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

**Consolidated Financial Statements**
**Together with Auditor's Report**
**For The Year Ended**
**December 31, 2018**

# Deloitte.

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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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fawry for Banking Technology and Electronic Payments S.A.E. which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of the Group's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards and the relevant Egyptian laws and regulations. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fawry for Banking Technology and Electronic Payments S.A.E. as of December 31, 2018, and of its consolidated financial performance and its consolidated 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.

Cairo, April 23rd, 2019

K. Saleh

**Kamel Magdy Saleh FCA,**
**FESAA (R.A.A. 8510)**
**EFSA Register No. "69"**

SALEH, BARSOUM, ABDEL AZIZ & CO
ACCOUNTANTS & AUDITORS

*Translation of financial statement*

*Originally Issued in Arabic*

**Fawry for Banking Technology and Electronic Payments S.A.E.**

**Consolidated statement of financial position**

**As of December 31, 2018**

| | Note No. | December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Fixed assets (net) | (6) | 114 916 044 | 57 428 540 |
| Intangible assets (net) | (7) | 82 804 990 | 61 937 033 |
| Projects under construction | (8) | 16 382 823 | 1 627 159 |
| Investments in associate | (9) | 8 330 137 | 2 122 863 |
| Investments in joint ventures | (10) | 2 258 670 | -- |
| Deferred tax assets | (30) | 1 367 074 | 2 648 015 |
| Prepaid rent - finance lease | (11) | 21 014 396 | 27 650 521 |
| **Total non-current assets** | | **247 074 134** | **153 414 131** |
| **Current assets** | | | |
| Inventory | (12) | 6 418 584 | 437 353 |
| Accounts and notes receivable | (13) | 20 917 265 | 12 108 818 |
| Advances to billers | | 125 353 535 | 98 804 199 |
| Debtors and other debit balances | (14) | 40 345 135 | 23 400 900 |
| Due from related parties | (15) | 15 184 227 | 34 867 600 |
| Loans to related parties | (16) | 14 615 412 | -- |
| Treasury bills | (17) | 259 905 989 | 111 594 587 |
| Cash and cash equivalents | (18) | 437 495 133 | 550 445 418 |
| **Total current assets** | | **920 235 280** | **831 658 875** |
| **Total assets** | | **1 167 309 414** | **985 073 006** |
| **Equity** | | | |
| Issued and paid-up capital | (19) | 353 652 060 | 111 303 060 |
| Legal reserve | (20) | 28 993 362 | 5 325 017 |
| Share premium | (20) | -- | 21 040 550 |
| Payments under capital increase | | -- | 242 349 000 |
| Retained earnings | | 46 678 447 | 7 617 540 |
| Combination reserve | (21) | 5 841 596 | -- |
| Net profit for the year | | 56 642 314 | 50 744 292 |
| **Total equity for the parent company** | | **491 807 779** | **438 379 459** |
| Non-controlling interest | | 12 414 564 | 3 707 987 |
| **Total equity** | | **504 222 343** | **442 087 446** |
| **Current liabilities** | | | |
| Provisions | (22) | 22 125 576 | 10 325 576 |
| Accounts and notes payable | (23) | 106 009 383 | 110 870 452 |
| Accounts payable- billers | | 287 007 924 | 214 920 249 |
| Merchants prepaid balances | | 130 498 338 | 100 674 916 |
| Retailer's POS security deposits | | 18 569 000 | 14 685 500 |
| Creditors and other credit balances | (24) | 63 266 327 | 73 261 187 |
| Due to Related party | (25) | 7 132 827 | -- |
| Current income tax for the year | | 28 477 696 | 18 247 680 |
| **Total current liabilities** | | **663 087 071** | **542 985 560** |
| **Total equity and liabilities** | | **1 167 309 414** | **985 073 006** |

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

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

Auditor's report attached.

**Fawry for Banking Technology and Electronic Payments S.A.E.**

**Consolidated Statement of Income**

**For the year ended December 31, 2018**

| | | For the year ended | |
|---|---|---|---|
| | **Note No.** | **December 31, 2018** | **December 31, 2017** |
| | | **EGP** | **EGP** |
| Operating revenues | (27) | 609 654 939 | 432 080 549 |
| **Less:** | | | |
| Operating costs | (28) | (329 739 976) | (227 157 554) |
| **Gross margin** | | **279 914 963** | **204 922 995** |
| **Add (Less):** | | | |
| General and administrative expenses | (29) | (141 695 011) | (114 958 137) |
| Selling and marketing expenses | (30) | (82 919 598) | (58 675 179) |
| Credit interest | (31) | 67 810 086 | 44 205 464 |
| Finance costs | (32) | (7 502 356) | (5 573 263) |
| Share of investments in associates' losses | (34) | (11 084 056) | (3 577 137) |
| Gain on disposal of fixed assets | | 7 548 799 | 7 105 310 |
| Other revenues | | 1 726 023 | 284 056 |
| Board compensation expenses | | (1 770 060) | ( 740 671) |
| Formed provisions | | (11 800 000) | (1 950 000) |
| Health insurance contributions | | (1 038 991) | -- |
| Impairment charge | | ( 7 290) | -- |
| Foreign currency exchange (losses)/ gains | | ( 184 011) | 662 175 |
| **Profit of the year before tax** | | **98 998 498** | **71 705 614** |
| Current income tax | | (28 477 696) | (18 247 680) |
| Deferred tax | (35) | (1 280 938) | 320 761 |
| **Net profit for the year after tax** | | **69 239 864** | **53 778 695** |
| **Distributed as follows:** | | | |
| Net profit for the parent company | | 56 642 314 | 50 744 292 |
| Net profit for the non-controlling interest | | 12 597 550 | 3 034 403 |
| **Net profit for the year** | | **69 239 864** | **53 778 695** |

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

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

**Fawry for Banking Technology and Electronic Payments S.A.E.**

**Consolidated statement of comprehensive income**

**For the year ended December 31, 2018**

| | For the year ended | |
|---|---|---|
| | **December 31, 2018** | **December 31, 2017** |
| | **EGP** | **EGP** |
| **Profit for the year** | **69 239 864** | **53 778 695** |
| Other comprehensive income | -- | -- |
| **Total other comprehensive income** | **--** | **--** |
| **Total comprehensive income for the year** | **69 239 864** | **53 778 695** |
| **Distributed as follows:** | | |
| Comprehensive income for the parent company | 56 642 314 | 50 744 292 |
| Comprehensive income for the non controlling interest | 12 597 550 | 3 034 403 |
| **Total comprehensive income for the year** | **69 239 864** | **53 778 695** |

