Fawry for Banking Technology and Electronic Payments (S.A.E.)

Separate Financial Statements

Together with Auditor's Report
For The Year Ended December 31, 2019

Saleh, Barsoum & Abdel Aziz
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Translation of Auditor's Report
Originally Issued in Arabic

Independent Auditor's Report

To: The Shareholders of Fawry for Banking Technology and Electronic Payments S.A.E.

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Fawry for Banking Technology and Electronic Payments S.A.E. which comprise the separate statement of financial position as of December 31, 2019 and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

These separate financial statements are the responsibility of the company's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Egyptian Accounting Standards and in the light of the relevant Egyptian laws and regulations. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of these separate financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Fawry for Banking Technology and Electronic Payments S.A.E. as of December 31, 2019 and of its separate financial performance and its separate cash flows for the year then ended in accordance with the Egyptian Accounting Standards and in the light of the relevant Egyptian laws and regulations.

Report for Other Legal and Regulatory Requirments

The company maintains proper books of accounts, which includes all that is required by the law and the status of the company, and the separate financial statements are in agreement thereto.

The financial information included in the Board of Directors' Report is prepared in compliance with Law No. 159 of 1981 and its executive regulation thereto, and is in agreement with the Company's books of accounts.

Cairo, 25th of March, 2020

Kamel Magdy Saleh, FCA
F.E.S.A.A. (R.A.A. 8510)
EFSA Register No. "69"

Translation of financial statement

Originally Issued in Arabic

Fawry for Banking and Payment Technology Services S.A.E.
Separate statement of financial position
as of December 31, 2019

	Note No.	December 31, 2019	December 31, 2018
		EGP	EGP
Assets			
Non-current assets			
Fixed assets (net)	(6)	234 842 185	114 390 958
Intangible assets (net)	(7)	139 018 824	96 473 992
Projects under construction	(8)	8 092 539	16 382 823
Investments in subsidiaries	(9)	63 947 766	51 347 775
Investments in associates	(10)	28 122 260	23 000 000
Investments in joint ventures	(11)	2 250 000	2 250 000
Prepaid rent - finance lease		--	21 014 396
Total non-current assets		**476 273 574**	**324 859 944**
Current assets			
Inventories		109 339	170 841
Accounts and notes receivable	(12)	22 531 916	18 593 869
Debtors and other debit balances	(13)	38 894 180	33 015 281
Advances to billers		202 366 328	125 353 535
Due from related parties	(31-14)	126 645 181	15 169 225
Loans to related parties	(15)	27 816 579	14 615 412
Treasury bills	(16)	216 282 572	259 905 989
Cash and cash at banks	(17)	428 045 205	422 120 947
Total current assets		**1062 691 300**	**888 945 099**
Total assets		**1 538 964 874**	**1 213 805 043**
Equity			
Issued and paid-up capital	(18)	353 652 060	353 652 060
Legal reserve	(19)	32 465 079	28 905 446
Retained earnings		120 391 285	54 155 406
Net profit for the year		106 684 666	71 192 665
Total equity		**613 193 090**	**507 905 577**
Non-Current liabilities			
Deferred tax liabilities	(33)	8 083 379	1 695 724
Total non current liabilities		**8 083 379**	**1 695 724**
Current liabilities			
Provisions	(20)	18 462 142	21 825 576
Accounts and notes payable	(21)	16 812 422	19 641 990
Accounts payable - Billers	(22)	437 368 051	367 007 943
Merchant advances		218 095 480	130 498 338
Retailers' POS security deposits		23 116 484	18 569 000
Creditors and other credit balances	(23)	84 389 933	54 656 974
Due to a related parties	(31-24)	94 357 953	70 394 494
Current income tax		25 085 941	21 609 427
Total current liabilities		**917 688 406**	**704 203 742**
Total equity and liabilities		**1 538 964 874**	**1 213 805 043**

The accompanying notes form an integral part of these separate financial statements and to be read therewith.

Chief Financial Officer	Chief Executive Officer	Chairman
AbdelMaguid Afifi	Ashraf Sabry	Saifullah Coutry

Auditor's review report attached.

Fawry for Banking and Payment Technology Services S.A.E.

Separate Statement of Profit or Loss

for the year ended December 31, 2019

	Note No.	December 31, 2019 EGP	December 31, 2018 EGP
Operating revenues	(26)	693 038 232	528 233 412
Operating costs	(33,27)	(315 170 290)	(277 011 235)
Gross margin		**377 867 942**	**251 222 177**
Add (Less):			
General and administrative expenses	(33)	(166 185 726)	(137 570 540)
BOD compensation expenses		(510 000)	(1 164 000)
Selling and marketing expenses	(33)	(123 043 541)	(82 919 598)
Medical contribution in the fund of Health insurance		(1 904 885)	(815 213)
Formed provisions	(20)	(1 800 000)	(11 800 000)
Gain on disposal of fixed assets	(6)	5 932 475	7 548 799
Other revenues		2 765 967	1 726 023
Operating profit		**93 122 232**	**26 227 648**
Credit interest	(30)	53 473 808	67 322 737
Finance costs	(16)	(13 309 097)	(7 502 356)
Dividends from investments in subsidiaries		6 743 761	3 555 238
Other expenses	(34)	(3 626 981)	--
Capital gains from sale of shares in subsidiary		--	5 902 782
Foreign currency exchange losses		(2 330 653)	(180 582)
Profit for the year before tax		**134 073 070**	**95 325 467**
Current income tax		(25 085 941)	(21 609 427)
Deffered income tax		(2 302 463)	(2 523 375)
Net profit for the year after tax		**106 684 666**	**71 192 665**
Earnings per share	(35)	**0.15**	**0.16**

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Chief Financial Officer	Chief Executive Officer	Chairman
AbdelMaguid Afifi	Ashraf Sabry	Saifullah Coutry

Translation of financial statement

Originally Issued in Arabic

Fawry for Banking and Payment Technology Services S.A.E.

Separate statement of comprehensive income

for the year ended December 31, 2019

	December 31, 2019 EGP	December 31, 2018 EGP
Net profit for the year	**106 684 666**	**71 192 665**
Other comprehensive income	--	--
Total other comprehensive income	--	--
Total comprehensive income for the year	**106 684 666**	**71 192 665**

The accompanying notes form an integral part of these separate financial statements and to be read therewith.

Chief Financial Officer	**Chief Executive Officer**	**Chairman**
AbdelMaguid Afifi	**Ashraf Sabry**	**Saifullah Coutry**

Translation of financial statement

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Fawry for Banking and Payment Technology Services S.A.E.

