

**Fawry for Banking and Payment
Technology Services
(S.A.E.)
Separate Financial Statements
Together with Auditor's Report
For The Year Ended December 31, 2017**

*Translation of Auditor's Report
Originally Issued in Arabic*

Independent Auditor's Report

To: The Shareholders of Fawry for Banking and Payment Technology Services S.A.E.

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Fawry for Banking and Payment Technology Services S.A.E. which comprise the separate statement of financial position as of December 31, 2017 and the related separate statements of income, 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.

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 and Payment Technology Services S.A.E. as of December 31, 2017 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 Requirements

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, May 14, 2018



Fawry for Banking and Payment Technology Services S.A.E.
Statement of Separate financial position
as of December 31, 2017

	<u>Note No.</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>EGP</u>	<u>EGP</u>
Assets			
<u>Non-current assets</u>			
Fixed assets (net)	(6)	57 135 108	109 117 746
Intangible assets (net)	(7)	72 073 019	45 242 848
Projects under construction		1 627 159	947 850
Investments in subsidiaries	(9)	51 470 150	51 470 150
Investments in associates	(10)	5 700 000	--
Deferred tax assets	(24)	827 651	1 031 821
Prepaid rent - finance lease	(25)	21 014 396	--
Total non-current assets		209 847 483	207 810 415
<u>Current assets</u>			
Inventory		437 353	--
Accounts and notes receivable	(13)	12 108 818	12 290 350
Debtors and other debit balances	(14)	126 118 616	107 235 424
Due from related parties	(15)	34 867 600	8 573 167
Treasury bills	(12)	111 594 587	78 517 975
Cash and cash equivalents	(11)	548 509 953	211 946 913
Total current assets		833 636 927	418 563 829
Total assets		1 043 484 410	626 374 244
<u>Equity</u>			
Issued and paid-up capital	(18)	111 303 060	111 303 060
Legal reserve		5 237 101	2 734 053
Payments under capital increase	(19)	242 349 000	--
Share Premium		21 040 550	21 040 550
Retained earnings (accumulated losses)		12 827 302	(28 513 112)
Net profit for the year		52 555 899	49 822 113
Total equity		445 312 912	156 386 664
<u>Current liabilities</u>			
Provisions	(20)	10 025 576	8 124 042
Accounts and notes payable	(17)	325 721 284	289 870 126
Creditors and other credit balances	(16)	184 028 351	112 392 493
Due to related parties	(15)	62 353 035	47 055 261
Current income tax for the year		16 043 252	12 545 658
Total current liabilities		598 171 498	469 987 580
Total equity and liabilities		1 043 484 410	626 374 244

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

Chief Financial Officer
AbdelMaguid Mohamed Afifi

Chief Executive Officer
Ashraf Kamel Mousa Sabry

Chairman
Saifullah Coutry Saadi

Auditor's report attached.

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

Separate income statement

for the year ended December 31, 2017

	<u>Note No.</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>EGP</u>	<u>EGP</u>
Operating revenues	(22)	407 871 079	319 747 940
<u>Less:</u>			
Operating costs	(23)	(211 444 392)	(173 472 199)
Gross margin		196 426 687	146 275 741
<u>Add (Less):</u>			
Selling and marketing expenses		(58 675 179)	(45 098 970)
General and administrative expenses		(90 437 507)	(47 331 643)
Depreciation and amortization	(8)	(21 632 876)	(16 167 613)
Credit interest		43 533 928	26 952 858
Finance costs		(6 609 433)	(2 592 258)
Gain on disposal of fixed assets		7 105 310	3 122 243
Other revenues		284 056	297,457
Provisions formed	(20)	(1 950 000)	(2 468 000)
Foreign currency exchange gain		758 335	1 510 242
Profit for the year before tax		68 803 321	64 500 057
Current income tax		(16 043 252)	(12 545 658)
Deferred tax	(24)	(204 170)	(2 132 286)
Net profit for the year after tax		52 555 899	49 822 113

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

Chief Financial Officer
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Chief Executive Officer
Ashraf Kamel Mousa Sabry

Chairman
Saifullah Coutry Saadi

*Translation of financial statement
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Fawry for Banking and Payment Technology Services S.A.E.
Separate statement of comprehensive income
for the year ended December 31, 2017