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

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

**Fawry for Banking Technology and Electronic Payments S.A.E.**

**Consolidated statement of changes in equity**

**For the year ended December 31, 2018**

| | Issued and paid up capital | Payments under capital increase | Share premium | Legal reserve | Combination reserve | Retained earnings | Net profit for the year | Total equity of the parent | Non controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP |
| **Balance as of January 1, 2017** | **111 303 060** | -- | **21 040 550** | **2 821 969** | -- | **( 33 941 979)** | **50 041 218** | **151 264 818** | 658 584 | **151 923 402** |
| **Items of Other comprehensive income** | | | | | | | | | | |
| Net profit for the year | -- | -- | -- | -- | -- | -- | 50 744 292 | 50 744 292 | 3 034 403 | **53 778 695** |
| **Total comprehensive income** | -- | -- | -- | -- | -- | -- | **50 744 292** | **50 744 292** | **3 034 403** | **53 778 695** |
| **The company's shareholders transactions** | | | | | | | | | | |
| Transferred to retained earnings and legal reserve | -- | -- | -- | 2 503 048 | | 47 538 170 | ( 50 041 218) | -- | -- | -- |
| Payments under capital increase | -- | 242 349 000 | -- | -- | -- | -- | -- | 242 349 000 | -- | **242 349 000** |
| Dividends | -- | -- | -- | -- | -- | ( 5 978 651) | -- | ( 5 978 651) | -- | **( 5 978 651)** |
| Non-controlling interest arising on incorporation of Fawry Micro Finance | -- | -- | -- | -- | -- | -- | -- | -- | 15 000 | **15 000** |
| **Total company's shareholders transactions** | -- | **242 349 000** | -- | **2 503 048** | -- | **41 559 519** | **(50 041 218)** | **236 370 349** | **15 000** | **236 385 349** |
| **Balance as of December 31, 2017** | **111 303 060** | **242 349 000** | **21 040 550** | **5 325 017** | -- | **7 617 540** | **50 744 292** | **438 379 459** | **3 707 987** | **442 087 446** |
| **Balance as of January 1, 2018** | **111 303 060** | **242 349 000** | **21 040 550** | **5 325 017** | -- | **7 617 540** | **50 744 292** | **438 379 459** | **3 707 987** | **442 087 446** |
| **Items of other comprehensive income** | | | | | | | | | | |
| Net profit for the year | -- | -- | -- | -- | -- | -- | 56 642 314 | 56 642 314 | 12 597 550 | 69 239 864 |
| **Total comprehensive income for the year** | -- | -- | -- | -- | -- | -- | **56 642 314** | **56 642 314** | **12 597 550** | **69 239 864** |
| **The company's shareholders transactions** | | | | | | | | | | |
| Transferred to retained earnings and legal reserve | -- | -- | ( 21 040 550) | 23 668 345 | -- | 48 116 497 | ( 50 744 292) | -- | -- | -- |
| Dividends | -- | -- | -- | -- | -- | ( 9 055 590) | -- | ( 9 055 590) | ( 4 174 535) | ( 13 230 125) |
| Capital increase | 242 349 000 | ( 242 349 000) | -- | -- | -- | -- | -- | -- | -- | -- |
| Non-controlling interest arising from selling investments in subsidiaries | -- | -- | -- | -- | 5 841 596 | -- | -- | 5 841 596 | 283 562 | 6 125 158 |
| **Total company's shareholders transactions** | **242 349 000** | **(242 349 000)** | **(21 040 550)** | **23 668 345** | **5 841 596** | **39 060 907** | **(50 744 292)** | **(3 213 994)** | **(3 890 973)** | **(7 104 967)** |
| **Balance as of December 31, 2018** | **353 652 060** | -- | -- | **28 993 362** | **5 841 596** | **46 678 447** | **56 642 314** | **491 807 779** | **12 414 564** | **504 222 343** |

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

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

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**Fawry for Banking Technology and Electronic Payments S.A.E.**
**Consolidated statement of cash flows**
**For the year ended December 31, 2018**

| | Note | For the year ended December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net profit for the year before tax | | 98 998 498 | 71 705 614 |
| **Adjusted by:** | | | |
| Depreciation and amortization for the year | | 52 254 608 | 34 065 305 |
| Formed provisions | | 11 800 000 | 1 950 000 |
| Impairment charge | | 7 290 | -- |
| Interest income | | (67 810 086) | (44 205 464) |
| Share of investments in associates' losses | | 11 084 056 | 3 577 137 |
| Unrealized foreign currency exchange losses/gains | | 184 011 | ( 662 175) |
| Gain on sale of fixed assets | | (7 548 799) | (7 105 310) |
| Finance expenses | | 7 503 870 | 6 611 657 |
| **Operating gain before change in working capital** | | **106 473 448** | **65 936 764** |
| **Changes in Working capital** | | | |
| (Increase) / decrease in inventory | | 266 512 | ( 389 141) |
| (increase) in advances to billers | | (26 549 336) | (7 362 540) |
| (Increase) in debtors and other debit balances | | (10 308 110) | (34 040 612) |
| Decrease / (increase) in accounts and notes receivable | | (8 815 737) | 181 532 |
| Decrease in due from related parties | | 19 683 373 | (26 858 866) |
| (Decrease ) / increase in accounts and notes payable | | (11 108 812) | 42 277 659 |
| (Decrease) / increase in accounts payable- billers | | 70 955 668 | (6 460 889) |
| Increase in merchants prepaid balances | | 30 955 429 | 39 305 442 |
| Increase in retailer's POS security deposits | | 3 883 500 | 1 204 000 |
| (Decrease) / increase in creditors and other credit balances | | (9 994 860) | 32 933 731 |
| (Increase) in due to related parties | | 7 132 827 | -- |
| Income tax paid | | (18 247 680) | (12 890 346) |
| Interest income received | | 67 810 086 | 44 205 464 |
| Used provisions | | -- | ( 48 467) |
| **Net cash provided from operating activities** | | **222 136 308** | **137 993 731** |
| **Cash flows from investing activities** | | | |
| (Payments) to acquire fixed assets | | (107 302 231) | (48 972 576) |
| (Payments) for projects under construction | | (14 755 664) | ( 679 309) |
| (Payments) to acquire intangible assets | | (29 568 512) | (31 037 103) |
| Proceeds from sale of fixed assets | | 13 809 476 | 80 639 958 |
| (Increase) in loans to related parties | | (14 615 412) | -- |
| Proceeds from redemption of treasury bills - maturities of more than three months | | (83 516 915) | (22 962 018) |
| Payments to acquire investment in associate and joint venture | | (19 550 000) | (5 700 000) |
| **Net cash flows (used in) investing activities** | | **(255 499 258)** | **(28 711 048)** |
| **Cash flows from financing activities** | | | |
| Proceeds from payments under capital increase | | -- | 242 349 000 |
| Dividends paid | | (13 230 125) | (5 978 651) |
| Proceeds from selling stake in subsidiary | | 6 125 158 | -- |
| Finance cost paid | | (7 503 870) | (6 611 657) |
| **Net cash provided from financing activities** | | **(14 608 837)** | **229 758 692** |
| Net change in cash and cash equivalents during the year | | (47 971 787) | 339 041 375 |
| Cash and cash equivalents at beginning of the year | | 620 024 194 | 280 320 644 |
| Effect of exchange rate changes on cash and cash equivalents | | ( 184 011) | 662 175 |
| **Cash and cash equivalents at end of the year** | (18) | **571 868 396** | **620 024 194** |