Separate statement of changes in equity

for the year ended December 31, 2019

	Note No.	Issued and paid up capital	Payments under capital increase	Share Premium	Legal reserve	Retained Earnings	Net profit for the period	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2018		**111 303 060**	**242 349 000**	**21 040 550**	**5 237 101**	**12 827 302**	**52 555 898**	**445 312 911**
Items of comprehensive income								
Net profit for the year		--	--	--	--	--	71 192 665	**71 192 665**
Total comprehensive income for the period		**111 303 060**	**242 349 000**	**21 040 550**	**5 237 101**	**12 827 302**	**123 748 563**	**516 505 576**
Transactions with company's owners								
Transferred to retained earnings and legal reserve		--	--	(21 040 550)	23 668 345	49 928 104	(52 555 898)	--
Payment under capital increase		242 349 000	(242 349 000)	--	--	--	--	--
Dividends distributions		--	--	--	--	(8 600 000)	--	**(8 600 000)**
Total transactions with the company's owners		242 349 000	(242 349 000)	(21 040 550)	23 668 345	41 328 104	(52 555 898)	(8 599 999)
Balance as of December 31, 2019		**353 652 060**	--	--	**28 905 446**	**54 155 406**	**71 192 665**	**507 905 577**
Balance as of January 1, 2019		**353 652 060**	--	--	**28 905 446**	**54 155 406**	**71 192 665**	**507 905 577**
The effect of early implementation of EAS 49	(40)	--	--	--	--	14 463 845	--	**14 463 845**
Items of comprehensive income								
Net profit for the year		--	--	--	--	--	106 684 666	**106 684 666**
Total comprehensive income for the period		--	--	--	--	--	**106 684 666**	**106 684 666**
Transactions with company's owners								
Dividends distributions		--	--	--	--	(15 860 998)	--	**(15 860 998)**
Transferred to retained earnings and legal reserve	(16)	--	--	--	3 559 633	67 633 032	(71 192 665)	--
Total transactions with the company's owners		--	--	--	**3 559 633**	**51 772 034**	**(71 192 665)**	**(15 860 998)**
Balance as of December 31, 2019		**353 652 060**	--	--	**32 465 079**	**120 391 285**	**106 684 666**	**613 193 090**

The accompanying notes form an integral part of these separate financial statements and to be read therewith.

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AbdelMaguid Afifi	Ashraf Sabry	Saifullah Coutry

Translation of financial statement

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Fawry for Banking and Payment Technology Services S.A.E.
Separate statement of cash flows
for the year ended December 31, 2019

	Note	For the year ended December 31, 2019 EGP	For the year ended December 31, 2018 EGP
Cash flows from operating activities:			
Net profit for the year before tax		134 073 070	95 325 467
Adjusted by:			
Depreciation and amortization during the year	(29)	67 011 270	53 351 923
Formed provisions	(20)	1 800 000	11 800 000
Unrealized foreign currency exchange loss.		2 330 653	180 582
Gain on sale of fixed assets		(5 932 475)	(7 548 799)
Credit interest		(53 473 808)	(67 322 737)
Finance costs		13 309 097	7 502 356
Capital gains from sale of shares in subsidiary		--	(5 902 782)
Operating gain before change in working capital		**159 117 807**	**87 386 010**
Changes in working capital			
Decrease in inventory		61 502	266 512
(Increase) in advances to billers		(77 012 793)	(26 549 336)
(Increase) in debtors and other debit balances		(2 907 701)	(5 700 864)
(Increase) in accounts and notes receivable	(16)	(3 938 048)	(6 485 051)
(Increase)/Decrease in due from related parties		(116 598 216)	19 698 375
Increase in Loans to related parties		(13 201 167)	(14 615 412)
(Decrease) in accounts and notes payable		(2 829 568)	(11 159 026)
Increase in accounts payable- billers		70 360 108	72 087 675
Increase in due to related parties		23 963 459	8 041 459
Increase in merchants prepaid balances		87 597 142	29 823 422
Increase in retailer's POS security deposits		4 547 484	3 883 500
Increase / (decrease) in creditors and other credit balances		563 281	(14 010 962)
Paid income tax		(21 609 427)	(16 043 252)
Used provisions		(5 163 434)	--
Proceeds from interest income		53 473 808	67 322 737
Net cash provided from operating activities		**156 424 237**	**193 945 787**
Cash flows from investing activities			
(Payments) to acquire fixed assets		(97 669 773)	(106 831 463)
(Payments) for projects under construction		(1 833 032)	(14 755 664)
(Payments) to acquire intangible assets		(57 256 402)	(34 437 961)
Proceeds from the sale of fixed assets		6 736 540	13 809 477
Net movement of treasury bills - more than three months		71 470 627	(83 516 915)
Proceeds from the sale of investment in subsidaries		--	6 025 157
Payments to acquire investment in subsidaries		(12 599 991)	--
Payments to acquire investment in associates and joint ventures		--	(19 550 000)
Net cash provide from (used in) investing activities		**(91 152 031)**	**(239 257 369)**
Cash flows from financing activities			
Dividends paid		(15 860 998)	(8 600 000)
Payments of finance expense		(13 309 097)	(7 502 356)
Net cash (used in) financing activities		**(29 170 095)**	**(16 102 356)**
Net change in cash and cash equivalents during the year		36 102 111	(61 413 938)
Cash and cash equivalents at beginning of the year		556 494 210	618 088 730
Changing currency difference for cash and cash equivalent		(2 330 653)	(180 582)
Cash and cash equivalents at end of the year	(17)	**590 265 668**	**556 494 210**

Non-cash transactions

Non-cash transactions which include investments in associates and joint ventures which have been acquired from the parent company have been settled from the balance due from related parties in the amount of EGP 5.12 million.
Additionally, non cash transaction in the amount of EGP 21 014 396 have been eliminated to reflect the settlement of the finance lease of the smart village building which has been bought and classified in fixed assets and POS that bought from related parties in the amount of EGP 30.2 million.

The accompanying notes form an integral part of these separate financial statements and to be read therewith.

Chief Financial Officer	Chief Executive Officer	Chairman
AbdelMaguid Afifi	Ashraf Sabry	Saifullah Coutry

1. General information

Fawry for Banking and Payment Technology Services S.A.E. was established in accordance with the provisions of Law No. 159 of 1981 and its executive regulation, and was registered at the Commercial Register under No. 33258 on June 26, 2008, the commercial register has changed to 50840 in March 2011. The company reregistered at the commercial register under the No. 1333 on July 19, 2018.

The purpose of the company is to provide operations services specialized in systems and communications, management, operating and maintenance of equipment and computers networks services and internal systems of banks, networks, and centralized systems, establish operating systems for banking services through the internet, phone and e-payment services and circulation of secured documents electronically, taking into account the provisions of laws, regulations and decisions and provided that all the licenses necessary for pursuing these activities are issued. The duration of the company is twenty-five years from the Commercial Register date.

The separate financial statements of the company were approved in the board of directors meeting dated March 25, 2020.

2. Statement of compliance

The separate financial statements have been prepared in accordance with the Egyptian Accounting Standards, and applicable laws and regulations. The Egyptian Accounting Standards require reference to the International Financial Reporting Standards "IFRS" for events and transactions that have not been covered by the Egyptian Accounting Standards or legal requirements describing their treatments.

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards published in the official gazette on 25 April 2019. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	Date of Implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) Was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.	This standard applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos. (1), (25), (26) and (40) are to be simultaneously applied.

	2-Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset. 3-When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event. 4-based on the requirements of this standard the following standards were amended : -Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019. -Egyptian Accounting Standard No. (4) - "Statement of Cash Flows". -Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation. -Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement". - Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "	-These amendments are effective as of the date of implementing Standard No. (47)
The new Egyptian Accounting Standard No. (48) -"Revenue from Contracts with Customers"	1-The new Egyptian Accounting Standard No.(48) "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void: a. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015. b. Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015.	Standard No (48) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.