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Profit for the year after income tax	52 555 899	49 822 113
Other comprehensive income	--	--
Total other comprehensive income	--	--
Total comprehensive income for the year	52 555 899	49 822 113

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

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Chief Executive Officer
Ashraf Kamel Mousa Sabry

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

*Translation of financial statement
Originally Issued in Arabic*

**Separate statement of changes in equity
for the year ended December 31, 2017**

	Issued and paid up capital	Payment under capital increase	Share Premium	Legal reserve	Accumulated losses	Net profit for the year	Total equity
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2016	111 303 060	--	21 040 550	1 433 605	(53 221 628)	26 008 964	106 564 551
Transferred to accumulated losses and legal reserve	--	--	--	1 300 448	24 708 516	(26 008 964)	--
Total comprehensive income for the year	--	--	--	--	--	49 822 113	49 822 113
Balance as of December 31, 2016	111 303 060	--	21 040 550	2 734 053	(28 513 112)	49 822 113	156 386 664
Balance as of January 1, 2017	111 303 060	--	21 040 550	2 734 053	(28 513 112)	49 822 113	156 386 664
Transferred to accumulated losses and legal reserve	--	--	--	2 503 048	47 319 065	(49 822 113)	--
Payment under capital increase	--	242 349 000	--	--	--	--	242 349 000
Dividends 2016	--	--	--	--	(5 978 651)	--	(5 978 651)
Total comprehensive income for the year	--	--	--	--	--	52 555 899	52 555 899
Balance as of December 31, 2017	111 303 060	242 349 000	21 040 550	5 237 101	12 827 302	52 555 899	445 312 912

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

Chief Financial Officer
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Chief Executive Officer
Ashraf Kamel Mousa Sabry

Chairman
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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, 2017

<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
<u>Cash flows from operating activities:</u>		
Net profit for the year before tax	68 803 321	64 500 057
<u>Adjusted by:</u>		
Depreciation and amortization during the year	34 895 812	24 543 108
Formed provisions	1 950 000	2 468 000
Unrealized foreign currency exchange gain	(758 335)	(1 388 760)
Gain on sale of fixed assets	(7 105 310)	(3 122 243)
Credit interest	(43 533 928)	(26 952 858)
Finance costs	6 609 433	2 592 258
Operating gain before change in working capital	60 860 993	62 639 562
<u>Changes in Working capital</u>		
(Increase) in debtors and other debit balances	(39 897 588)	(28 081 264)
(Increase) / Decrease in inventory	(437 353)	322 928
Decrease / (Increase) in accounts and notes receivable	181 532	(5 452 167)
(Increase) in Due from related parties	(26 294 433)	(8 573 167)
Increase in accounts and notes payable	35 851 158	63 419 905
Increase in due to related parties	15 297 774	4 138 455
Increase in creditors and other credit balances	71 635 858	14 876 944
Income tax paid	(12 545 658)	--
Used provisions	(48 466)	(2 084 257)
Proceeds from credit interest	43 533 928	26 952 858
Net cash provided from operating activities	148 137 745	128 159 797
<u>Cash flows from investing activities</u>		
(Payments) to acquire fixed assets	(48 681 115)	(104 603 353)
(Payments) for projects under construction	(679 309)	(843 994)
(Payments) to acquire intangible assets	(34 596 878)	(15 147 210)
Proceeds from the sale of fixed assets	80 639 958	7 780 095
Change in treasury bills - more than three months	(22 962 018)	25 500 569
Payments for investment in a subsidiaries	--	(8 499 750)
Payments for investment in associate	(5 700 000)	--
Net cash (used in) investing activities	(31 979 362)	(95 813 643)
<u>Cash flows from financing activities</u>		
Payment under capital increase	242 349 000	--
Dividends paid	(5 978 651)	--
Payments for finance cost	(6 609 433)	(2 592 258)
Net cash provided from financing activities	229 760 916	(2 592 258)
Net change in cash and cash equivalents during the year	345 919 299	29 753 896
Cash and cash equivalents at beginning of the year	271 411 095	240 268 439
Exchange rate changes on cash and cash equivalents	758 335	1 388 760
Cash and cash equivalents at end of the year	(11) 618 088 729	271 411 095

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

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Chief Executive Officer
Ashraf Kamel Mousa Sabry

Chairman
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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 was changed to No 50840 on March 2011.

