In BDT'000	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
2019				
USD (0.5% movement)	**(50,918)**	**50,918**	**(50,918)**	**50,918**
EURO (0.5% movement)	**-**	**-**	**-**	**-**
	(50,918)	**50,918**	**(50,918)**	**50,918**
2018				
USD (0.5% movement)	(63,653)	63,653	(63,653)	63,653
EURO (0.5% movement)	(12)	12	(12)	12
	(63,665)	63,665	(63,665)	63,665

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

i) Profile

The interest rate profile of the Company's interest bearing financial instruments was:

In BDT'000	Carrying amount 2019	2018
Fixed rate instruments		
Financial assets		
Short term investments - FDRs	**353,580**	352,982
Cash at bank	**4,465,016**	2,602,332
Financial liabilities		
Interest bearing term loans	**5,800,000**	800,000
Short term loan	**7,350,000**	13,412,821
	17,968,596	17,168,135
Floating rate instruments		
Financial assets	-	-
Financial liabilities		
Interest bearing term loans	**8,259,436**	15,313,300
	8,259,436	15,313,300

ii) Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 1% interest rate at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

In BDT'000	Profit /(loss) 1% increase	Profit /(loss) 1% decrease	Equity 1% increase	Equity 1% decrease
2019				
Variable rate instruments	**(99)**	**99**	**(99)**	**99**
2018				
Variable rate instruments	(245)	245	(245)	245

42 Capital management

Capital management refers to implementing policies and measures to maintain sufficient capital, assessing Company's internal capital adequacy to ensure Company's operation as a going concern. The Board of Directors are charged with the ultimate responsibility for maintaining a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. All major investment and operational decisions with exposure to certain amount is evaluated and approved by the Board. The Board of Directors also monitors the return on capital, which the Company defines as post tax result from operating activities divided by average invested capital.

The Company monitors capital using gearing ratio and Return On Invested Capital (ROIC). For this purpose, adjusted net debt is defined as total interest bearing debt, comprising interest-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's policy is to maintain a stable gearing ratio supported by low cost borrowing while maintaining a healthy enterprise value of the Company. The Company's gearing ratio at the reporting date was as follows:

In BDT'000	2019	2018
Total interest bearing debts (notes 15 and 26)	**21,409,436**	29,526,121
Less: Cash and cash equivalents	**(4,517,026)**	(2,644,237)
Adjusted net debt	**16,892,410**	26,881,884
Adjusted equity	**59,588,895**	60,591,633
Adjusted net debt to adjusted net equity	**0.28**	0.44

Lease liability under IFRS 16 has not been considered for adjusted net debt calculation.

43 Related party disclosures

i) Transactions with key management personnel

The following statements comprises the Directors of the Board and Key Management Personnel.

In BDT'000	**2019**	**2018**
Short term employee benefits	300,717	270,468
Post-employment benefits	10,373	7,204
Other long term benefits	98,253	98,466
	409,343	376,138

ii) Other related party transactions

The Company carried out a number of transactions with related parties in the normal course of business on arms length basis. The name of these related parties, nature of transactions and their total value have been set in accordance with the provisions of IAS 24 "Related party disclosures".

In BDT'000			**2019**	**2018**
Name of related parties	Nature	Nature of transactions		
Axiata Management Service	Axiata Group Company	Expenses paid on behalf	**(3,374)**	-
Axiata Group Berhad	Shareholder	Expenses paid on behalf, management fee	**254,405**	328,400
Axiata Digital Services	Axiata Group Company	Revenue	**(410,125)**	(246)
	Axiata Group Company	Media related expenses	**1,247,596**	28,212
Smart Axiata Co. Limited	Axiata Group Company	Roaming revenue	**(0.0)**	(352)
	Axiata Group Company	Roaming expenses	**0.5**	12
Dialog Axiata PLC	Axiata Group Company	Roaming revenue	**(143)**	(240)
	Axiata Group Company	Roaming expenses	**14**	7.2
	Axiata Group Company	Other expenses	**5,372**	7,387
Celcom Axiata Berhad	Axiata Group Company	Roaming revenue	**(81)**	(70)
	Axiata Group Company	Roaming expenses	**20**	22
PT XL Axiata Tbk	Axiata Group Company	Roaming revenue	**(0.2)**	(1.9)
	Axiata Group Company	Roaming expenses	**3.3**	11
NTT DOCOMO INC.	Shareholder	Roaming revenue	**(476)**	(2,195)
	Shareholder	Roaming expenses	**612**	1,231