	2- For revenue recognition, Control Model is used instead of Risk and Rewards Model. 3- incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met 4- the standard requires that contract must have a commercial substance in order for revenue to be recognized 5- Expanding in the presentation and disclosure requirements	
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20),"Accounting Rules and Standards related to Financial Leasing" issued in 2015. 2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating I or finance lease contracts. 3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract. 4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract. 5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis	This standard No. (49) Applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20,"Accounting rules and standards related to financial leasing", as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) Of 1995 was revoked and Law No. (176) of 2018 was issued. According to Minister of Investment and Cooperation decision No. (69) of 2019 on the amendment of the Egyptian Accounting Standards, financial leasing companies and lessees under financial leasing contracts from non-banking financial institutions and companies listed on the Egyptian Stock Exchange should apply the standard of financial

		leasing contracts earlier than 30 / 9/2019, with the obligation to disclose the accounting impact resulting from the application of the standard on the financial statements issued during the period from 1/1/2019 until the end of each financial period for which financial statements are prepared.
The new Egyptian accounting standard No. (22) Earning per share	The scope of the standard has been modified to make it binding on the separate, consolidated or single financial statements issued for all entities.	This amendment has been applied to financial periods beginning on or after January 1, 2019.
The adjusted Egyptian accounting standard No. (4) Cash flow statement	The entity is required to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash or non-cash flows.	This amendment has been applied to financial periods beginning on or after January 1, 2019.

3. Basis of preparation of the separate financial statements

The separate financial statements are presented in Egyptian Pound (EGP), which is the functional and presentation currency of the Company.

The financial statements have been prepared in accordance with the Egyptian Accounting Standards and applicable laws and regulations on the historical cost basis except for the financial assets and liabilities measured at fair value, or at amortized cost, or cost according to the relative accounting standards.

The preparation of separate financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent liabilities.

Investments in subsidiaries were presented in the attached separate financial statements on the basis of cost (excluding impairment, if any) which represents the company's direct equity interest not on the basis of the reported results and net assets of the investees.

The consolidated financial position, reported results and consolidated cash flows of the company and its subsidiary companies.

Actual results may differ from these estimates. The critical accounting judgments and key sources of estimation uncertainty. (Note #4).

4. Critical accounting judgments and key sources of uncertain estimations

In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Those estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates therefore, these estimates and underlying assumptions are reviewed on an ongoing basis.
Revisions of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods (prospectively) if the revision affects both current and future periods.

5. Significant accounting policies

The principal accounting policies used in preparing the separate financial statements are set out below:

A. Investments in a subsidiaries

A subsidiary company is an entity including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). Control is achieved when the Group has the right into variable returns through its contribution in the investee when exposed or entitled to variable returns and have the ability to effect that returns through its power on investee, the company control the investee when the company has the following:

- Has power over the investee.
- Is exposed or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:

- The size of the Company's voting rights relative to the size and dispersion of the other vote holders.
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements and
- Any additional facts and circumstances that indicate that the Company has or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

B. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Investments in associates in the separate financial statement are carried at cost. However, for those investments which are categorized as held for sale, they are carried at book value or fair value less any transactions costs that are directly attributable to selling these investments, whichever is less. The company does not account for investments in associates using the equity method in the attached separate financial statements as required by paragraph (17) from Egyptian Accounting Standard (18)

If objective evidence arises which cast doubt that there is an impairment in the value of investments in associates at the financial position date, the carrying amount of the investment is reduced to its recoverable amount, and the loss is immediately recognized in the statement of profit or loss.

C. Investments in Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Investments in joint ventures in the separate financial statement are carried at cost. However, for those investments which are categorized as held for sale, they are carried at book value or fair value less any transactions costs that are directly attributable to selling these investments, whichever is less. If objective evidence arises which cast doubt that there is an impairment in the value of investments in Joint Venture at the financial position date, the carrying amount of the investment is reduced to its recoverable amount, and the loss is immediately recognized in the statement of profit or loss.

D. Foreign currencies

The Egyptian pound has been designated as the company's functional currency. Transactions denominated in foreign currencies are translated to the Egyptian pound using the effective exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-valued at the end of each reporting period using exchange rates prevailing on that date.

The non-monetary items denominated in foreign currencies and measured at fair value, are translated at the exchange rates ruling at the date the fair value was determined. As for non-monetary items in other currencies which are measured at historical cost, they are not retranslated.

The gains and losses resulting from the translation differences are recognized in the statement of profit or loss in the period in which they arise except for the differences resulting from the translation of non-monetary assets and liabilities denominated at fair value, as their related translation differences are included in the changes in the fair value.

E. Fixed assets and depreciation

Fixed assets is stated in the separate financial position at historical cost, less accumulated depreciation and accumulated impairment losses, except for land, which is stated at cost less impairment. Cost of fixed assets includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets carrying amount or recognized separately - as appropriate - only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss during the financial period in which they have been incurred.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the separate statement of profit or loss.

The depreciation of these assets starts when they are ready for their intended use according to the same basis of depreciation applied with other fixed assets.
Depreciation is charged so as to write-off the cost of assets using the straight-line method, over their estimated useful lives, represented as follows:

Assets description	Years
Building	40
Networks and servers	4
Point of sales machines	1 - 4
Computers and servers	2 – 4
Furniture and office equipment	4 – 5
Leasehold improvement *	3 – 5
Vehicles	5
Tools and equipment Super Fawry	3
Fawry Branches	3

* The useful lives are determined based on lesser of the remaining rent contract or the useful life of the asset.

F. Intangible assets

Intangible assets are stated in the financial position at historical cost, less accumulated amortization and accumulated impairment. Amortization is charged so as to write-off the cost of assets over their estimated useful lives, using the straight-line method.
The estimated useful lives, residual values and amortization method are reviewed at each year-end, taking into consideration the effect of any changes in useful lives estimate accounted for on a prospective basis.

Programs' licenses

Programs' licenses are stated at historical cost, less accumulated depreciation.
Amortization is charged so as to write-off the cost of assets over their estimated useful lives, using the straight-line method, which is usually 10 years.

Programs

Computer software programs are capitalized on the basis of the acquisition and utilization cost. These costs are amortized on straight-line basis over their estimated useful lives, which is usually between 4-10 years.

G. Revenues recognition and measurement

Applications sales revenues

Revenue is measured at the fair value of the consideration received or receivable for the entity. Revenues recognized from the sold applications are recognized in the separate statement of profit or loss when the risks and rewards associated with the application are transferred to the buyer, and when there is a strong probability that the economic benefits and costs incurred or to be incurred in respect of the transaction can be measured reliably and when the entity does not retain any continuing managerial involvement right to the degree usually associated with ownership, and when the amount of revenue can be measured reliably.

Services

The revenue of rendered services is recognized as follows:

Transactions sales revenues

Revenues are recognized on accrual basis when the collection / settlement related to different streams of services is completed (balance recharge, bill payments, cash collections, etc.).

Subscription revenues

Subscription revenues are recognized in the separate statement of profit or loss on accrual basis.

Interest revenues

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable until maturity.

Investment revenues

Dividends income from investments is recognized when the shareholder's right to receive these dividends is issued.

H. Operational costs

Operational costs include cash collection costs paid to multiple payment channels through which payments were made, including (merchants, banks, Egyptian Post Office, and several other authorities) and this is in accordance with executed contracts with each party separately. Operational costs also include the cost of applications sold, and the consumables of materials.

Operational costs are charged by the transaction's share of direct depreciation and amortization in accordance to transaction share basis compared to the estimated normal capacity, and if the normal capacity is not reached, the differences are charged to depreciation and amortization as part of general and administrative expenses.

I. Inventories

The inventories are evaluated at the date of the financial statements at cost or net realizable value whichever is less. The cost is represented in the purchase invoices, however, the realizable value is represented in the estimated selling value less selling and distribution costs.

J. Taxation

Deferred tax assets and liabilities are recognized on temporary differences between the assets and liabilities tax basis set by the Egyptian Tax Law and its executive regulations, and their carrying amounts per the accounting principles used in the preparation of the separate financial statements. Income tax expense for the year is the sum of current income tax and deferred tax.