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, 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 May 12, 2018.

2. Statement of compliance

The separate financial statements for the year ended December 31, 2017 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 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 statements present more comprehensive understanding of 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).

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

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's 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. 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 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.

B. Fixed assets and depreciation

Fixed assets are stated in the separate statement of 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 separate income statement during the financial period in which they have been incurred.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

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 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: -

<u>Assets description</u>	<u>Years</u>
Networks and servers	4
Point of sales machines	1 - 3
Computers and servers	2 - 4
Furniture and office equipment	4 - 5
Leasehold improvements *	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.

C. Incorporation expenses

Incorporation expenses are charged to the income statement for the period during which the company incurred these expenses.

D. 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 the useful lives estimate, which is 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 a straight-line basis over their estimated useful lives, which is usually between 4-10 years.

E. 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 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

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

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 service is rendered (transaction) and the sales invoice is issued.

Subscription revenues

Subscription revenues are recognized in the separate income statement on a straight line basis during the subscription contract period.

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 are recognized when the shareholder's right to receive these dividends is issued.

F. Operational costs

Operational costs include the cost of applications sold, consumables of materials and also the merchants' fees for bill payments and banks' fees in accordance with executed contracts with consumer service providers as merchants, billers and banks.

Operational costs are charged by transaction share of direct depreciation and amortization in accordance to transaction share basis to the estimated normal capacity, and if the normal capacity is not reached, the differences are charged to indirect depreciation and amortization.

G. 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 for 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 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 separate 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.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

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

H. Legal reserve

In accordance with law No. 159 for 1981 and the company's articles of incorporation, 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.

I. 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.

Treasury bills

Treasury bills are presented at (acquisition cost) plus accrued interest as of the separate financial statements' date. The interest revenue is recorded in the separate income statement under the credit interest account.

J. 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 separate income statement, 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 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 separate income statement.

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 separate income statement.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

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 separate income statement.

K. Investments in subsidiaries

Investments in subsidiaries in the separate financial statements are carried at cost, less any impairment in value determined on an individual basis. Impairment is recognized in the separate income statement. Subsidiary undertakings are those companies controlled by the Company. Control is achieved when the Company:

- a. Has power over the investee;
- b. Is exposed, or has rights, to variable returns from its involvement with the investee; and
- c. Has the ability to use its power to affect 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.

L. Investments in associates

Investments in associates in the separate financial statement are carried at cost. However, for those investments which are categorized as available for sale, they are carried at book value or fair value less any transaction 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 separate income statement.

M. Provisions

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 income statement.

N. The separate cash flows statement

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.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

O. Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will declare bankruptcy or financial reorganisation, and default or delinquency in payments (more than granted credit limits) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate used to determine the amortized cost. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the separate income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the separate income statement.

P. Trade payables

Trade payables represent an obligation to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially carried at the value of goods or services received from others. Where material, goods and services received and trade payables are initially recognised at the present value of expected cash outflows using the market rate of interest for similar borrowings. Thereafter, trade payables are carried at amortized cost using the effective interest method.

Q. Transactions with related parties

Related party transactions carried out by the Company within its normal course of business, are recognized pursuant to the conditions set out by the Board of Directors on an arm's length-basis. These transactions are disclosed if changed from normal transactions with third party.

R. Employee benefits

Monetary short-term employees' benefits are represented in 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 are represented in items such as medical care for current employees.

S. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the market place. The company presents assets in the separate statement of financial position based on current/non-current classification. An asset is classified as current when it:

- Expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- Hold the asset primarily for the purpose of trading;
- Expects to realise the asset within twelve months after the reporting period; or
- The asset is cash or a cash equivalent (as defined in EAS 4) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

ii. 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 "credit interest" line item.

iii. 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 where the recognition of interest would be immaterial.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

iv. Impairment of financial assets

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

For financial assets that are measured at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade 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 recognised in profit or loss.

For financial assets measured at amortised cost if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

v. De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

vi. Financial liabilities and equity instruments

vii. Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

viii. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

ix. Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through the separate income statement.