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

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

## 1. General information

Fawry for Banking Technology and Electronic Payments 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 was changed to No. 50840 in March 2011. The company has been re-registered at the 6th of October's Commercial Register under 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's 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, and renting properties, 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 Group is twenty-five years from the Commercial Register date.

The Consolidated financial statements of the company were approved by the board of directors in its meeting dated April 11th, 2019.

## 2. Statement of compliance

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance to the Egyptian Accounting Standards, issued by the Minister of Investment Decree No. 110 for the year 2015, and in the light of the relevant Egyptian 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 Standard or legal requirements describing their treatments.

## 3. Basis of preparation of the Consolidated financial statements

The consolidated financial statements have been prepared in accordance to 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.

## 4. Critical accounting judgments and key sources of uncertain estimations

In the application of the Group'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 the 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 consolidated financial statements are set out below:

**a. Basis of consolidation**

The consolidated financial statements represent the financial statements of the Parent Company and the entities that it controls (its subsidiaries) up till 31 December of each year. Control is achieved when the Company

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

The Company reassesses whether or not it still controls an investee, and whether 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date of the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is distributed amongst the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Other non-controlling interest are either measured at fair value or at another basis specified in the Egyptian Accounting Standards that is applicable to it.

When the consideration transferred from the group – within a business combination – includes assets and liabilities arising from a conditional agreement, the conditional consideration is measured at the fair value at the acquisition date and recognized as part of the consideration transferred in business combination. If any changes occurred – other than those that match measurement period adjustments – in the fair value for the conditional consideration, then these adjustments should be adjusted retroactively against goodwill. Measurement period adjustments are defined as adjustments results from additional information arise during the period (12 months from acquisition date) about events and facts on the acquisition date.

The subsequent treatment for the fair value changes – of the conditional consideration which doesn't match the definition of the measurement period adjustments – based on the classification of the conditional consideration. If the conditional consideration is classified as owners' equity it shouldn't be re-measured in the subsequent periods and should be included in the equity, If it is classified as a monetary asset or liability it should be measured in the subsequent periods according to EAS No. 26 or EAS No. 28 "Contingent assets and contingent liabilities provisions" and recognizing the profit or loss in the income statement.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

**b. Business combination**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method unless the transaction does not constitute an acquisition in form or substance. Application of the purchase method involves the following steps:

- Identifying an acquirer,
- Measuring the cost of the business combination; and
- Allocating, at the acquisition date, the cost of the combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of the business combination is measured as the aggregate of the fair values, at the (date of exchange), of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under EAS (29)"Business Combination" at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with EAS (32) "Non-current Assets Held for Sale and Discontinued Operations", that are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition date is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in income statement.

The non-controlling interest in an acquiree is initially measured at the non-controlling interest proportionate share in the fair value of the assets, liabilities and contingent liabilities recognized.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The Group usually estimates the amount of any such adjustment at the time of initially accounting for the combination, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

The Company currently holds the following direct and indirect interests in its subsidiaries:

| **Subsidiary** | **Country** | **Main activity** | **Holding percentage** |
|---|---|---|---|
| Fawry Integrated Systems Company | Egypt | Provide operations services specialized in systems and communications, management, operating and maintenance of equipment's and computers networks ,services. | 99.99% |
| Fawry Dahab for Electronics Services | Egypt | Provide operations services specialized in systems and communications, management, operating and maintenance of equipment's and computers networks services. And electronic financial payments through the group. | 39.11% |
| Fawry Micro Finance | Egypt | Micro finance activities. | 99.8% |
| Fawry Insurance Brokerage | Egypt | Insurance Brokerage | 90% |

**c. Foreign currencies**

The Egyptian pound has been designated as the Group'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 consolidated income statement 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.

**d. Interests in associates and joint venture entities**

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

An associate is an entity over which the Group 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 but is not control or joint control over those policies.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Investments classified as held for sale, are accounted for in accordance with EAS (32) "Non-current Assets Held for Sale and Discontinued Operations", where they are stated at the lower of their carrying amount or fair value (less costs to sell).

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate / jointly controlled entity, less any impairment in the value of individual investments. Losses of an associate / jointly controlled entity in excess of the Group's interest in that associate/ jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate / jointly controlled entity) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment, any difference between the cost of the investment and the investor's share of the net fair value of the associate's / jointly controlled entity's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with EAS (29) Business Combination, Therefore:

- Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investment recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.
- Any excess of the group's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is excluded from the carrying amount of the investment and is instead recognized immediately in profit or loss in the determination of the group's share of the investee's profit or loss in the period in which the investment was acquired.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment for that asset.