Current tax payable is calculated based on taxable profit of the year as determined in accordance with applicable local laws and regulations using tax rates enacted as of the separate financial statements date. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted at the separate financial statements date.

Deferred tax is recognized as an expense or revenue in the separate statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the income tax is also dealt with in equity unless those related items recognized in equity have affected taxable profit and calculation of current tax expense for the year, then the related deferred tax is recognized in the separate statement of profit or loss.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

These assets and liabilities are not recognized if the temporary difference results from goodwill or from the initial recognition of other assets and liabilities (other than those arising from business combinations) due to a transaction that did not have any effect on the taxable or accounting profit.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are accounted for using the financial position liability method and are reported in the financial position as non-current assets and liabilities.

K. <u>Legal reserve</u>

In accordance with law No. 159 for 1981 and the article of incorporation of the company, at least 5% should be retained and transferred from the net profit of the previous year to the legal reserve until the reserve reaches 50% of the issued capital. The Company is required to resume transfer of net profit to the legal reserve once its balance falls below this percentage

L. <u>Cash and cash equivalents</u>

Cash and cash equivalents are comprised of cash on hand, cash at banks, treasury bills with maturities less than three months and short-term demand deposits that are readily convertible to known amounts of cash.

M. <u>Provisions</u>

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the separate financial position date. When the effect of the time value of money is material, the amount of a provision shall be the present value of expected expenditures, required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the separate statement of profit or loss.

N. <u>The separated cash flows statement</u>

The separate cash flows statement was prepared using the indirect method. For preparing the separate cash flows statement, cash and cash equivalents are comprised of cash on hand, current accounts, deposits at banks, and treasury bills with maturity less than 90 days.

O. Short-term employee benefits

Short term employee benefits represent wages and salaries and social insurance contributions and paid annual leaves and bonuses (if they are accrued within 12 months of the end of the period) and non-cash benefits such as medical insurance for current employees.

P. Impairment of assets

Impairment of financial assets

- At each reporting period, the company reviews the carrying values of the recorded financial assets carried at cost or amortized cost to determine whether there is any indication that the values of these assets may be impaired. In case of evidences of impairment, the loss is recognized immediately and charged to the statement of profit or loss, such loss is determined by the difference between the carrying amount of the asset and the current value of future cash flows discounted using the effective interest rate.
- If it is proven during the subsequent periods, that the previously recognized impairment loss related to the financial assets, was reduced and the impairment can be associated objectively to an event which occurred after the recognition of the impairment loss, then the previously recognized impairment loss or a portion of it, is recharged to the statement of profit or loss.

Impairment of non-financial assets

- The company assesses at each financial position date whether there is any indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

  A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Q. Financial instruments

Financial assets

Financial assets are recognized and derecognized on the "trade date" where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: investment in treasury bills, cash at banks, due from related parties, loans to related parties, and certain items within other debit balances. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets available for sale

Financial assets available for sale are initially recognized at cost and it includes the fees and commissions paid to agents, consultants, brokers, and traders, and taxes which are imposed by regulatory bodies and stock exchanges, and taxes and fees which are paid to transfer the title of the investment. The following investments are subsequently measured at fair value at the date of the financial statements and the profits or losses resulting from the changes in fair value are treated directly in equity till the de-recognition of the investment from the company's books, and then the profits or losses which have been previously recognized in equity are recognized immediately in the statement of profit or loss.

If there is objective evidence that the value of the financial assets available for sale is impaired at the date of the financial statements, the accumulated losses which have been previously recognized are reclassified from equity and are immediately recognized in the statement of profit or loss even if these investments have not been derecognized from the books.

Cost is used to measure financial investments in equity classified as financial assets available for sale in the case that these assets are not listed in the stock market and it has no price in an active market and its fair value cannot be determined reliably.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial derivatives

Derivatives (including separable embedded derivatives) are initially recognized at fair value, while attributable transaction costs are recognized in profit or loss when incurred.

Changes in fair value of derivatives during each financial period are charged to the statement of profit or loss.

Embedded derivatives resulting from contractual terms contained in agreements in which the company may enter as a party with respect of both financial and non-financial instruments. Embedded derivatives that meet recognition criteria are recognized separately from the host contract and are measured at fair value through profit or loss in accordance with the accounting requirements.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the "finance income" line item.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received or net value of the transferred assets, net of direct issue costs.

Financial liabilities

Financial liabilities are classified into the following specified categories: accounts payable, due to related parties and other credit balances and they are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

R. Finance lease

In March 2019, the Egyptian Standard No. (49) "Leasing Contracts" was issued to replace the Egyptian Standard No. (20) "Accounting rules and standards related to financial leasing operations" and the issuance of Law No. 176 of 2018 to regulate the financial leasing and factoring activity during August 2018 to replace Law No. 95 of 1995 Therefore, the group must apply the new Egyptian Standard No. (49) at the beginning of 2019 to contracts subject to the provisions of Law 95 of 1992 that were previously dealt with according to Egyptian Accounting Standard No. (20) according to the instructions mentioned in the periodic book No. 171 For the year 2019 issued on August 4, 2019, the companies Laguerre Lease and tenants under leasing contracts of non-bank financial firms and companies have restricted securities Egyptian Stock Exchange application of the standard lease financing no later than September 30, 2019 Therefore, the date shall be the first application in January 1, 2019.

1- The group as lessee according to law 95 for year 1995

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Initial measurement of lease liability:

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate for such liabilities.

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

a. Fixed lease payments less any lease incentives;
b. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
c. The amount expected to be payable by the lessee under residual value guarantees;
d. The exercise price of purchase options, I the lessee is reasonably certain to exercise the options; and
e. Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate

Subsequent measurement of lease liability:

The lease liability is subsequently measured as follows:

a. Increase the carrying amount to reflect interest on the lease liability
b. Reducing the carrying amount to reflect the lease payments made.
c. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
d. The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

-The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the leases payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

-A lease contract is modified and the lease modification is not accounted for as a separate lease

If there is a change in future lease payments resulting from a change in the rate used to determine those payments or a change in the amounts expected to be payable under the residual value guarantee, the lessee must re-measure the lease liability to discount the adjusted lease payments using the same discount rate unless there is a change in lease payments resulting from a change in the variable interest rates, in this case the lessee must use a modified discount rate that reflects changes in the interest rate.

Initial measurement of Right of use assets

The cost of right-of-use assets include:

- The initial measurement of the corresponding lease liability at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate stated in the contract if that rate can be easily determined. If this rate cannot be determined, the lessee must use the interest rate on the additional borrowings.

- Lease payments made at or before the start day
- Any initial direct costs
- Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventory.

Subsequent measurement of Right of use assets

Right of use assets are subsequently measured at cost less:

a. Accumulated depreciation and impairment losses.
b. Any amounts resulting from revaluation of lease liability

- If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of use asset is depreciated from the commencement date over the useful life of the underlying asset. Other that the previous conditions the depreciation starts at the commencement date of the lease till the end of the useful life of the asset or end of lease contract whichever is earlier.
- The Group applies EAS 31 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy.
- Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are include in the line "administrative expenses" in the statement of profit or loss. Currently, the Group does not have such variable rents.
- The standard permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease component as a single arrangement. The Group has not used this practical expedient.

Sale and lease back transactions

If the transfer of the asset by the "Lessor" seller does not meet the requirements of Egyptian Accounting Standard 48 for accounting for it as a sale of the asset. The seller (the lessee) must continue to recognize the transferred asset and must recognize a financial obligation equal to the transfer proceeds and must account for the financial obligation by applying Egyptian Accounting Standard No. 47.