In BDT'000			2019	2018
edotco Bangladesh Co Ltd	Axiata Group Company	Infrastructure service expense	**13,420,481**	12,963,224
	Axiata Group Company	Shared service income	**(17,398)**	(22,647)
	Axiata Group Company	Revenue	**(31,291)**	(445)
edotco Investments (Labuan) Limited	Axiata Group Company	Share sale of edotco BD	-	(10,062,000)
M1 Limited (M1)	Axiata Group Company	Roaming revenue	**(167)**	(247)
	Axiata Group Company	Roaming expenses	**301**	289
Ncell Private Limited	Axiata Group Company	Roaming revenue	**(75)**	(103)
	Axiata Group Company	Roaming expenses	**39**	108
Bharti Airtel	Shareholder	Roaming revenue	**(33,250)**	(28,602)
	Shareholder	A2P & P2P revenue	**(22,947)**	(34,378)
	Shareholder	Roaming expenses	**4,607**	3,717
Idea Cellular Limited	Axiata Group Company	Roaming revenue	-	(351)
	Axiata Group Company	Roaming expenses	-	1,711

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iii) Receivables/(payables) with related parties

In BDT'000			2019	2018
Name of related parties	Nature	Receivable/(Payable)		
Axiata Management Service	Axiata Group Company	Receivable	8,213	4,840
Axiata Group Berhad	Shareholder	Payable	(1,589,966)	(1,854,402)
Axiata Digital Services	Axiata Group Company	Receivable	410,125	-
		Payable	(1,160,283)	(28,589)
Smart Axiata Co. Limited	Axiata Group Company	Receivable-roaming	0.03	0.0
	Axiata Group Company	Payable-roaming	(0.5)	-
	Axiata Group Company	Receivable-others	0.04	53.0
Dialog Axiata PLC	Axiata Group Company	Receivable-roaming	74,530	74,469
	Axiata Group Company	Payable-other expense	(37,178)	(31,806)
	Axiata Group Company	Payable-roaming	(26,744)	(26,733)
Celcom Axiata Berhad	Axiata Group Company	Receivable-roaming	18	13
	Axiata Group Company	Payable-other expense	(10,560)	(10,560)
	Axiata Group Company	Payable-roaming	(7.9)	(3.2)
PT XL Axiata Tbk	Axiata Group Company	Receivable-roaming	0.2	1.1
	Axiata Group Company	Payable-roaming	(1.0)	(3.4)
NTT DOCOMO INC.	Shareholder	Receivable-roaming	160	482
	Shareholder	Payable-roaming	(594)	(204)
edotco Bangladesh Co Ltd	Axiata Group Company	Payable	(3,625,992)	(5,307,219)
M1 Limited (M1)	Axiata Group Company	Receivable - Roaming	28	111
	Axiata Group Company	Payable - Roaming	(70)	(122)
Ncell Private Limited	Axiata Group Company	Receivable - Roaming	103	51
	Axiata Group Company	Payable - Roaming	(68)	(29)
Bharti Airtel	Shareholder	Receivable - Roaming	28,972	40,326
	Shareholder	Receivable - A2P & P2P	1,832	11,901
	Shareholder	Payable - A2P & P2P	(2,906)	(2,906)
	Shareholder	Payable - Roaming	(10,129)	(5,691)
	Shareholder	Payable-Support service	-	(3,739)
Idea Cellular Limited	Axiata Group Company	Receivable - Roaming	-	694
	Axiata Group Company	Payable - Roaming	-	(1,974)

44 Expenditure and revenue in foreign currency during the year

In BDT'000	2019	2018
CIF value of imports		
Telecommunication equipment	**5,716,223**	11,674,141
Expenditure in foreign currency		
Transaction with group companies	**849,754**	363,999
International roaming cost	**58,680**	88,720
Interest on foreign loan	**315,508**	396,685
Consultancy fee	**10,502**	5,532
Foreign earnings		
Revenue from roaming partners	**157,637**	162,355
Proceeds from edotco share sales	**-**	10,062,000

45 Capital commitments

In BDT'000	2019	2018
Purchase orders - capital expenditures	**9,657,874**	5,345,214
	9,657,874	5,345,214

46 Contingencies and material litigations

The Company has number of litigations with different regulatory authorities, which are currently being contested in various forums. These litigations comprise of Robi and Airtel (pre-merger i.e. before 16 November 2016) litigations. In compliance with its internal processes and governance scheme, the Company has obtained legal opinions from its internal legal team and/or external legal counsels regarding the potential impact of such disputes. Management has duly evaluated the said legal opinions and duly assessed the expected outcome of these litigations in accordance with International Accounting Standard to provide fair representation thereof in these financial statements. Accordingly, following are the material litigations in these financial statements considering the probability assessment as per IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

a) Claim related to Information System Audit by BTRC

Bangladesh Telecommunication Regulatory Commission (BTRC) conducted an Information System Audit (IS Audit) on Robi for the years between 1997 to 2014. Subsequently, BTRC issued a claim of BDT 8,672,391,476 against Robi on 31 July 2018 (the "Claim"). A substantial part of the Claim includes claim of VAT on spectrum fees and VAT rebate/credit cancelation, which are either part of other ongoing litigations or in respect or which BTRC have no jurisdiction to claim relevant amount.