The following table provides a list of the Group's associates and jointly controlled entities:

| | Country of Domicile | Ownership % |
|---|---|---|
| **Associate:** | | |
| Fawry Plus for Banking Services | Egypt | 38% |
| Tazcara for information technology and electronic booking | Egypt | 20% |
| **Joint Venture:** | | |
| Waffarha.Com | Egypt | 22.5% |

**e. Fixed assets and depreciation**

Fixed assets is stated in the consolidated 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 Group 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 consolidated income statement.

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

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

**f. Internally generated intangible assets**

Research expenditures which are incurred for the purpose of building or developing the programs or applications necessary for pursuing the company's activities or for the purpose of sale, is recognized as expenses once incurred.

Program licenses are recognized as internally generated intangible assets if all the following conditions are met:

1- The technical feasibility of completing the intangible asset so that it will be available for use or sale
2- The company's intention to complete the intangible asset and use it or sell it.
3- The company's ability to use or sell the intangible asset.

4- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
5- The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
6- The company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

The costs related to developing the programs mainly consist of wages and salaries paid to program developing experts at the subsidiary level (Fawry Integrated Systems) who are directly working on the development process.

**g. <u>Revenues recognition and measurement</u>**

**<u>Applications sales revenues</u>**

Revenue is measured at the fair value of the consideration received or receivable for the Group. Revenues recognized from the sold applications are recognized in the consolidated income statement 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 Group 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.

**<u>Services</u>**

The revenue of rendered services is recognized as follows:

**<u>Transactions sales revenues</u>**

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.).

**<u>Subscription revenues</u>**

Subscription revenues are recognized in the consolidated income statement on accrual basis.

**<u>Interest revenues</u>**

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

**<u>Investment revenues</u>**

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

**h. <u>Operational costs</u>**

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. Inventory**

The inventory is evaluated at the date of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements date.

Deferred tax is recognized as an expense or benefit in the consolidated income statement, 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 consolidated income statement.

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 method and are reported in the consolidated financial position as non-current assets and liabilities.

**k. Legal reserve**

In accordance with law No. 159 for 1981 and the article of incorporation of the Group, 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.

**l. Cash and cash equivalents**

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. Provisions**

Provisions are recognized when the Group 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 consolidated 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 consolidated income statement.

**n. The consolidated cash flows statement**

The consolidated cash flows statement was prepared using the indirect method. For preparing the consolidated 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 non-financial assets**

At each financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The company considers each investment, whether a jointly controlled entity, or associate, as a single cash generating unit.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent the revised estimate does not exceed what the carrying amount would have been determined had the impairment loss not been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

**Impairment of financial assets**

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after an impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses previously recognized in profit or loss for an investment in an AFS equity investment is not subsequently reversed through profit or loss. Any subsequent appreciation in the value of an AFS equity investment, for which an impairment loss had been previously recognized in profit or loss, is reversed directly through equity.

**q. Employee benefits**

The short-term employees' benefits, such as wages, salaries, social insurance contributions, paid annual leaves, and bonuses (if due during the 12 months at the end of the period) and the non-monetary benefits (such as medical care for current employees).

**r. 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 consolidated profits or losses which have been previously recognized in equity are recognized immediately in the income statement.

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 income statement 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 income statement.

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.

**s. <u>Finance lease</u>**

Finance lease payments due under financial lease agreement are accounted for - in accordance with the Egyptian Accounting Standard No. (20) – Finance leases – as expense in the statement of income during each financial period. Repairs and maintenance expenses which are directly related to the asset are also recognized as expenses in the statement of income during each financial period.

At the end of the contract, when the right to purchase the leased asset is used, the asset is recognized as a fixed asset at the amount paid to exercise the right to purchase the asset agreed upon in accordance with the contract, and it is depreciated over the remaining estimated useful life according to the methods and the rates applied by the company for similar assets.

## 6. Fixed assets - Net

| | Land and Building | Networks and Servers | Point of sales machines | Computers | Furnitures and Office Equipment | Leasehold Improvements | Vehicles | Tools and Equipment Super Fawry | Total |
|---|---|---|---|---|---|---|---|---|---|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP |
| **Cost** | | | | | | | | | |
| **As of January 1, 2017** | **67 100 000** | **20 093 314** | **67 698 643** | **10 102 687** | **3 073 974** | **2 637 512** | **149 300** | **641 764** | **171 497 194** |
| Additions during the year | -- | 848 694 | 32 555 357 | 3 046 291 | 3 811 339 | 8 710 895 | -- | -- | 48 972 576 |
| Disposals | (67 100 000) | -- | (12 956 942) | -- | ( 215 069) | -- | -- | -- | (80 272 011) |
| **As of January 1, 2018** | -- | **20 942 008** | **87 297 058** | **13 148 978** | **6 670 244** | **11 348 407** | **149 300** | **641 764** | **140 197 759** |
| Additions during the year | -- | 1 739 117 | 68 131 323 | 35 167 612 | 1 238 127 | 1 026 051 | -- | -- | 107 302 230 |
| Disposals | -- | -- | (13 748 781) | -- | -- | -- | -- | -- | (13 748 781) |
| **As of December 31, 2018** | -- | **22 681 125** | **141 679 600** | **48 316 590** | **7 908 371** | **12 374 458** | **149 300** | **641 764** | **233 751 208** |
| **Accumulated depreciation** | | | | | | | | | |
| **As of January 1, 2017** | 139 792 | **11 647 655** | **42 370 303** | **3 158 022** | **2 216 977** | **2 275 384** | **74 650** | **318 396** | **62 201 179** |
| Depreciation for the year | 279 583 | 3 570 097 | 19 411 297 | 2 820 280 | 667 889 | 338 415 | 29 860 | 187 982 | 27 305 403 |
| Depreciation of disposals | ( 419 375) | -- | (6 173 727) | -- | ( 144 261) | -- | -- | -- | (6 737 363) |
| **As of January 1, 2018** | -- | **15 217 752** | **55 607 873** | **5 978 302** | **2 740 605** | **2 613 799** | **104 510** | **506 378** | **82 769 219** |
| Depreciation for the year | -- | 3 307 107 | 29 433 105 | 7 345 582 | 1 263 614 | 2 059 948 | 29 860 | 114 833 | 43 554 049 |
| Depreciation of disposals | -- | -- | (7 488 104) | -- | -- | -- | -- | -- | (7 488 104) |
| **As of December 31, 2017** | -- | **18 524 859** | **77 552 874** | **13 323 884** | **4 004 219** | **4 673 747** | **134 370** | **621 211** | **118 835 164** |
| **Net book value** | | | | | | | | | |
| **As of December 31, 2018** | -- | **4 156 266** | **64 126 726** | **34 992 706** | **3 904 152** | **7 700 711** | **14 930** | **20 553** | **114 916 044** |
| **As of December 31, 2017** | -- | **5 724 256** | **31 689 185** | **7 170 676** | **3 929 639** | **8 734 608** | **44 790** | **135 386** | **57 428 540** |