6- Fixed assets (net)

	Note No.	Land	Buildings	Networks and Servers	Point of sales machines	Computers	Furniture & Office equipment	Leasehold Improvements	Vehicles	Tools and Equipment Super Fawry	Fawry Branches	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost												
As of January 1, 2018		--	--	20 934 928	87 297 058	12 226 724	6 125 331	10 811 317	149 300	641 766	--	138 186 424
Additions during the year		--	--	1 739 117	68 131 323	34 710 841	1 224 130	1 026 052	--	--	--	106 831 463
Disposals		--	--	--	(13 748 649)	--	--	--	--	--	--	(13 748 649)
As of December 31, 2018		--	--	22 674 045	141 679 732	46 937 565	7 349 461	11 837 369	149 300	641 766	--	231 269 238
As of January 1, 2019 (restated)*	(40)	25 970 500	41 129 500	22 674 045	141 679 732	46 937 565	7 349 461	11 837 369	149 300	641 766	--	231 269 238
Additions during the period		--	--	34 769 344	67 052 987	2 015 682	1 075 361	357 929	--	--	3 286 435	108 557 737
Disposals during the period		--	--	--	(6 041 373)	--	--	--	--	--	--	(6,041,373)
As of December31, 2019		25 970 500	41 129 500	57 443 389	202 691 346	48 953 247	8 424 822	12 195 298	149 300	641 766	3 286 435	400,885,603
Accumulated depreciation												
As of January 1, 2018		--	--	15 210 673	55 607 872	5 310 009	2 218 300	2 093 572	104 510	506 380	--	81 051 316
Depreciation for the year		--	--	3 307 107	29 433 105	7 130 931	1 245 933	2 053 298	29 860	114 833	--	43 315 067
Depreciation of disposals		--	--	--	(7 488 104)	--	--	--	--	--	--	(7 488 104)
As of December 31, 2018		--	--	18 517 780	77 552 873	12 440 940	3 464 233	4 146 870	134 370	621 213	--	116 878 279
As of January 1, 2019 (restated)*	(40)	--	2 142 162	18 517 780	77 552 873	12 440 940	3 464 233	4 146 870	134 370	621 213	--	119 020 441
Depreciation for the period		--	1 028 238	15 157 939	29 798 293	2 610 223	1 368 681	2 206 882	14 928	20 526	54 574	52 260 284
Depreciation of disposals		--	--	--	(5 237 307)	--	--	--	--	--	--	(5 237 307)
As of December31, 2019		--	3 170 400	33 675 719	102 113 859	15 051 163	4 832 914	6 353 752	149 298	641 739	54 574	166,043,418
Net book value												
As of December31, 2019		25 970 500	37 959 100	23 767 670	100 577 487	33 902 084	3 591 908	5 841 546	2	27	3 231 861	234 842 185
As of December 31, 2018		--	--	4 156 265	64 126 858	34 496 625	3 885 228	7 690 500	14 930	20 553	--	114 390 958

On April 1, 2019, the company revised the useful lives of its fixed assets and the useful life of the Point of Sales machines has been changed from 3 years to 4 years which resulted in a revision in the depreciation expense for the second quarter of 2019 in the amount of EGP 9.3 million

On April 11, 2019, the Board of Directors decided to pay the remaining obligations of the lease and then purchase the Smart Village building from the leasing company in accordance with the contract between the two parties, and on April 18, 2019, the remaining obligations of the lease were paid in a total amount of 23 847 047 EGP after the settlement of prepaid rent. balances on January 1, 2019 was restated according to lease standard No (49) (Note No. (40)).

7. Intangible assets – Net

	Programs' license	Programs	Total
Cost	**EGP**	**EGP**	**EGP**
As of January 1, 2018	**17 715 102**	**85 502 109**	**103 217 211**
Additions during the year	1 641 361	32 796 600	34 437 961
As of January 1, 2019	**19 356 463**	**118 298 709**	**137 655 172**
Additions during the year	15 701 964	41 554 438	57 256 402
As of December 31, 2018	**34 893 247**	**160 018 327**	**194 911 574**
Accumulated amortization			
As of January 1, 2019	**5 515 789**	**25 628 403**	**31 144 192**
Amortization for the year	1 667 231	8 369 757	10 036 988
As of January 1, 2019	**7 183 020**	**33 998 160**	**41 181 180**
Amortization for the year	3 418 886	11 292 685	14 711 571
As of December 31, 2019	**10 601 906**	**45 290 845**	**55 892 751**
Net book value			
As of December 31, 2019	**24 291 340**	**114 727 484**	**139 018 824**
As of December 31, 2018	**12 173 443**	**84 300 549**	**96 473 992**

Intangible assets represent the total expenditures paid to design and build the Fawry Technological Platform according to the latest technical specifications and according to the Payment Card Industry Data Security Standards (PCI DSS) compliance, which includes several applications and interrelated systems through which Fawry's network is integrated with its customers in all sectors, and merchants in several point of sale (POS), and mobile phones through android applications, and also banks. Not to mention the electronic gateways through which Fawry is integrated with several payment channels at banks (ATM, Internet Banking, Mobile Banking), and Fawry applications such as the EBPP Switch, the electronic payment gateways, the mobile wallets, and the mobile banking apps. Additionally, it includes the biller warehouse which manages bills and vouchers from initiation to payment, and the source of fund application which manages the merchants' balances, development of a gateway application and a complete electronic trading system, and the development of Artificial Intelligence & Data Analytics systems. The expenditures include costs related to adding new features and systems, and increasing the applications' capacity.

8. Projects under construction

	Beginning balance	Additions during the year	Transferred to fixed assets and intangible assets	Ending Balance
	EGP	EGP	EGP	EGP
Software and program licenses	839 898	1 833 032	--	2 672 930
Servers	15 542 925	--	(10 123 316)	5 419 609
	16 382 823	**1 833 032**	**(10 123 316)**	**8 092 539**

9. Investment in a subsidiary

The company owns the following investment as follows:

	Holding percentage 2019 %	December 31, 2019 EGP	December 31, 2018 EGP
Fawry Integrated System	٪99.999	43 374 000	43 373 900
Fawry Dahab for electronics service	٪ 39.11	488 776	488 875
Fawry fast moving consumer goods	٪ 50.999	5 099 990	--
Fawry Micro Finance	٪99.8	14 985 000	7 485 000
		63 947 766	**51 347 775**

The company has authority over Fawry Dahab Company for e-services, as the company is the provider of services, technological infrastructure, technical support and cash collections, so the company has full control over all decisions related to the company activities and then influencing the returns obtained by the shareholders of Fawry Dahab e-services Company.

During 2019, the ordinary general assembly of Dahab Electronic Services decided to give dividends with a total amount 18,549,314 EGP the Company's share in these dividends amounted to 6,743,761 EGP.

On May 20, 2019, the company invested in FMCG Company with a rate of 51%, and the company's share in the capital was paid in the amount of 5.1 million Egyptian pounds.

10. Investment in an associate

	Authorized capital	Capital participation %	December 31, 2019 EGP	December 31, 2018 EGP
Fawry Plus for banking services	60 000 000	٪38	22 800 000	22 800 000
Bosta Technology	8 744 819	٪15.97	5 122 260	--
Tazcara for information technology and electronic booking	10 000	٪20	200 000	200 000
			28 122 260	**23 000 000**

Investments in associates are accounted for in the separate financial statements at cost. The company's share in associates' profits is recognized in the consolidated financial statements.