A financial liability is classified as current liability when it satisfies any of the following criteria:

- It is expected to be settled in the entity's normal operating cycle;
- It is held primarily for the purposes of trading;
- It is due to be settled within twelve months after the reporting period;
- The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other financial liabilities are classified as non-current

x. Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the "finance costs" line item.

xi. De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

xii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, there is a currently legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

T. Finance lease

For finance leases that fall under the scope of EAS No. 20 (lease), lease costs including maintenance expense of leased assets are recognized in the separate income statement in the year incurred. At the end of the lease contract, if the company elects to exercise the purchase option on the leased asset, the option cost is capitalized as property, plant and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

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Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

6. Fixed assets - Net

Cost	Building		Networks and Servers		Point of sales machines		Computers		Furniture & Office equipment		Leasehold Improvements		Vehicles		Tools and Equipment Super Fawry		Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	
As of January 1, 2016	--	18 679 126	48 504 394	1 843 211	2 114 191	1 842 472	149 300	331 127	73 463 821								
Additions during the year	67 100 000	1 407 108	27 484 103	7 628 683	414 870	257 950	--	310 639	104 603 353								
Disposals	--	--	(8 289 854)	--	--	--	--	--	--	--	--	--	--	--	--	--	(8 289 854)
As of January 1, 2017	67 100 000	20 086 234	67 698 643	9 471 894	2 529 061	2 100 422	149 300	641 766	169 777 320								
Additions during the year	--	848 694	32 555 357	2 754 830	3 811 339	8 710 895	--	--	48 681 115								
Disposals	(67 100 000)	--	(12 956 942)	--	(215 069)	--	--	--	(80 272 011)								
As of December 31, 2017	--	20 934 928	87 297 058	12 226 724	6 125 331	10 811 317	149 300	641 766	138 186 424								
Accumulated depreciation																	
As of January 1, 2016	--	8 410 872	32 278 517	1 427 542	1 332 638	1 603 155	44 790	125 013	45 222 527								
Depreciation for the year	139 792	3 229 704	13 723 788	1 208 088	383 080	161 352	29 860	193 385	19 069 049								
Depreciation of disposals	--	--	(3 632 002)	--	--	--	--	--	(3 632 002)								
As of January 1, 2017	139 792	11 640 576	42 370 303	2 635 630	1 715 718	1 764 507	74 650	318 398	60 659 574								
Depreciation for the year	279 583	3 570 097	19 411 296	2 674 379	646 843	329 065	29 860	187 982	27 129 105								
Depreciation of disposals	(419 375)	--	(6 173 727)	--	(144 261)	--	--	--	(6 737 363)								
As of December 31, 2017	--	15 210 673	55 607 872	5 310 009	2 218 300	2 093 572	104 510	506 380	81 051 316								
Net book value																	
As of December 31, 2017	--	5 724 255	31 689 186	6 916 715	3 907 031	8 717 745	44 790	135 386	57 135 108								
As of December 31, 2016	66 960 208	8 445 658	25 328 340	6 836 264	813 343	335 915	74 650	323 368	109 117 746								

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 million (Note No.25)

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

7. Intangible assets – Net

<u>Cost</u>	<u>Programs'</u> <u>license</u> <u>EGP</u>	<u>Programs</u> <u>EGP</u>	<u>Total</u> <u>EGP</u>
As of January 1, 2016	6 062 936	47 410 187	53 473 123
Additions during the year	289 808	14 857 402	15 147 210
As of January 1, 2017	6 352 744	62 267 589	68 620 333
Additions during the year	11 360 358	23 234 520	34 596 878
As of December 31, 2017	17 715 102	85 502 109	103 217 211
<u>Accumulated amortization</u>			
As of January 1, 2016	3 448 047	14 455 379	17 903 426
Amortization for the year	611 118	4 862 941	5 474 059
As of January 1, 2017	4 059 165	19 318 320	23 377 485
Amortization for the year	1 456 624	6 310 083	7 766 707
As of December 31, 2017	5 515 789	25 628 403	31 144 192
<u>Net book value</u>			
As of December 31, 2017	12 199 313	59 873 706	72 073 019
As of December 31, 2016	2 293 579	42 949 269	45 242 848

8. Depreciation and amortization

Depreciation and amortization of the year amounted to EGP 34 895 813 (EGP 27 129 106 representing the depreciation of fixed assets Note No. 6 and EGP 7 766 707 representing amortization of intangible assets Note No. 7). The depreciation and amortization expenses are allocated as follows:

<u>Note No.</u>	<u>December 31, 2017</u> <u>EGP</u>	<u>December 31, 2016</u> <u>EGP</u>
Operating costs Note No. (22)	11 600 286	7 479 387
Depreciation and amortization – indirect	21 632 877	16 167 613
General and administrative expenses	1 662 650	896 108
	34 895 813	24 543 108

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

9. Investments in subsidiaries

The company owns the following investment as follows:

	<u>Authorized capital</u>	<u>Paid up capital</u>	<u>Holding percentage 2017</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>%</u>	<u>%</u>	<u>EGP</u>	<u>EGP</u>
Fawry Integrated System	43 374 000	100%	99.999%	43 373 900	43 373 900
Fawry Dahab for Electronics Service*	5 000 000	25%	48.9%	611 250	611 250
Fawry Micro Finance	15 000 000	50%	99.8%	7 485 000	7 485 000
				51 470 150	51 470 150

The investments in the subsidiary company were presented in the separate financial statements at cost.

* The company achieved the control as it:

- Has authority over the operation of the investee as the company provide the services, technological infrastructures, technical support collection of money;
- Is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to use its power to affect its returns of the investee as the managing director should be assigned from Fawry banking as per the article of association; and
- Obtained a letter from the other shareholder agreed to consolidate the investee in the company books.

10. Investments in associates

	<u>Authorized capital</u>	<u>Paid up capital</u>	<u>Capital participation</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>%</u>	<u>%</u>	<u>EGP</u>	<u>EGP</u>
Fawry Plus for Banking Services	60 000 000	25%	38%	5 700 000	--
				5 700 000	--

The investments in the subsidiary company were presented in the separate financial statements at cost.

11. Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Cash on hand	10 724 784	22 338 119
Banks and collecting agents accounts - local currency	96 409 946	186 112 947
Banks accounts - foreign currencies	441 375 223	3 495 847
Cash and cash equivalents	548 509 953	211 946 913

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

The cash and cash equivalents are represented as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Cash on hand	10 724 784	22 338 119
Banks current accounts – local currency*	96 409 946	186 112 947
Banks current accounts – foreign currencies	441 375 223	3 495 847
Treasury bills – less than 3 months	69 578 776	59 464 182
	<u>618 088 729</u>	<u>271 411 095</u>

12. Treasury bills

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Treasury bills due up to (91) days	67 960 892	59 308 280
Treasury bills due after (91) days	40 875 292	19 024 200
Add: accrued interest		
Less than three months	1 941 461	194 799
More than three months	1 368 623	36 991
Less: Accrued tax on accrued interest		
Less than three months	(323 577)	(38 897)
More than three months	(228 104)	(7 398)
Balance	<u>111 594 587</u>	<u>78 517 975</u>
Nominal value	<u>114 025 000</u>	<u>82 000 000</u>

The treasury bills purchase transactions are stated in the financial statements at cost plus any accrued interest during the year from the purchase date till the financial statements date, and the interest income related to such transaction is restated in the income statement under the credit interest item.

13. Accounts and notes receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Customers – billers and banks	11 944 781	12 290 350
Notes receivable	164 037	--
	<u>12 108 818</u>	<u>12 290 350</u>

14. Debtors and other debit balances

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Vendors – advance payment	3 784 647	936 144
Advances to service providers *	98 804 199	91 441 659
Prepaid rent –sale and lease back (Note No. 23)	6 636 125	--
Prepaid expenses	2 460 402	1 596 504
Deposits with others	64 300	197 006
Withholding tax	10 137 168	10 114 161
Other debit balances	4 231 775	2 949 950
	<u>126 118 616</u>	<u>107 235 424</u>

*This amount represents values of Electronic top up and rechargeable balances vouchers purchased from the services providers.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

15. Related parties' balances

Due from related parties

	<u>Account type</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>EGP</u>	<u>EGP</u>
PSI Netherlands Holding BV	Current account	7 792 814	8 008 734
Fawry Dahab for electronics services	Current account	--	564 433
Fawry Plus for banking services	Current account	27 074 786	--
		<u>34 867 600</u>	<u>8 573 167</u>