On 25 March 2017, the company sold its administrative building, located in smart village, and leased it back using the finance lease method with the sale amounting to EGP 67.1 million (Note No. 11).

During the year, the Company sold POS machines for total consideration of EGP 13,809,477, the carrying amounts of the disposed assets were EGP 6,260,678, and the gain on sale reached EGP 7,548,799

## 7. Intangible assets – Net

| | Licenses | Programs | Total |
|---|---|---|---|
| **Cost** | **EGP** | **EGP** | **EGP** |
| **As of January 1, 2017** | **6 352 744** | **51 732 554** | **58 085 298** |
| Additions during the year | 11 362 358 | 19 674 745 | 31 037 103 |
| **As of January 1, 2018** | 17 715 102 | **71 407 299** | **89 122 401** |
| Additions during the year | 1 641 361 | 27 927 154 | 29 568 515 |
| **As of December 31, 2018** | **19 356 463** | **99 334 453** | **118 690 916** |
| **Accumulated amortization** | | | |
| **As of January 1, 2017** | **4 059 165** | **16 366 301** | **20 425 466** |
| Amortization for the year | 1 456 624 | 5 303 278 | 6 759 902 |
| **As of January 1, 2018** | **5 515 789** | **21 669 579** | **27 185 368** |
| Amortization for the year | 1 667 231 | 7 033 327 | 8 700 558 |
| **As of December 31, 2018** | **7 183 020** | **28 702 906** | **35 885 926** |
| **Net book value** | | | |
| **As of December 31, 2018** | **12 171 443** | **84 435 433** | **82 804 990** |
| **As of December 31, 2017** | **12 199 313** | **49 737 720** | **61 937 033** |

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 represent consideration in return for adding new features and systems, and increasing the applications' capacity.

**8. Projects under construction**

The outstanding balance represents costs of software programs' licenses, programs and severs.

| | December 31, 2017 | Additions during the year | Transferred to fixed assets and intangible assets | December 31, 2018 |
|---|---|---|---|---|
| | EGP | EGP | EGP | EGP |
| Software and program licenses | 1 571 782 | 1 002 583 | (1 734 467) | 839 898 |
| Servers | 55 377 | 45 430 663 | (29 943 115) | 15 542 925 |
| | **1 627 159** | **46 433 246** | **(31 677 582)** | **16 382 823** |

**9. Investments in an associates**

| | No. of Shares | Ownership | December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|
| | | % | EGP | EGP |
| Fawry Plus for Banking Services * | 60 000 000 | 38% | 8 280 330 | 2 122 863 |
| Tazcara for Information Technology and Electronic Booking | 10 000 | 20% | 49 807 | -- |
| | | | **8 330 137** | **2 122 863** |

* On February 2, 2018 Fawry plus Board of Directors decided to increase the associate's' capital by an amount of EGP 45 000 000, the Company' share in this capital increase amounted to EGP 17 100 000.

During the year the group recognized its share in the associates' losses in the consolidated statement of income by an amount of EGP 11 084 056.

The summarized financial information below represents amounts presented in the associates' financial statements prepared in accordance with EAS Standards.

| EGP 000' | Total Assets | Total Equity | Total Revenue | Profit (Loss) |
|---|---|---|---|---|
| Fawry Plus for Banking Services | 50 851 | 21 617 | 26 121 | (38 382) |
| Tazcara for Information Technology and Electronic Booking | 876 | 249 | 850 | (750) |

## 10. Investments in joint ventures

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Waffarha.com | 2 258 670 | -- |
| | **2 258 670** | -- |

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.

During the year the group recognized its share of the associate's gain in the consolidated statement of income by an amount of EGP 8 670.

The summarized financial information below represents amounts presented in the associates' financial statements prepared in accordance with EAS Standards.

| EGP 000' | Total Assets | Total Equity | Total Revenue | Profit |
|---|---|---|---|---|
| Waffarha.com | 476 | 154 | 1 125 | 48 |

## 11. Finance lease

On 25 March 2017, the company sold its administrative building, located in smart village, and leased it back under a finance lease agreement, the selling price amounted to EGP 67.1 million. The company leased the building for 60 months with a total rental value of EGP 85 979 700. The company paid an advance payment amounting to EGP 33.6 million with the remaining value of the rent to be paid equally on 60 monthly installments in the amount of EGP 872 995, checks have been issued with the remaining installments. Rent expense that was charged to the income statement amounted to EGP 17 912 988. The rental value of the lease contract is represented as follows:

| Description | EGP |
|---|---|
| Rent value for the period from 1-1-2019 to 31-12-2019 | 10 475 940 |
| Rent value for the period from 1-1-2020 to 25-2-2022 | 22 697 870 |
| **Total** | **33 173 810** |

The lease advance payment is analyzed as follows:

| Description | December 31,2018 EGP | December 31,2017 EGP |
|---|---|---|
| Beginning Balance | 27 650 521 | 33 600 000 |
| Amortized during the year | (6 636 125) | (5 949 479) |
| **Total** | **21 014 396** | **27 650 521** |

An amount of EGP 6 636 125 of the advance payment are amortized during the year and charged as a rent expense the income statement.