11. Investment in an joint ventures

	December 31, 2019 EGP	December 31, 2018 EGP
Waffarha.com	2 250 000	2 250 000
	2 250 000	**2 250 000**

On October 1, 2018, the Company singed a shareholder agreement for acquiring 30 % of Waffarha.com's capital, the acquisition will be completed in two stages, in the first stage the Company acquired 36 quotas by an amount of EGP 1.5 million, and the company paid 750 thousands in cash.

The second stage, the company subscribed in capital increase of 35 quotas by an amount of EGP 1.5 Million paid in cash. Acquired quotas by the second quarter in 2019 reached 71 quotas representing 30% of Waffarha.com capital. The investment was recognized as a jointly controlled entity based on the terms of the shareholders agreement between the company and other shareholders which provide that the decision making process will be jointly made by the parties to the agreement.

12. Accounts and notes receivable

Description	December 31, 2019 EGP	December 31, 2018 EGP
Accounts receivables – from billers and banks	22 522 416	18 543 919
Notes receivable	9 500	49 950
	22 531 916	**18 593 869**

13. Debtors and other debit balances

Description	December 31, 2019 EGP	December 31, 2018 EGP
Vendors – advance payment	365 059	3 609 461
Accrued Revenue	2 520 076	408 485
Prepaid expenses	7 068 199	5 073 383
Deposits with others	512 700	152 700
Withholding tax	19 305 690	16 861 365
Other debit balances	9 122 456	6 909 887
	38 894 180	**33 015 281**

14. Due from related parties

	Account type	December 31, 2019 EGP	December 31, 2018 EGP
PSI Netherlands Holding BV	Current account	--	14 717 773
Bosta Technology	Current account	7 300 970	--
Fawry fast moving consumer goods	Current account	854 705	--
Fawry Micro Finance	Current account	114 855 532	--
Waffarha	Current account	303 576	--
Fawry Brockrage	Current account	604 746	--
Tazcara information technology and electronic booking	Current account	698 873	451 452
Fawry Plus for banking services	Current account	2 026 779	--
		126 645 181	**15 169 225**

- On April 18, 2019, a share sale contract was signed with PSI Netherlands Holding BV under which the ownership of 1 396 825 shares of Bosta, Inc., a Delaware Corporation was transferred for 300 000 U.S. dollars. PSI Netherlands Holding BV Company and a debt transfer contract was signed between the company and Bosta, Inc., a Delaware Corporation, under which the amount due from Bosta, Inc... a Delaware Corporation of the PSI Netherlands Holding BV Company was transferred to the company and the value of that transfer was settled from the balance due to the PSI Netherlands Holding BV company in the amount of 163 000 U.S. dollars.
- During the second quarter of 2019, a debt transfer contract was signed between the company and the PSI Netherlands Holding BV company, under which the amount due from Fawry Gulf of the PSI Netherlands Holding BV company is transferred to the PSI Netherlands Holding BV company and the value of that transfer was settled from the balance due from the PSI Netherlands Holding BV company in the amount of USD 12 514 equivalent to the amount of EGP 213 667. The outstanding balance of the holding company was thus fully settled to the outstanding balance of EGP 0.

15. Loans to related parties

	December 31, 2019 EGP	December 31, 2018 EGP
Fawry Plus for banking services	27 816 579	14 615 412
	27 816 579	**14 615 412**

- On December 10, 2018 the Company signed loan contract with Fawry Plus for Banking Services which was approved by Fawry Plus for Banking Services General Assembly, the loan amount is EGP 14 615 412 and bears variable interest rate determined in light of the lending rate announced by the Central Bank of Egypt, the loan term is for one year starting from the contract date, the loan balance as at December 31, 2018 is EGP 14 615 412.

- On December 10, 2018, the ordinary general assembly of the company decided to approve a shareholders 'loan from the company's shareholders in the amount of 17.5 million Egyptian pounds. The share of Fawry for Banking and Information Technology (shareholder) of this loan amounted to 9 275,000 Egyptian pounds and the share of other shareholders in the company's loan reached The amount of 8 250 000 Egyptian pounds at an annual interest at a rate that ranges between the lending rate announced by the central bank and the lending rate announced by the central bank in addition to 2.5%. This loan was obtained even during 2019.

- During the year 2019, another short-term loan was granted by Fawry for Bank Technology and Payments to the company in the amount of 2 million Egyptian pounds per month with interest at the rate of lending announced by the Central Bank and 4 million Egyptian pounds were obtained from this loan even during 2019.

16. Treasury bills

Description	December 31, 2019 EGP	December 31, 2018 EGP
Treasury bills due up to (91) days	161 505 653	131 290 683
Treasury bills due after (91) days	53 981 660	122 721 208
Add:		
Accrued interest - Less than three months	1 293 630	3 699 096
Accrued interest - More than three months	855 477	3 373 823
Less:		
Accrued tax on accrued interest - Less than three months	(578 820)	(616 516)
Accrued tax on accrued interest - More than three months	(775 028)	(562 305)
Balance	**216 282 572**	**259 905 989**
Face value	**223 000 000**	**267 500 000**

17. Cash and cash equivalents

	December 31, 2019 EGP	December 31, 2018 EGP
Cash	17 219 705	15 003 605
Bank accounts – local currency	211 510 960	211 691 244
E-Acceptance transactions under settlement	19 905 922	3 740 173
Cash at money transfer companies	146 963 287	94 435 195
Bank accounts – foreign currencies	6 319 703	9 288 064
Time deposit – foreign currencies	26 125 628	87 962 667
Cash and cash at banks	**428 045 205**	**422 120 947**

For the purpose pf preparing cash flow statement, the cash and cash equivalents are comprised of the following:

	December 31, 2019 EGP	December 31, 2018 EGP
Cash and bank balances	428 045 205	422 120 947
Treasury bills – less than 3 months	162 220 463	134 373 263
	590 265 668	**556 494 210**

18. Capital

The company's authorized capital amounted to EGP 500 million, and the issued and paid-up capital amounted to EGP 353 652 060 million, divided among 35 365 206 shares of par value EGP 10 each.

On March 28, 2019 the extraordinary general assembly decided to divide the share into 20 shares, so that the nominal value of the share becomes 0.5 EGP after dividing the share. And the number of shares after division 707 304 120 shares. The commercial register was updated on June 10, 2019.

19. Legal reserve

	December 31, 2019 EGP	December 31, 2018 EGP
Beginning balance	28 905 446	5 237 101
Transferred from prior year net profit	3 559 633	2 627 795
share premium*	--	21 040 550
	32 465 079	**28 905 446**

* Represent share premium paid by shareholders as part of the capital increase, which had been transferred to the legal reserve according to law 159 of 1981.

20. Provisions

	Balance at January 1, 2019 EGP	Formed during the year EGP	Used during the year EGP	Balance at December 31, 2019 EGP
Provision for claims	21 125 576	1 800 000	(5 163 434)	18 462 142
	21 125 576	**1 800 000**	**(5 163 434)**	**18 462 142**

21. Accounts and notes payable

	December 31, 2019 EGP	December 31, 2018 EGP
Accounts payable	16 812 422	19 174 572
Notes Payable	--	467 418
	16 812 422	**19 641 990**

22. Accounts payable – Billers

	December 31, 2019 EGP	December 31, 2018 EGP
Accounts payables - billers	322 148 856	287 007 924
Notes payables - billers	115 219 195	80 000 019
	437 368 051	**367 007 943**

23. Creditors and other credit balances

	December 31, 2019 EGP	December 31, 2018 EGP
Accrued expenses	18 666 755	12 999 314
Accrued commissions	23 635 261	12 982 415
Tax Authority	26 318 249	14 924 562
Unearned revenue	2 662 009	4 501 723
Health insurance contribution	1 904 886	815 213
Transactions Under settlement	6 653 138	1 480 928
Other credit balances	4 549 635	6 952 819
	84 389 933	**54 656 974**

24. Due to related party

	Nature of relationship	Account type	December 31, 2019 EGP	December 31, 2018 EGP
Fawry Integrated System	Subsidiary	Current account	59 084 695	51 018 292
Fawry Technology	Subsidiary	Current account	35 273 258	6 715 379
Fawry Micro Finance	Subsidiary	Current account	--	5 527 996
Fawry Plus for banking services	Associate	Current account	--	7 035 626
Waffarha.com	Joint Venture	Current account	--	97 201
			94 357 953	**70 394 494**

25. Contingent liabilities

- The amount represents letters of guarantee issued by banks in favor of third parties.