Robi has disputed the Claim in its entirety raising inaccuracies, irrationality, flaws and lack of jurisdiction including limitation period in issuing the demand. Legal opinion obtained by the Company states that the Claim has no legal basis. In an attempt to resolve the dispute, Robi served a Notice of Arbitration to BTRC on 20 May 2019. However, BTRC refused to discuss or arbitrate.

On 13 June 2019, despite Robi's Notice of Arbitration, the BTRC directed Robi to make payment within 10 days. Challenging the demand, Robi filed a suit on 25 August 2019 before the Joint District Judge, Dhaka seeking a declaration and permanent injunction against BTRC's Information System Audit Claim. The Hon'ble District Court admitted the suit.

Additionally, Robi also filed an application seeking an interim relief of a temporary injunction restraining BTRC from demanding payment on the basis of the Claim, and also restraining BTRC from causing any interference with the operation of Robi's business. The District Court declined to grant an injunction. As a result, Robi preferred an appeal before the Hon'ble High Court Division in respect of rejection of the temporary injunction application. The Honorable High Court, by an order dated 5 January 2020, issued an injunction upon BTRC on condition that Robi makes a deposit of BDT 1,380,000,000 in five instalments. On 14 January 2020, Company has deposited BDT 276,000,000 to comply with the order of High Court Division to secure the injunction. Since, the deposit is part of the legal process, the amount deposited is recoverable after the resolution of the suit filed in respect of the claim.

The Company is confident that it can successfully challenge the demand.

b) Claim related to SIM replacement tax by Large Taxpayers Unit (LTU)

On 9 June 2015, National Board of Revenue (NBR) imposed tariff price on subscriber identity module or subscriber identification module, widely known as a SIM card. The tariff includes supplementary duty (SD) and VAT on the SIM card (combinedly known as SIM Tax). By way of a letter of explanation dated 13 June 2005, NBR clarified that SIM tax will not be applicable if SIM is lost, stolen or damaged, provided that mobile number remains the same.

In 2011, LTU of NBR purportedly started an investigation over SIM replacement process against all mobile operators. On the tenet of the investigation, LTU initiated a Miscellaneous Case ("Oniyom Mamla") in February 2012 claiming BDT 30 billion from four mobile phone operators for the SIMs replaced between Mar 2007 and June 2011. It is pertinent to note that there was no SIM replacement tax up until 2014.

In October 2012, four Mobile Operators including Robi (and Airtel) filed Writ before the High Court seeking redressal of the claim made by the LTU. After an extensive hearing, The Honorable High Court disposed the Rule with a direction ordering LTU and NBR to resolve the issues within 120 days.

Subsequently in July 2013, a Terms of Reference (TOR) was agreed. A committee was formed comprising of LTU, NBR, BTRC, Association of Mobile Telecom Operators of Bangladesh (AMTOB) and representative of Operators to review the SIM replacement process. Subscriber registration documents and Call Details Record (CDR) were considered for this review process. The committee outlined a Terms of Reference (TOR) to carry out the review. The committee randomly selected 1100 SIM from Airtel, 1200 SIM from Banglalink, 1400 SIM from Grameenphone and 1200 SIM from Robi for this review process. It was the understanding of the parties that the findings would be applicable for the entire demand period.

A report was finalized in August 2013 based on the review of subscriber registration documents and CDR as outlined in the TOR. The report was signed by the all members of the Review Committee.

In September 2013, the Review Committee reconvened to complete the review process to finalize the report. In October 2013, LTU and NBR representatives of the Review Committee disregarded TOR and submitted the report without any consensus from the other Review Committee Members.

Subsequently, LTU issued demand against Robi for the amount of BDT 4,145,455,400 for the period covering March 2007 to June 2011.

For the period of July 2012 to June 2015, NBR has made a separate demand of BDT 2,852,009,535 on 20 November 2017.