The company has the right to buy the building from the lessor at the end of the lease term at EGP 1. The rental values are subject to the Central Bank interest rate changes. In the case of the company's delay in paying due installments, it will incur a penalty of 3% of the due installments. The monthly rental value amounted to EGP 915 839 post changing the interest rate.

## 12. Inventory

| | December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|
| Goods in transit | 6 247 743 | -- |
| Goods for sale | 170 841 | 437 353 |
| | **6 418 584** | **437 353** |

## 13. Accounts and notes receivable

| | December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|
| Accounts receivables- Billers and banks | 20 867 315 | 12 108 818 |
| Notes receivables | 49 950 | -- |
| | **20 917 265** | **12 108 818** |

## 14. Debtors and other debit balances

| | December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|
| Vendors – advance payment | 3 609 461 | 3 784 647 |
| Prepaid expenses | 5 073 383 | 2 460 401 |
| Deposits with others | 152 700 | 64 300 |
| Withholding tax | 19 322 718 | 10 551 027 |
| Other debit balances | 11 086 873 | 6 440 525 |
| Letters of guarantee cash margin | 1 100 000 | 100 000 |
| | **40 345 135** | **23 400 900** |

**15. Due from related parties**

| | Account type | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | | EGP | EGP |
| PSI Netherlands Holding BV | Current account | 14 717 773 | 7 792 814 |
| Fawry Plus for Banking Services | Current account | -- | 27 074 786 |
| Tazcara Information Technology and Electronic Booking | Current account | 451 454 | -- |
| Mohamed Okasha | Current account | 7500 | -- |
| Abdel Meguid Afifi | Current account | 7500 | -- |
| | | **15 184 227** | **34 867 600** |

**16. Loans to related parties**

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, estimated at 17.75%, 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.

Fawry Plus for Banking Services has not obtained any additional loans from its other shareholders, other than the Shareholders' Syndicate loan of EGP 17.5 million. (Note 39)

**17. Treasury bills**

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Treasury bills- with maturities up to (91) days | 131 290 683 | 67 960 892 |
| Treasury bills- with maturities after (91) days | 122 721 208 | 40 875 292 |
| **Add:** | | |
| Accrued interest -Less than three months | 3 699 096 | 1 941 461 |
| Accrued interest -More than three months | 3 373 823 | 1 368 623 |
| **Less:** | | |
| Accrued tax on accrued interest -Less than three months | (616 516) | (323 577) |
| Accrued tax on accrued interest-More than three months | (562 305) | (228 104) |
| **Balance** | **259 905 989** | **111 594 587** |
| **Nominal value** | **267 500 000** | **114 025 000** |

## 18. Cash and cash equivalents

| | December 31, 2018<br>EGP | December 31, 2017<br>EGP |
|---|---|---|
| Cash on hand | 15 003 604 | 10 724 784 |
| Bank accounts - local currency | 230 805 604 | 197 935 648 |
| Cash at money transfer companies | 94 435 195 | 87 869 294 |
| Banks accounts - foreign currencies | 97 250 730 | 253 915 692 |
| **Cash and cash equivalents** | **437 495 133** | **550 445 418** |

Cash and cash equivalents are analyzed as follows:

| | December 31, 2018<br>EGP | December 31, 2017<br>EGP |
|---|---|---|
| Cash and bank balances | 437 495 133 | 550 445 418 |
| Treasury bills-maturities of less than 3 months | 134 373 262 | 69 578 776 |
| | **571 868 396** | **620 024 194** |

## 19. Capital

The Company's authorized capital amounted to EGP 350 million, and the issued and paid-up capital amounted to EGP 111 303 060 million, divided among 11 130 306 shares of par value EGP 10 each.

On February 25, 2018, shareholders in the extraordinary general assembly decided to increase the company's authorized capital to EGP 500 million and the issued capital by an amount of EGP 242 349 000 , the issued and paid-up capital became EGP 353 652 060 million, divided among 35 365 206 shares of par value EGP 10 each. The increase was registered in the Company's Commercial Register on 19 July 2018.

## 20. Legal reserve

| | December 31, 2018<br>EGP | December 31, 2017<br>EGP |
|---|---|---|
| Beginning balance | 5 325 017 | 2 821 969 |
| Transferred from prior year net profit | 2 627 795 | 2 503 048 |
| share premium* | 21 040 550 | -- |
| | **28 993 362** | **5 325 017** |

*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.

## 21. Combination Reserve

| | December 31, 2018<br>EGP | December 31, 2017<br>EGP |
|---|---|---|
| Reserve resulting from selling a stake of the company's investment in Fawry Dahab without losing control | 5 841 596 | -- |
| | **5 841 596** | -- |

## 22. Provisions

| | December 31, 2017 | Formed during the year | December 31, 2018 |
|---|---|---|---|
| | EGP | EGP | EGP |
| Provision for claims | 10 325 576 | 11 800 000 | 22 125 576 |
| | **10 325 576** | **11 800 000** | **22 125 576** |

## 23. Accounts and notes payable

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Accounts payable | 26 009 364 | 16 148 529 |
| Notes payable - Billers | 80 000 019 | 85 321 678 |
| Notes payable | -- | 9 400 245 |
| | **106 009 383** | **110 870 452** |

## 24. Creditors and other credit balances

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Accrued expenses | 26 774 074 | 42 411 967 |
| Health insurance contributions | 1 038 991 | -- |
| Tax Authority | 21 581 245 | 14 043 536 |
| Social Insurance Authority | 773 909 | 953 688 |
| Other credit balances | 13 098 108 | 15 851 996 |
| | **63 266 327** | **73 261 187** |

## 25. Due to related parties

| | Nature of relationship | Account type | December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|
| | | | EGP | EGP |
| Fawry Plus for Banking Services | Associate | Current account | 7 035 626 | -- |
| Waffarha.com | Joint Venture | Current account | 97 201 | -- |
| | | | **7 132 827** | **--** |

## 26. Contingent liabilities

| Description | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Letters of guarantee – local currency | 409 844 625 | 274 464 625 |
| | **409 844 625** | **274 464 625** |

The letter of guarantee facilities obtained from banks amounted to EGP 451.9 million as of December 31, 2018, where the utilized amount from banks' facilities amounted to EGP 409.8 million in the form of issued letters of guarantee.