Description	December 31, 2019 EGP	December 31, 2018 EGP
Letters of guarantee – local currency	485 604 625	409 844 625
	485 604 625	**409 844 625**

The letter of guarantee facilities at the separated financial statements date amounted to EGP 661.5 million as of December 31, 2019, where the used amount from banks amounted to EGP 485 million in the form of letters of guarantee.

- Pursuant to the purchase agreement dated on October 1, 2018, if waffarha.com recognized revenue exceeds certain level of the financial year ended December 31, 2019, Fawry for Banking and Payment Technology Services shall pay prices difference for Waffarha.com old shareholders up to 150% of the first trench (Note No.10). In addition, if Waffarha.com recognized revenue exceed / less certain level of revenue for the financial year ended December 31, 2019, Fawry for Banking and Payment Technology Services shall sell / purchase certain number of quotas for Waffarha.com old shareholders up to 15 Quotas.

26. Operating revenues

	December 31, 2019 EGP	December 31, 2018 EGP
Application sales revenues	10 474 879	1 753 760
Transactions services revenues	648 731 368	509 474 505
Subscriptions revenues	33 820 251	16 864 580
Other revenues	11 734	140 567
	693 038 232	**528 233 412**

The total throughput from Electronic Top Up and bill payment transactions for the billers through the Group's various payments channels (i.e. the Group points of sales, banks ATM machines, mobile devices, outlets of Egypt post offices and E-banking), are represented as follows:

	December 31, 2019 EGP	December 31, 2018 EGP
Total throughput	53 400 160 479	34 162 624 549
	53 400 160 479	**34 162 624 549**

27. Operating costs

	December 31, 2019 EGP	December 31, 2018 EGP
Merchants' fees	239 639 852	214 847 930
Banks' fees	14 993 818	12 565 270
Depreciation and amortization	20 523 990	19 158 425
Cash collection cost	32 229 064	23 511 593
Others	7 783 566	6 928 017
	315 170 290	**277 011 235**

28. Finance costs

	December 31, 2019 EGP	December 31, 2018 EGP
Debit interest	7 778 678	4 647 936
Letter of guarantees' bank charges	5 530 419	2 854 420
	13 309 097	**7 502 356**

29. Depreciation and Amortization

Depreciation and amortization had been classified as follows:

	December 31, 2019 EGP	December 31, 2018 EGP
Operating costs	20 523 990	19 158 425
General and administrative Expenses	46 487 280	34 193 498
	67 011 270	**53 351 923**

30. Credit Interest

	December 31, 2019 EGP	December 31, 2018 EGP
Credit interest - current accounts	22 001 834	28 282 112
Credit interest – treasury bills	26 324 567	36 529 222
Credit interest – time deposits	1 706 101	2 359 803
Credit interest – loans to related party	3 441 306	151 600
	53 473 808	**67 322 737**

31. Significant related parties' transactions

Due to and from related parties balances have been disclosed in Note No. (13) and (23) which also includes the nature of the relationship with each company as well as the nature of the account. Transaction that took place during the financial year on current accounts in the expenses paid on behalf of the company or what the company paid for on behalf of those parties in addition to the transfer of balances between those parties (if any). These transactions included in current accounts - which are essentially transfers to and from the company - are of a short-term nature

The following are significant related parties' transactions:

	Nature of the Transaction	December 31, 2019 EGP	December 31, 2018 EGP
Fawry Dahab for electronics services	Revenue collection on behalf of related party	(201 842 510)	(95 478 505)
	Payments on behalf of related party	111 021 591	75 761 055
	Electronic Payment services revenue	30 284 363	14 071 578
	Dividends	6 743 761	3 555 238
Fawry for Integrated Systems	Program acquisition from related party	(36 684 814)	(26 986 447)
	Payments on behalf of the company	--	25 413 888
	POS machine acquisition	(61 101 881)	(1 885 400)
	Monetary finance to related party	--	1 594 724
Fawry Micro Finance	Capital increase	7 500 000	--
	Payments on behalf of related party	--	1 971 593
	Rent expense	(2 365 920)	--
	Revenue Collection on behalf of related party	--	(14 589)
Fawry Plus for banking services	Revenue collection on behalf of related party	(29 164 052)	(26 121 197)
	Credit interest	3 531 255	151 600
	Payments on behalf of the company	(2 365 920)	(7 989 215)
	Loans to related party	27 816 579	14 615 412

32. Deferred tax

	Balance at January 1, 2019	Charged to equity	Charged to P&L	Balance at December 31, 2019
Depreciation & Amortization Differences	(1 695 724)	--	(2 302 463)	(3 998 187)
Effect of EAS 49 Lease adoption (41)	--	(4 085 192)	--	(4 085 192)
Deferred tax Liabilities	**(1 695 724)**	**(4 085 192)**	**(2 302 463)**	**(8 083 379)**

33. Analysis of operating costs and expenses by nature of expense

	December 31, 2019 EGP	December 31, 2018 EGP
Merchant's and bank commission	254 633 669	988 160227
Other costs	7 619 455	6 641 243
Selling and marketing commission	37 045 567	20 277 676
Depreciation and amortization	67 011 268	53 351 923
Cost of cash collections	32 393 176	23 223 409
Salaries and wages	81 037 706	61 349 134
Social insurance	10 918 448	7 078 146
Technical support and service centers	41 839 669	26 901 432
Rent expense	1 364 012	18 498 588
Selling and marketing expense	22 328 018	19 017 523
Bank charges	5 530 418	3 527 171
Credit interest	7 778 678	4 647 937
Insurance	8 067 308	4 196 869
Headquarters expenses	6 609 781	4 937 673
Training and Human resource expenses	2 376 378	2 643 191
Professional fees	1 733 199	1 790 224
Other Expenses	29 421 905	18 933 430
	617 708 655	**505 003 729**
Operating cost	315 170 290	277 011 235
General and administrative expenses	166 185 726	137 570 540
Selling and marketing expenses	123 043 542	82 919 598
Finance expenses	13 309 097	7 502 356
	617 708 655	**505 003 729**

34. Other expenses

Other expenses are expenses related to offering the company's shares on the stock exchange during the year, at an amount of 3.6 million Egyptian pounds.

35. Earnings per share

	December 31, 2019 EGP	December 31, 2018 EGP
Net profit of the year	106 684 666	71 192 665
Average number of shares	707 304 120	441 716 175
Earnings per share	**0.15**	**0.16**

36. Legal Position

During the third quarter of 2019, a company filed a lawsuit against Fawry Banking and payment technology services "the company" to pay amount of EGP 30 million for the contract dues from year 2015 to 30 June 2019 in addition the legal accrued interest on this amount and according to that, the company did not took place any transactions related to this the aforementioned contract, the company and the company's external legal advisor opinion regarding this case is likely to be favored of Fawry Banking and payments technology services without any financial liabilities on the company as a result of this case.