Robi filed appeals before the Customs, Excise and VAT Appellate Tribunal by paying 10% of the demanded amount. The appeal was rejected by the Tribunal. Against the Tribunal's Orders, Robi filed appeal before the High Court Division. The appeal is still pending for hearing.

Since, the deposit of BDT 699,746,494 is part of the legal process, the amount deposited should be recoverable, post the resolution of the issue. Hence, the deposit has been recognized under Note 10 "Advance, deposits and prepayments" of these financial statements.

Based on the legal opinion, the Company believes that the claim has no legal basis and will successfully defend its position.

c) Claim related to VAT Audit by LTU

On 30 May 2017, LTU of NBR commenced a routine VAT Audit for the period from January 2013 to December 2016. Accordingly, the Company provided all required information, documents, explanations and reconciliations to the LTU-VAT team. On 6 February 2018, LTU arbitrarily issued five show cause letters including Demand Notices ('the Demand') totaling to BDT 9,244,985,129. In accordance with the Legal Advice, the Company filed Writ petitions on 3 May 2018 with the High Court to challenge the demands.

Robi contested the Demand to be frivolous. NBR found sufficient merit to Review the Demand and recalled the file under section 43 of the VAT Act, 1991, provided Robi discontinue the Writ Petitions at the High Court. Robi obtained legal advice on the way forward and thereafter informed the High Court of non-prosecution of the Writ petitions in question.

NBR referred the matter to the Directorate General of Audit Intelligence and Investigation ("DGAI") to re-examine the claim and the Demand. On 8 July 2018, DGAI formed a Committee comprising of members from NBR, BTRC and Robi ("Review Committee").

A detail Review ensued, however, NBR and LTU members of the Review Committee finalized a 'Report' without any consultation with Robi.

After further persuasion, another Committee was formed, and the Committee submitted a Report to the NBR. Robi objected to insert any new matter in the Report, as the scope of the Audit was limited to the earlier findings of the LTU Audit. Nevertheless, a Report was submitted to NBR for the decision of the Board (NBR Board).

According to the process, in the event NBR or LTU wishes to claim any amount, LTU will have to issue a new claim against Robi, as the existing claim void by virtue of section 43 of the VAT Act, 1991 (Old VAT Act).

Based on legal opinion, the Company believes that the claim has no legal basis and will successfully defend its position.

d) Litigations related to VAT rebate cancellation

VAT rebate cancellation related to Robi

Under the new VAT and SD Act, 2012, which has come into force from 1 July 2019, provisions have been kept to cover almost all the raw-materials of production for which input tax credit can be claimed. There are five litigations related to VAT rebate cancellation by LTU-VAT (NBR) with a total claim amounting to BDT 2,805,525,320.

Input tax credit is the credit deducted or adjusted from the VAT paid by the taxpayer for the supply of goods and services. Similar to VAT Act, 1991, VAT and SD Act, 2012 provides that input VAT credit or rebate can only be obtained against supplies of goods or services subject to 15% VAT.

1. Proportionate rebate cancellation totaling to BDT 2,338,646,742
VAT Authority arbitrarily cancelled proportionate rebate referring to section 19(3) of VAT Rules, 1991. However, this section is applicable for Goods, whereas the related section of service is 19(5) of VAT Rules, 1991.

2. Imported Capital Machinery totaling to BDT 466,878,578
VAT Authority arbitrarily cancelled rebate on following capital machineries: Antenna, Cable, Media Gateway switch, Battery, Modem, Telephone & Telegraphic switch, Power System, Optical multi service systems, Universal service router, Printed service board, Racks etc.

As per New VAT Act, 2012 all items to be rebate-able except a few. However recently, NBR issued a General Order vide 23/VAT/2019 dated 26 October 2019, more items are included in the negative list.

The Company obtained legal opinion and believe that rebate/credit was legitimate, and rebate was obtained as per law. Therefore, cancellation of input VAT rebate/credit relates to capital machineries, spare parts, proportionate VAT rebate cancellation etc. are unlawful. Robi filed appeal against all of these rebate cancellations. Out of these five litigations, four are currently pending before the High Court and one is pending before Customs and Excise VAT Tribunal (CEVT).

In order to file the appeal, Robi had to deposit BDT 280,552,532 as part of the appeal procedure of Bangladesh. Since, the deposit is a part of a legal process, the amount deposited should be recoverable, post the resolution of the issue. Hence, the deposit has been recognized under Note 10 "Advance, deposits and prepayments" of these financial statements.