Due to related parties

	<u>Account type</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>EGP</u>	<u>EGP</u>
Fawry Integrated Systems -a Subsidiary company	Current account	48 956 724	47 055 261
Fawry Dahab for electronics services	Current account	5 911 311	-
Fawry Micro Finance	Current account	7 485 000	-
		<u>62 353 035</u>	<u>47 055 261</u>

The following are significant related parties' transactions as of December 31, 2017:

	<u>Nature of the Transaction</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>EGP</u>	<u>EGP</u>
Fawry Dahab for electronics services	Service Revenue	(28 481 729)	(1 737 275)
	Expense paid on behalf	853 310	--
	Cost of service	19 937 210	2 301 708
	Revenue	(1 467 000)	--
	Cash received	(17 904 312)	(12 511 209)
Fawry for Integrated Systems	Programs bills	18 509 454	10 124 323
	Expenditures paid on behalf	(7 485 000)	--
Fawry Micro Finance	Cash transfers	27 074 786	--
Fawry Plus for banking services	Expenditures paid on behalf	2 810 590	8 008 734
PSI Netherlands Holding BV	Payments on behalf	(3 026 041)	--
	Cash received	(242 349 300)	--
	Capital increase	(22 413 810)	(6 561 504)
Key Management personnel	Salaries and bonus		

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

16. Creditors and other credit balances

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	30 556 739	20 504 010
Accrued salaries and bonus	11 147 644	1 139 268
Merchants' prepaid balances	100 674 916	61 369 474
Tax Authority	10 725 943	9 894 258
Social Insurance Authority	483 144	365 206
Retailer's POS security deposits	14 685 500	13 481 500
Other credit balances	15 754 465	5 638 778
	<u>184 028 351</u>	<u>112 392 493</u>

17. Accounts and notes payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	15 892 355	12 904 278
Accounts payable- billers	214 920 249	221 381 138
Notes payable	94 908 680	54 798 422
Others	--	786 288
	<u>325 721 284</u>	<u>289 870 126</u>

18. 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.

	<u>Nationality</u>	<u>Percentage</u>	<u>No. of quotas</u>	<u>Value</u>
				<u>EGP</u>
PSI Netherlands Holding BV	Dutch	99.959%	11 125 786	111 257 860
Joseph Gamal Khalil	Egyptian	0.04%	4 518	45 180
Ashraf Kamel Sabry	Egyptian	0.01%	1	10
Mohamed Okasha	Egyptian	0.01%	1	10
		<u>100%</u>	<u>11 130 306</u>	<u>111 303 060</u>

19. Payments under capital increase

The balance amounted to 242 349 000 EGP represents the due to PSI Netherlands Co and the capital will be increased by that balance, the amount is presented as equity instrument until completion of legal procedures of the Capital increase.

On Feb 25, 2018, the Ordinary General Assembly Meeting agreed to increase the issued capital by that balance.

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Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

20. Provisions

	<u>January 1, 2017</u>	<u>Formed during</u>	<u>No longer</u>	<u>December 31,</u>
		<u>the year</u>	<u>required</u>	<u>2017</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for claims	8 124 042	1 901 534	--	10 025 576
	<u>8 124 042</u>	<u>1 901 534</u>	<u>--</u>	<u>10 025 576</u>

21. Contingent liabilities

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

<u>Description</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Letters of guarantee – local currency	274 464 625	254 749 750

The letter of guarantee facilities amounted to EGP 351 million as of December 31, 2017, the utilized amount reached EGP 274 million in the form of letters of guarantee.

22. Operating revenues

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Application sales revenues	930 813	259 112
Transactions services revenues	398 901 301	315 175 402
Subscriptions revenues	7 574 261	3 316 280
Other revenues	464 704	997 146
	<u>407 871 079</u>	<u>319 747 940</u>

The total throughput from e-top up and bill payment transactions for the billers through the company's various payments channels (i.e. the company points of sales, banks ATM machines, mobile devices, outlets of Egypt post offices and E-banking) during the period from 1/1/2017 to 31/12/2017, are represented as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Total proceeds	24 803 291 609	15 467 548 549
	<u>24 803 291 609</u>	<u>15 497 548 549</u>

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Notes to the Separate Financial Statements