37. Tax position

Below is a summary of the tax status of the Company at 31 December 2019:

a. **Corporate tax**

The period from 2009 until 2012

- The Company was inspected and any difference settled.

The period from 2015 until 2018

- The company's records have not been tax inspected for the mentioned period yet.

b. **Salaries tax**

The period from inception until December 31, 2016

- The Company was inspected and any difference settled.

The year 2017 until December 31, 2018

- The company's records have not been tax inspected for the mentioned period yet.

c. **Stamp duty tax**

The period from inception until December 31, 2014

- The company's records has been tax inspected from the date of incorporation till 2014.

The period from 2015 until December 31, 2018

- The company's records have not been tax inspected yet.

d. **Sales tax / VAT tax**

The period from inception until December 31, 2014

- The company's records has been tax inspected from the date of incorporation till 2014.

The period from 2015 until December 31, 2017

- Under examination and the company has not received any claims regarding the results of this examination.

2018

- The company's records have not been tax inspected yet.

e. **Withholding tax**

- The company's records have not been tax inspected yet.

38. Financial instruments and managed related risk

Categories of most significant financial instruments

	December 31, 2019	December 31, 2018
	EGP	EGP
Financial assets		
Cash and cash equivalents	428 045 205	422 120 947
Loans and receivables	165 332 330	184 943 285
Financial assets – held for sale	216 282 572	259 905 989
Financial liabilities		
Loans and receivables	842 167 189	645 028 964

Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concerns, in order to generate returns for shareholders, benefits for other stakeholders and to provide an adequate return for shareholders.

The capital structure of the Company consists of the capital paid by shareholders plus retained earnings. The Company reviews the capital structure of the Company regularly. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital.

Financial risks factors

The company monitors and manages financial risks relating to its operations through analyzing the degree and magnitude of risk exposure. These risks include credit risk and liquidity risk. The company's overall risk management program focuses on managing the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations on due dates resulting in financial loss to the company. This risk is insignificant as the company applies polices to guarantee dealing with clients of high credit worthiness and good reputation, and performs a continuous monitoring of debtors in order to minimize credit risk to the minimal rate. The company's management collects cash in advance from the merchants, who represent the major portion of the transactions volume. Also, the bank current accounts are held at banks with high credit ratings.

The company reviews this risk, and submits reports regularly to the senior management.

The maximum credit risk is analyzed as follows:

	December 31, 2019	December 31, 2018
	EGP	EGP
Cash and cash equivalents	428 045 205	422 120 947
Treasury bills	216 282 572	259 905 989
Accounts and notes receivable	22 531 916	18 593 869
Debtors and other debit balances	12 155 232	5 545 799
Due to related parties	126 645 181	15 169 225
Loans to related parties	4 000 000	14 615 412
Advances to billers	202 366 328	125 353 535
Total	**1 012 026 434**	**861 304 776**

Liquidity risk

Ultimate responsibility for liquidity risk rests with the company's management, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company's management continuously monitors the forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

Analysis of contractual maturity for financial liabilities:

	Less than one year	Total
31 December 2019	EGP	EGP
Non-interest bearing	917 715 569	917 715 569
	917 715 569	**917 715 569**
31 December 2018		
Non-interest bearing	704 203 741	704 203 741
	704 203 741	**704 203 741**

Foreign currency risk

Foreign currency risk is represented in foreign currency fluctuations in exchange rates affecting the Company's cash inflow and outflow in foreign currencies and also the exchange differences arising from translation of monetary assets and liabilities in foreign currencies. The company monitors foreign currency balances and prevailing exchange rates, and continuously minimizes deficit in foreign currency position, if any. Except for bank accounts in foreign currencies, most of the Company's assets and liabilities are denominated in Egyptian Pound, which minimize exposure to foreign currency risk.

Interest rate risk:

Interest rate risk represents fluctuations in interest rate which may have a negative impact on the results of operations and cash flows, management continuously monitors the changes in interest rates in the market. Interest rate risk is considered insignificant since the company does not has facilities with variable interest rates.

39. Significant Events during the year

- On May 6, 2019 the ordinary general Assembly decided to divide an amount of EGP 10.3 Million on the employees and share profit by an amount of EGP 5.5 Million for shareholders.
- On August 8, 2019, the Company started trading its shares on the stock exchange.

40. Subsequent events

In the subsequent period of the financial statements, the world exposed the spread of the Corona virus (COVID-19), as this virus was characterized by its rapid spread all over the world, until the World Health Organization declared a health emergency, on January 30, 2020, and the declaration of the virus as a global pandemic on March 11, 2020 The spread of this virus had a negative impact on the economies of many countries, which was reflected on the performance of financial markets and the volume of global trade, in addition to the negative impact of this pandemic on the global economies as well as the Egyptian economy.

Decisions were taken to limit the spread of this virus and to confront the economic effects that may occur, and at the date of issuance of the financial statements, it is not possible to determine the size of the negative effects associated with this virus on the Egyptian economy as well as the company's performance.

41. The effect of the initial application of EAS 49 (Lease Contracts)

Some opening balances in the financial statements as of January 1, 2019 have been adjusted to reflect the effect of the initial application of EAS (49) "Lease contracts". On the contracts that are subject to Law no. 95 for the year 1992 which were previously treated in accordance with EAS no. 20 only.

The following is a summary of the effect on the previously issued financial statements for the financial periods ended March 31, 2019, June 30, 2019 and the opening balances on January 1, 2019:

EGP	Before Adjustment January 1, 2019	After adjustment January 1, 2019	Adjustment effect
Statement of financial position			
Fixed assets (Net)	114 390 958	179 348 797	64 957 839
Prepaid rent expense - Finance lease.	21 014 396	--	(21 014 396)
Retained earnings	54 155 406	68 619 251	(14 463 845)
Finance lease liabilities	--	25 394 406	(25 394 406)
Deferred tax liabilities	1 695 724	5 780 916	(4 085 192)

EGP	Before Adjustment March 31, 2019	After adjustment March 31, 2019	Adjustment effect
Statement of Financial Position			
Fixed assets (Net)	117 316 501	182 017 280	64 700 779
Prepaid rent expense - Finance lease.	19 355 365	--	(19 355 365)
Retained earnings	121 788 440	136 252 285	(14 463 845)
Net profit for the period	14 963 126	18 275 833	(3 312 707)
Finance lease liabilities	--	23 483 670	(23 483 670)
Deferred tax liabilities	1 695 724	5 780 916	(4 085 192)
Statement of Profit or Loss			
General and administrative expenses	39 893 594	35 256 019	(4 637 575)
Finance costs	2 223 385	3 548 253	1 324 868
Net profit for the period after tax	14 963 126	18 275 833	3 312 707

EGP	Before Adjustment June 30, 2019	After adjustment June 30, 2019	Adjustment effect
Statement of Financial Position			
Fixed assets (Net)	172 370 207	193 726 577	21 356 370
Retained earnings	105 927 440	120 391 285	(14 463 845)
Net profit for the period	37 391 178	40 198 510	(2 807 332)
Deferred tax liabilities	1 695 724	5 780 916	(4 085 192)
Statement of Profit or Loss			
General and administrative expenses	74 924 266	70 792 065	(4 132 201)
Finance costs	5 249 196	6 574 064	1 324 868
Net profit for the period after tax	37 391 178	40 198 510	(2 807 332)

Chairman	Chief Executive Officer	Chief Financial Officer
Saifullah Coutry Saadi	Ashraf Kamel Mousa Sabry	AbdelMaguid Mohamed Afifi