VAT rebate cancellation related to Airtel

There are four litigations related to VAT rebate cancellation by LTU-VAT (NBR) with a total claim amounting to BDT 442,826,897. The cancellation of input VAT rebate relates to capital machineries, spare parts, proportionate VAT rebate cancellation etc. which is rebate-able as per law. The Company filed appeal against all these rebate cancellations. NBR has compelled and forcefully collected the claimed amount of BDT 103,166,250 against two of the demands. In relation to other two demands, the Company had to deposit BDT 33,966,065 as part of the appeal procedure of Bangladesh.

Since, the deposit is part of the legal process, the amount deposited should be recoverable, post the resolution of the issue. Hence, the deposit has been recognized under Note 10 "Advance, deposits and prepayments" of these financial statements.

Based on the legal opinion, the Company believes that the Claim has no legal basis and will successfully defend its position.

e) Litigations related to Income tax

Income tax reference case related to Robi

Reference applications were filed before the Honorable High Court against the orders of the Taxes Appellate Tribunal for the income year 2005 to 2012. The total claim from National Board of Revenue (NBR) stand at BDT 5,847,161,436 against which tax expense booked in the respective financial statements is BDT 781,977,570.

In addition to above, tax cases are under process in different appeal stages for the income year 2013 to 2015. The total claim from NBR for the mentioned years is BDT 9,292,032,820 against which tax expense booked in the respective financial statements is BDT 8,341,742,790. The main reason for such difference is the disallowance of SIM tax subsidy by NBR as non-deductible expenses for the respective years.

Income tax reference case related to Airtel

Reference applications were filed before the Honorable High Court against the order of the Taxes Appellate Tribunal for the period of 2006 to 2013. The total claim from National Board of Revenue (NBR) for the mentioned years is BDT 477,428,970 against which tax expense booked in the respective financial statements is BDT 250,750,018.

In addition to above, an appeal against the assessment for the year 2014 is pending before the Taxes Appellate Tribunal. The total claim from NBR for the mentioned year is BDT 489,437,975 against which tax expense booked in the respective financial statements is BDT 8,446,519. The reason for such differences are the disallowance of SIM tax subsidy and other arbitrary disallowances by NBR as non-deductible expenses for the respective years.

Based on the legal opinion, the Company believes that both claims have no legal basis and will successfully defend its position.

f) VAT Payment dispute related to 2G License Fee payment

During the 2G License renewal in 2011, BTRC demanded VAT on spectrum fees. Operators agreed to withhold the VAT in compliance with the VAT Act, 1991. However, BTRC refused and demanded the spectrum fees without any deductions. All Operators filed Writ petitions at the High Court including Robi. In Robi's case, Robi challenged the provisions in the VAT Rules and argued that there cannot be any VAT on spectrum and even if there is any VAT on spectrum; any service provided by BTRC is VAT exempted under the VAT Act, 1991. Robi also argued that since BTRC is not a VAT registered entity, BTRC is unable to issue VAT receipts or Mushok Challan-11, which was a requirement under the relevant VAT laws. High Court ordered BTRC to register for VAT and ordered Robi to deposit spectrum fees including VAT to BTRC. Subsequently Robi deposited the amount. However, BTRC refused to register for VAT or issue Mushok Challan and appealed against the High Court decision to the Appellate Division of the Supreme Court.

Despite clear provisions in VAT Act, 1991 or VAT and SD Act, 2012, BTRC is yet to register for VAT, hence defeat legitimate demand of receipt (Mushok Challan-11) by Operators which will then enable Operators to obtain rebate/credit for the VAT paid.

BTRC has also included this claim in the above-mentioned demand notice dated 31 July 2018 (BTRC IS Audit) specified in Note 46 (a).

In relation to the 2nd instalment of spectrum fees (2G License), Robi claimed rebate of BDT 826,848,000 but LTU of NBR cancelled the rebate, as there was no VAT receipt (Mushok Challan-11) issued by BTRC. Robi challenged the cancellation by a separate Writ Petition which is still pending before the Honorable High Court Division.

In both cases, 100% of the License Renewal Fee have been capitalized by Robi per requirement of the law (including the High Court order that BTRC should register for VAT and should issue the VAT receipt or Mushok Challan 11), hence, Robi's VAT exposure should be nil. However, if the Appellate Division's judgement is effective retrospectively, Robi's financial exposure on capitalized License Renewal Fees would increase by 15%.

g) Claim related to VAT on SIM and Scratch Card of Airtel

During Airtel warehouse visit in June 2007, NBR officials was not satisfied with the quantity of inventory related to SIM & scratch card and claimed total SD & VAT amounting to BDT 1,291,943,926 considering it as VAT concealment. Out of the total demand, BDT 434,358,699 was paid by Airtel and given the fact that rest of the SIMs were stored in different offices/distribution houses of Airtel and VAT has been paid at the time of subsequent issuances. However, NBR subsequently claimed VAT of BDT 857,585,227 again without considering the subsequent payments from issuance of different locations in 2009.