- Pursuant to the shares purchase agreement dated October 1, 2018 related to Waffarha.com, the company is committed to pay a price difference to the other shareholders of Waffarha.com up to 150% of shares value paid in stage 1, Note 10. Additionally, if Waffarha.com's revenues reached agreed upon certain levels in 2019, the company is committed to buy/sell certain number of shares from / to the other shareholders up to 15 quotas of Waffarha.com.

## 27. Operating revenues

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Application sales revenues | 1 753 760 | 464 705 |
| Transactions services revenues | 590 881 443 | 423 110 771 |
| Subscriptions revenues | 16 864 580 | 7 574 261 |
| Other revenues | 155 156 | 930 812 |
| | **609 654 939** | **432 080 549** |

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's points of sales, banks ATM machines, mobile devices, outlets of Egypt post offices and E-banking), are represented as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Total transactions' value | 34 162 624 549 | 24 803 291 609 |
| | **34 162 624 549** | **24 803 291 609** |

## 28. Operating costs

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Merchants' fees | 268 189 083 | 177 941 274 |
| Banks' fees | 12 565 270 | 12 191 974 |
| Depreciation and amortization | 19 158 425 | 11 600 286 |
| Cash collection related costs | 23 511 593 | 17 474 197 |
| Others | 6 315 605 | 7 949 823 |
| | **329 739 976** | **227 157 554** |

## 29. General and administrative expenses

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Salaries and wages | 41 961 925 | 43 460 853 |
| Outsourcing, technical support and services | 21 655 217 | 11 230 191 |
| Rent expense | 18 563 268 | 15 417 178 |
| Depreciation and amortization | 32 888 154 | 22 311 771 |
| Bank charges | 682 092 | 1 038 394 |
| Insurance | 4 239 284 | 2 986 795 |
| Premises | 4 986 697 | 4 234 303 |
| Training and human resources expenses | 2 043 366 | 989 285 |
| Travel and transportation | 4 630 898 | 4 350 046 |
| Professional fees | 2 140 995 | 1 840 487 |
| Other expenses | 7 903 115 | 7 098 834 |
| | **141 695 011** | **114 958 137** |

## 30. Selling and marketing expenses

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Salaries and wages | 43 049 440 | 29 907 924 |
| Commissions | 20 852 635 | 17 067 190 |
| Promotion and advertising costs | 19 017 523 | 11 700 065 |
| | **82 919 598** | **58 675 179** |

## 31. Credit interest

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Credit interest - current accounts | 28 769 461 | 21 854 532 |
| Credit interest – treasury bills | 36 529 222 | 22 350 932 |
| Credit interest – time deposits | 2 359 803 | -- |
| Credit interest – loans to related party | 151 600 | -- |
| | **67 810 086** | **44 205 464** |

## 32. Finance costs

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Debit interest | 4 647 936 | 3 526 642 |
| Letter of guarantees - bank charges | 2 854 420 | 2 046 621 |
| | **7 502 356** | **5 573 263** |

## 33. Significant related parties' transactions

| | Nature of the Transaction | For the Year Ended December 31, 2018 EGP | For the Year Ended December 31, 2017 EGP |
|---|---|---|---|
| PSI Netherlands Holding BV | Payments on behalf of related party | 6 796 344 | 2 810 590 |
| | Cash received | -- | (3 026 041) |
| | Cash transfers under capital increase | -- | (242 349 300) |
| Fawry Plus For Banking Services | Payments on behalf of related party | -- | 27 074 786 |
| | Payments on behalf of the company | ( 7 989 215) | -- |
| | Revenue collection on behalf of related party | ( 26 121 197) | -- |
| | Loan to associate | 14 615 412 | -- |
| | Credit interest revenue | 151 600 | -- |
| Tazcara Information Technology and Electronic Booking | Payments on behalf of related party | 451 452 | -- |
| Waffarha.com | Payments on behalf of the company | (97 201) | -- |

## 34. Group's share of losses / profits of investments in associates and joint venture entities

| | December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|
| Fawry Plus For Banking Services | (10 942 533) | (3 577 137) |
| Waffarha.com | 8 670 | -- |
| Tazcara Information Technology and Electronic Booking | (150 193) | -- |
| | **(11 084 056)** | **(3 577 137)** |

## 35. Deferred tax

| | Opening balance | Charged to P&L | Closing balance |
|---|---|---|---|
| **Assets** | | | |
| Intercompany transactions profit elimination | 1 556 499 | 1 265 371 | 2 821 870 |
| **Liabilities** | | | |
| Fixed assets and intangible assets | 1 369 327 | (2 546 312) | (1 176 985) |
| Unrealized foreign currency gain differences | (277 811) | -- | (277 811) |
| **Deferred tax Assets** | **2 648 015** | **(1 280 941)** | **1 367 074** |

## 36. Analysis of operating costs and expenses by nature of expense

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Merchant's and bank commission | 280 754 353 | 190 133 248 |
| Selling and marketing commission | 20 852 635 | 17 067 190 |
| Depreciation and amortization | 52 048 099 | 33 913 315 |
| Cost of cash collections | 23 511 593 | 17 474 197 |
| Salaries and wages | 72 281 960 | 64 880 551 |
| Outsourcing, technical support and services | 21 655 217 | 11 230 191 |
| Rent expense | 18 563 268 | 15 417 178 |
| Selling and marketing expense | 19 017 523 | 11 700 065 |
| Bank charges | 3 534 992 | 3 083 757 |
| Debit interest | 4 647 937 | 3 526 642 |
| Insurance | 4 239 284 | 2 986 795 |
| Premises | 4 986 697 | 4 234 303 |
| Training and Human resource expenses | 2 043 366 | 989 285 |
| Travel and transportation | 17 360 303 | 12 838 272 |
| Professional fees | 2 140 995 | 1 840 487 |
| Others | 14 218 719 | 15 048 657 |
| | **561 856 941** | **406 364 133** |

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | EGP | EGP |
| Operating cost | 329 739 976 | 227 157 554 |
| General and administrative expenses | 141 695 011 | 114 958 137 |
| Selling and marketing expenses | 82 919 598 | 58 675 179 |
| Finance expenses | 7 502 356 | 5 573 263 |
| | **561 856 941** | **406 364 133** |

## 37. Tax position

Below is a summary of the Company's tax status at 31 December 2018:

**Corporate tax**

The period from inception until 31/12/2014

The Company was notified with Form No. (19), and is currently being inspected on an actual basis.