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23. Operating costs

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Cost of application sold	--	322 928
Merchants' fees	171 134 655	140 410 979
Banks fees	7 999 252	4 865 476
Depreciation and amortization (Note No. 8)	11 600 286	7 479 387
Cost of cash collection	17 474 197	17 961 425
Others	3 236 002	2 432 004
	<u>211 444 392</u>	<u>173 472 199</u>

24. Deferred tax

	<u>Opening balance</u>	<u>Charged to income statement</u>	<u>Closing balance</u>
Assets			
Fixed assets and intangible assets	1 344 292	(516 641)	827 651
Carry forward losses	--	--	--
Liabilities			
Unrealized foreign currency gain differences	(312 471)	312 471	--
Deferred tax Assets	1 031 821	(204 170)	827 651

25. 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 with the sale amounting 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 in the amount of EGP 33.6 million with the remaining value of the rent to be paid equally over 60 monthly installments in the amount of EGP 872 995 and checks have been issued with the remaining installments.

Rent expense that was charged to the income statement amounted to EGP 14 483 446.

The rental value of the lease contract is represented as follows:

<u>Description</u>	<u>EGP</u>
Rent value for the period from 1-1-2018 to 31-12-2018	10 475 940
Rent value for the period from 1-1-2019 to 25-2-2022	33 369 793
Total	<u>43 845 733</u>

The lease advance payment is represented as follows:

<u>Description</u>	<u>EGP</u>
prepaid rent – Current portion	6 636 125
prepaid rent – Non-Current portion	21 014 396
Total	<u>27 650 521</u>

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Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

An amount of EGP 5 949 479 of the advance payment are amortized during the year and recorded as a rent expense in the income statement.

The company has the right to buy the building from the lessor at the end of the contract at 1 EGP The rental value are subject to the Central Bank interest rate changes. In the case of the company's delay in paying the installments, it will incur a penalty of 3% of the rental value.

26. Tax position

Below is a summary of the tax status of the Company at 31 December 2017:

a. Corporate tax

The period from inception until 31/12/2017

- The company's records have not been tax inspected for the mentioned period yet.
- The period from inception until 31/12/2017 The Company was notified with Form No. (19) and is currently being inspected on an actual basis.

b. Salaries tax

The period from inception until 31/12/2013

- The company's records have been tax inspected until 31/12/2013 and tax difference has been paid.

The period from inception until 31/12/2017

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

c. Stamp duty tax

The period from inception until 31/12/2017

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

d. Sales tax / VAT tax

The period from inception until 31/12/2017

- The company is submitting the monthly sales tax returns and setting the due amounts in regular basis and The Company's records have not been tax inspected yet.

e. Withholding tax

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

27. Financial instruments and managed related risk

a. 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 on a semi-annual basis.

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

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For the Year Ended December 31, 2017

As part of this review, the company considers the cost of capital and the risks associated with each class of capital.

Categories of most significant financial instruments

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>EGP</u>	<u>EGP</u>
Financial assets		
Cash and cash at banks	548 509 953	211 946 913
Loans and receivables	46 976 418	20 863 517
Financial assets – available for sale	111 594 587	78 517 975
Financial liabilities		
Financial liabilities at amortized cost	444 464 220	372 050 165

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

b. Financial risk management objectives

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 policies 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 quarterly reports to the audit committee for this risk, and the means of facing its impact on the interim financial statements. The maximum credit risk is represented as follows:

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Notes to the Separate Financial Statements

For the Year Ended December 31, 2017

Age of receivables that are past due but not impaired:

	December 31, 2017	December 31, 2016
	EGP	EGP
Current	8 364 726	7 553 421
Overdue 1-30 days	2 539 714	1 638 725
Overdue 31-60 days	--	620 625
Overdue 61-90 days	98 020	873 016
Overdue 90+ days	93 616	1 048 168
1-3 years	726 855	493 912
3-5 years	121 850	62 483
Total	11 944 781	12 290 350

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 maturities for financial liabilities:

	Less than one year	Total
Non-interest bearing	444 464 220	444 464 220
31 December 2017	444 464 220	444 464 220
Non-interest bearing	372 050 165	372 050 165
31 December 2016	372 050 165	372 050 165

Chief Financial Officer
AbdelMaguid Mohamed Afifi

Chief Executive Officer
Ashraf Kamel Mousa Sabry

Chairman
Saifullah Coutry Saadi