Airtel appealed against the demand in Appellate Tribunal which upheld the same claim. Airtel subsequently filed Writ Petition in 2009 before the Honorable High Court. The Honorable High Court pronounced the judgement in favor of Airtel. After the pronouncement of the judgement in the Writ Petition and before the certified copy of the judgement was available, the Government filed Civil Miscellaneous Petition which was opposed by Airtel. But the Appellate Division stayed the judgement and sent the matter for full court hearing. The matter is pending at the Appellate Division of the Supreme Court.

47 List of subsidiary

Name of entity	Ownership interest held directly by the parent - Robi (%)	Ownership interest held by NCI (%)	Total (%)	Principal activities
Red Dot Digital Limited	99.99%	0.01%	100.00%	Focused on Hi-Tech/ IT/ITES (IT Enabled Services) sector, developing software technology for mobile, IOT and FinTech services.

48 Short-term credit facilities

The Company enjoys composite working capital facilities, including both funded and non-funded facilities from 14 banks. The non-funded facilities include Letters of Credit (LC), Shipping Guarantee and Letters of Guarantee. The funded facilities include overdraft facility and short term loan. The aggregate amount of working capital facilities is BDT 60,797 million, non-funded limit is BDT 50,285 million and funded limit is BDT 32,866 million. These credit facilities are unsecured and backed by standard charge documents as per terms and conditions set by respective banks.

49 Number of employees

The Company employed 1,512 (2018:1,564) permanent employees. All employees receive total remuneration in excess of BDT 36,000 per annum.

50 Events after the reporting period

There is no significant event which provide additional information of the condition existed at the reporting period which requires either disclosure or adjustment to the financial statements; except for partial payment against BTRC audit claim as mentioned in Note 46 (a) of these financial statements.

51 Basis of measurement

The financial statements have been prepared on going concern basis under the historical cost convention except for the following items, which are measured on an alternative basis on each reporting date.

(a) Asset Retirement Obligations (ARO) are measured at present value of expected future cash out-flow.

(b) Defined post-employment benefit plan is measured on the basis of projected unit credit method.

(c) ROU asset & lease liabilities are measured considering contractual cash out-flows and incremental borrowing rate under the guidance of IFRS 16 "Leases".

52 Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

52.1 Property, plant and equipment

52.1.1 Recognition and measurement

Items of Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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 asset to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and capitalized borrowing costs. The costs of obligations for dismantling and removing the item and restoring the site (generally called 'asset retirement obligation') are recognized and measured in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

52.1.2 Subsequent costs

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

52.1.3 Depreciation

No depreciation is charged on freehold land as it has unlimited useful life.

Depreciation on other items of property, plant and equipment is recognized on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. For property, plant and equipment, depreciation is charged from the date of capitalization up to the immediately preceding day of disposal. Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The current and comparative depreciation rates are as follows:

	2019	2018
Building	**2.50%**	2.50%
Furniture and fixture	**12.5%-20%**	12.5%-20%
Office and other equipment	**20%**	20%
Computer	**25%**	25%
Billing equipment	**20%**	20%
Telecom equipment and infrastructure	**7-20%**	7-20%
IT infrastructure	**20%**	20%
IT applications	**20%**	20%
Motor vehicle	**20%**	20%

52.1.4 Capitalization of borrowing costs

The amount of interest on term loan obtained and used exclusively for the purchase or acquisition of capital assets is being capitalized during construction period for all qualifying assets as per IAS 23 "Borrowing Costs". Subsequent costs are charged to statement of profit or loss and comprehensive income. No borrowing cost has been capitalized during 2019.

52.2 Intangible assets

52.2.1 Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment loss, if any. Intangible assets are recognized when all the conditions for recognition as per IAS 38 "*Intangible Assets*" are met. The cost of an intangible asset comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use. Intangible assets with finite useful lives comprise software, spectrum acquisition charge, 2G license renewal fee, 3G license fee, 4G license and Tech Neutrality fee, customer list and brand.

Goodwill arising on business combination is measured at cost less accumulated impairment losses.

52.2.2 Subsequent costs

Subsequent costs are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other costs are recognized in profit or loss as incurred.