The period from 2015 until 31/12/2017

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

**Salaries tax**

The period from inception until 31/12/2016

The Company was notified with Form No. (38), and is currently being inspected on an actual basis.

The year 2017

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

**Stamp duty tax**

The period from inception until 31/12/2014

The company's records has been tax inspected from the date of incorporation till 2014 and tax differences have been settled.

The period from 2015 until 31/12/2017

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

**Sales tax / VAT tax**

The period from inception until 31/12/2014

The company's records has been tax inspected from the date of incorporation till 2014 and tax differences have been settled.

The period from 2015 until 31/12/2017

The company's records are being inspected, but the company has not received any claims regarding the results of the inspection.

**Withholding tax**

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

## 38. Financial instruments

**Categories of financial instruments**

| | December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|
| **Financial assets** | | |
| Cash and cash at banks | 437 495 133 | 550 445 418 |
| Loans and receivables | 189 410 012 | 152 385 442 |
| Financial assets – available for sale | 259 905 989 | 111 594 587 |
| **Financial liabilities** | | |
| Financial liabilities at amortized cost | 611 215 230 | 509 740 656 |

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

**Financial risk management objectives**

**a. Capital risk management**

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

**Financial risks factors**

The Group 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 Group's overall risk management program focuses on managing the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group'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 Group. This risk is insignificant as the Group 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 Group'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 Group reviews this risk, and submits reports regularly to the senior management.

The maximum credit risk is analyzed as follows:

| | December 31, 2018 EGP | December 31, 2017 EGP |
|---|---|---|
| Cash and cash at banks | 437 495 133 | 550 445 418 |
| Treasury bills | 259 905 989 | 111 594 587 |
| Accounts and notes receivable | 20 917 265 | 12 108 818 |
| Due from related parties | 15 184 227 | 34 867 600 |
| Loans to related parties | 14 615 412 | -- |
| Debtors and other debit balances | 12 339 573 | 6 604 825 |
| Advances to billers | 125 353 535 | 98 804 199 |
| **Total** | **885 829 134** | **814 425 447** |

**Liquidity risk**

The ultimate responsibility for liquidity risk rests with the Group's management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group'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 |
|---|---|---|
| Non-interest bearing | 663 087 071 | 663 087 071 |
| **31 December 2018** | **663 087 071** | **663 087 071** |
| Non-interest bearing | 542 985 560 | 542 985 560 |
| **31 December 2017** | **542 985 560** | **542 985 560** |

**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 Group's management monitors foreign currency balances and prevailing exchange rates, and continuously minimises 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 minimise 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 all the company does not has facility at variable interest rate.

**39. Significant Events during the year**

- On December 10, 2018, the General Assembly of Fawry Plus for Banking Services (Associate) approved obtaining shareholder loan by an amount of EGP 17.5 million from its shareholders, the Company's share of the associate's shareholders loan amounted to EGP 9 275 000. The share of the other shareholders of the associate's loan amounted to EGP 8 225 000, interest rate is 2.5% over the lending rates announced by the Central Bank of Egypt. To the date of financial statements the loan was not paid to the associate company.
- On January11. 2018, the Parliament approved Law No.(2) "The Law of Comprehensive Health Insurance System ", which apply to all citizens residing within Egypt, and optionally to Egyptians working abroad as well as those residing with their families abroad. To be effected after six months from the date of its publication. The law provides for the establishment of an economic public authority called "The general Authority for comprehensive health insurance " which has a legal personality and an independent budget, and is subject to the general supervision of the Prime Minister, it is headquartered in Cairo, and the authority administers and finances of the system, the participants moneys represents special moneys and it have all aspects and forms of protection of public moneys. It represents one of the authority financing sources is a social contribution by (0.0025) (two and a half per thousand) of the total annual income of individual entities and companies of any nature or the legal title subject to them, and the public economic entities, this contribution is nondeductible cost according to the provisions of the Income Tax law.

**40. Subsequent events**

- On March 28, 2019, the shareholders, in the Extraordinary General Assembly meeting decided to split the number of shares by a ratio of 1 to 20 shares, the share par value will be EGP 0.5 after completion of the stock split.
- On April 11, 2019 the company's board of directors decided to settle the remaining liabilities under the finance lease agreement and repurchase the Smart Village Premises from the leasing company pursuant to the terms of the lease agreement (Note no.12). On April 18, 2019 the remaining outstanding liability related to the finance lease has been completely paid with a total amount of EGP 23 847 047 and legal procedures are being undertaken in order to finalize the purchase agreement of the Smart Village premises.
- On April 18th 2019, a contract was signed between the Company, PSI Netherlands Holding BV (the holding company) and Bosta ,Inc.,a Delaware corporation for the sale of 1 396 825 shares to the Company for an amount of USD 300,000. This amount will be offset with the amount due from PSI Netherlands Holding BV, the holding company, Note 15.

  Additionally, a debt assignment agreement has been signed between the Company, PSI Netherlands Holding BV and Bosta ,Inc., whereby the amount due from Bosta Inc to PSI Netherlands Holding BV is assigned to the Company by total amount of USD 163,000. This amount will be offset with the amount due from PSI Netherlands Holding BV, the holding company, Note 15.
- On April 11, 2019 the Company's board of directors proposed dividend distribution of EGP 10 million and EGP 5.5 million to the employees and shareholders respectively subject to the shareholders' approval in the General Assembly.

- On March 18, 2019, the Minister of Investment and International cooperation issued Decision No. 96 of 2019 amending some of Egyptian Accounting Standards and issued three new accounting standards, The Egyptian Accounting Standard (47) for financial instruments and the Egyptian Accounting Standard (48) for revenue from contracts with customers and the Egyptian Accounting Standard No. (49) For leasing contracts in implementation of the financial leasing and factoring law 176 of 2018. The standards have not been applied by the company, as the standards' amendments were not published up to the date of issue of the financial statements, noting that the company has not yet determined the effect of the revised standards on its financial statements upon implementation.

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