52.2.3 Amortization

Amortization of the intangible assets is recognized on a straight-line basis over the estimated useful lives of each item. Goodwill is not amortized. The useful lives of the items at the reporting date are as follows:

	2019 In years	2018 In years
Software	**4**	4
Spectrum assignment fee	**18**	18
2G license fee	**15**	15
3G license fee	**15**	15
4G license fee	**15**	15
Tech neutrality fee	**2.84-8.79**	2.84-8.79
Customer list	**2.5**	2.5
Brand	**3**	3

2G and 3G license acquired through business combination are amortized over the remaining tenure of the license.

52.3 Leases

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

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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

As a lessee

At commencement or on modification of a telecom infrastructure/equipment sharing related contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of land/ building the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date/transition date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

For leased asset, useful life has been determined shorter of lease term or useful life.

Depreciation rates of right-of-use assets are as follows:

	2019
	In years
Land & building	1.1 - 40
Transmission fiber	10 - 15
Telecom equipment and infrastructure	2.5 - 15

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

For lease term consideration, the company considers non-cancellable period. Option to extend is considered only if that is a legally enforceable right.

Lease payments included in the measurement of the lease liability generally comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 "Revenue from contracts with customers" to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 "Financial Instruments" to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

52.4 Financial instruments

52.4.1 Financial assets

The Company initially recognizes receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the transaction.

The Company derecognizes a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On initial recognition, a financial asset is classified and measured at amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Financial assets of the Company include accounts receivables, other receivables, cash and cash equivalents and deposits.

(a) Accounts receivables
Accounts receivable represent the amounts due from mobile telephony subscribers for telecom services, other operators for interconnection services, international roaming services, infrastructure sharing and includes both billed and unbilled portion of such services at the date of statement of financial position, receivable from channel partners, other non-mobile receivables, receivable for mobile money service. Accounts receivable are stated net of provision for doubtful debts.

(b) Other receivables
Other receivables comprise indemnification assets arising from business combination.

(c) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Overdrawn balances that are cleared subsequently form an integral part of the Company's cash management, have been deducted from cash and cash equivalents.

52.4.2 Financial liabilities

The Company initially recognizes financial liabilities on the transaction date at which the Company becomes a party to the contractual provisions of the liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial liabilities include lease obligation, accounts and other payables, intercompany payable, subscribers' security deposit, interest bearing term loans, suppliers' credit and short term loan.

Accounts payable and other financial liabilities
Accounts and other payables and other financial liabilities are recognized when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the group of resources embodying economic benefits.

52.5 Impairment

(a) Financial assets
The Company measures loss allowances for trade receivables at an amount equal to lifetime Expected Credit Loss (ECL). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured by the cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Based on the above, loss allowance is measured on lifetime ECL using a PD x LGD x EAD methodology as follows:
- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- it is probable that the debtor will enter bankruptcy

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(b) Non-financial assets
The carrying amounts of Company's assets are reviewed to consider possible impairment of assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the statement of profit or loss and other comprehensive income. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the Cash Generating Unit (CGU), and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

52.6 Inventories

Inventories consist of SIM cards, starter kits, scratch cards and handsets which are valued at lower of cost and net realizable value. Cost of the SIM cards, starter kits and scratch cards are determined by the weighted average basis and comprises all cost of purchases and other cost incurred in bringing the inventories to their present location. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of the inventories to the lower of cost and net realizable value.

Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated cost of completion and the estimated cost necessary to make the sale.

52.7 Employee benefits

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees in accordance with local conditions and practices. The eligibility is being determined according to the terms and conditions set out in the respective deeds.

(a) Defined contribution plan

The Company maintains contributory recognized provident fund for its eligible permanent employees. The recognized provident fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. The Company's obligation for each period is determined by the amount contributed for that period. The Company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for those contributions.

(b) Defined benefit plan

The Company operates a funded gratuity scheme. This gratuity scheme is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to the eligible employees as per condition of the fund.

The net defined benefit liability (asset) in respect of a defined benefit plan is recognized in the statement of financial position. The net defined benefit liability (asset) is made up of:

i) the present value of defined benefit obligation; less
ii) the fair value of plan assets; adjusted for
iii) any effect of limiting a net defined benefit asset to the asset ceiling.

Present value of defined benefit obligation is determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost by using mutually compatible actuarial assumptions about demographic and financial variables.

Current service cost, past service cost and gain/loss on settlement and net interest on the net defined benefit liability (asset) are recognized in profit or loss. Service cost and gain/loss on settlement are classified as personnel expense and net interest on the net defined benefit liability (asset) is classified as interest expense. Remeasurements of the net defined liability (asset) are recognized in other comprehensive income, comprising:

i) actuarial gains and losses;
ii) return on plan asset, excluding amounts included in net interest on the net defined benefit liability (asset).

52.8 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation in compliance with IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets".*

Provisions also include provisions for dismantling, removal or restoration. This provision is reviewed at the end of the reporting period and adjusted to property, plant and equipment to reflect the current best estimation.

Asset retirement obligations

Asset retirement obligations are recognized when there is a legal or constructive obligation as a result of past event for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The Company recognizes ARO in respect of project's site based on the present value of expected expenditures required to settle the obligation. The periodic unwinding of the discount is recognized in profit or loss as finance cost as it occurs.

52.9 **Contingencies**

A 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 Company; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A 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 Company.

Contingent liabilities and assets are not recognized in the statement of financial position of the Company.

52.10 **Taxation**

Provision for current year's taxation is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provision of the prevailing Finance Act 2019/Income Tax Ordinance, 1984.

Deferred tax income is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

52.11 **Revenue recognition**

The Company principally generates revenue from mobile services such as call time, messaging, data services, activation fee, interconnect services, roaming services, sale of devices, infrastructure sharing services and other value added services.

The Company recognizes revenue when a contractual performance obligation is fulfilled by transferring control over the promised services or products to a customer provided that collectability of the consideration is probable. Revenue is measured based on the transaction price i.e. the consideration agreed in the contract with the customer excluding amounts collected on behalf of third parties such as sales taxes.

Mobile services are offered separately and/or as a bundle along with other services and/or devices. For bundled contracts, the Company accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled contract and if customers can benefit from it. Revenue is recognized on fulfilment of the individual obligations to the customer. The total transaction price of bundled contracts are allocated among the individual performance obligations based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on the observable price at which the Company sells the products and services on a stand-alone basis. For products and services that are not sold separately, the Company estimates stand-alone selling prices using other methods such as adjusted market assessment approach, cost plus margin approach or residual approach.

Revenues of the Company comprise:

(a) **Installation charges**
Installation charges revenue represents the revenue arising from prepaid service registration fees, sale of prepaid registration forms, sale of replacement SIMs and fees from ownership change etc.

(b) **Airtime/Traffic revenue - prepaid**
Revenue from sale of prepaid recharge are deferred at the time of sale and recognized as revenue when services are rendered. Unrecognized amount is presented as unearned revenue and disclosed as current liabilities.

(c) **Airtime/Traffic revenue - post-paid**
Post-paid revenue is recognized when services are rendered.

(d) **Roaming revenue**
International roaming revenue is recognized when services are rendered.

(e) **Interconnection revenue**
Interconnection revenue with other operators is recognized when services are rendered.

(f) **Value added service**
Revenue from value added services rendered to customers are recognized based on gross amount billed to customers when the Company acts as a principal or recognized after netting off costs paid to content providers when the Company acts as an agent in the transaction.

(g) Data revenue

Data revenue is recognized when services are rendered.

(h) Infrastructure sharing revenue

Lease revenue is generated from the leasing of space on the Company's telecommunication towers, where the customers install and maintain their individual communication network equipment.

(i) Revenue from sale of device

Revenue from sale of device is recognized at the point of time upon delivery and acceptance of the device by the customers where the control is transferred to the customers.

52.12 Foreign currency

Foreign currency transactions are translated into BDT at the rates ruling on the dates of transactions and year end balances of monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Differences arising on conversion are charged or credited to the statement of profit or loss and other comprehensive income.

52.13 Workers' Profit Participation Fund (WPPF)

WPPF means the workers' participation fund established under Bangladesh Labor Act, 2006 (amended in 2013). The Company provides 5% of its net profit before tax as WPPF contribution.

The Company transfers WPPF contribution to the WPPF Trust Fund within nine months from end of the relevant financial year. Two third of 80% of the fund is disbursed to the eligible employees while the rest one third of 80% is invested in different banks/financial institutions which is disbursed to the employees at the time of retirement/separation from the Company. 10% of fund is being paid to Government Workers Welfare Foundation and remaining 10% to Robi Axiata Limited Employees Welfare Fund.

52.14 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period they are approved by the Board of Directors except for the final and special dividend which are subject to approval by the Company's shareholders.

52.15 Events after the reporting period

In accordance with IAS 10 "Events after the Reporting Period", amounts recognized in the financial statements are adjusted for events after the reporting period that provide additional evidence of conditions that existed at the end of the reporting period. No adjustment is given in the financial statements for events after the reporting period that are indicative of conditions that arose after the reporting period. Material non-adjusting events are disclosed in the financial statements.