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

Separate Financial Statements

Together with Auditor's Report
For The Year Ended December 31, 2018

Deloitte.

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

Independent Auditor's Report

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Fawry for Banking Technology and Electronic Payments S.A.E. which comprise the separate statement of financial position as of December 31, 2018 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.

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Fawry for Banking Technology and Electronic Payments S.A.E. as of December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and in the light of the relevant Egyptian laws and regulations.

Report for Other Legal and Regulatory Requirments

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

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

Cairo, April 23rd, 2019

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 and Payment Technology Services S.A.E.

Separate statement of financial position

as of December 31, 2018

	Note No.	December 31, 2018	December 31, 2017
		EGP	EGP
Assets			
Non-current assets			
Fixed assets (net)	(6)	114 390 958	57 135 108
Intangible assets (net)	(7)	96 473 992	72 073 019
Projects under construction	(8)	16 382 823	1 627 159
Investments in a subsidiaries	(9)	51 347 775	51 470 150
Investments in a associates	(10)	23 000 000	5 700 000
Investments in joint ventures	(11)	2 250 000	--
Deferred tax assets	(32)	--	827 651
Prepaid rent - finance lease	(12)	21 014 396	27 650 521
Total non-current assets		**324 859 944**	**216 483 608**
Current assets			
Inventory		170 841	437 353
Accounts and notes receivable	(13)	18 593 869	12 108 818
Debtors and other debit balances	(14)	36 755 453	20 678 292
Advances to billers		125 353 535	98 804 199
Due from related parties	(15,31)	15 169 225	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)	418 380 774	548 509 953
Total current assets		**888 945 098**	**827 000 802**
Total assets		**1 213 805 042**	**1 043 484 410**
Equity			
Issued and paid-up capital	(19)	353 652 060	111 303 060
Legal reserve	(20)	28 905 446	5 237 101
Payments under capital increase		--	242 349 000
Share premium	(20)	--	21 040 550
Retained earnings		54 155 406	12 827 302
Net profit for the year		71 192 665	52 555 899
Total equity		**507 905 577**	**445 312 912**
Non-Current liabilities			
Deferred tax liabilities	(32)	1 695 724	--
		1 695 724	**--**
Current liabilities			
Provisions	(21)	21 825 576	10 025 576
Accounts and notes payable	(22)	99 642 009	110 801 035
Billers payable		287 007 924	214 920 249
Merchants' advances		130 498 338	100 674 916
Retail deposits		18 569 000	14 685 500
Creditors and other credit balances	(23)	54 656 973	68 667 935
Due to related parties	(24,31)	70 394 494	62 353 035
Current income tax for the year		21 609 427	16 043 252
Total current liabilities		**704 203 741**	**598 171 498**
Total equity and liabilities		**1 213 805 042**	**1 043 484 410**

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

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

Auditor's report attached.

Translation of financial statement

Originally Issued in Arabic

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

Separate 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	(26)	528 233 412	407 871 079
Less:			
Operating costs	(27)	(277 011 235)	(211 444 392)
Gross margin		**251 222 177**	**196 426 687**
Add (Less):			
General and administrative expenses		(137 570 540)	(112 728 883)
Selling and marketing expenses		(82 919 598)	(58 675 179)
Finance costs	(28)	(7 502 356)	(5 573 263)
Health Insurance Contributions		(815 213)	--
Formed provisions	(29)	(11 800 000)	(1 950 000)
Foreign currency exchange (loss) gain		(180 582)	758 335
Credit interest	(30)	67 322 737	43 533 928
BOD compensation expenses		(1 164 000)	(377 670)
Gain on disposal of fixed assets	(6)	7 548 799	7 105 310
Other revenues	(15,31)	1 726 023	284 056
Dividends from investments in subsidiaries	(9)	3 555 238	--
Gains from sale of shares in subsidiary	(9)	5 902 782	--
Profit of the year before tax		**95 325 467**	**68 803 321**
Current income tax		(21 609 427)	(16 043 252)
Deferred tax	(32)	(2 523 375)	(204 170)
Net profit for the year after tax		**71 192 665**	**52 555 899**

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

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

Fawry for Banking and Payment Technology Services S.A.E.
Separate 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	**71 192 665**	**52 555 899**
Other comprehensive income	--	--
Total other comprehensive income	--	--
Total comprehensive income for the year	**71 192 665**	**52 555 899**

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

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

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

Separate 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	Retained earnings	Net profit for the year	Total equity
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2017	**111 303 060**	**--**	**21 040 550**	**2 734 053**	**(28 513 112)**	**49 822 113**	**156 386 664**
Items of other comprehensive income							
Items of other comprehensive income	--	--	--	--	--	--	-
Net profit for the year	--	--	--	--	--	52 555 899	52 555 899
Total comprehensive income for the year	--	--	--	--	--	**52 555 899**	**52 555 899**
Transactions with Company's owners							
Transferred to retained earnings and legal reserve	--	--	--	2 503 048	47 319 065	(49 822 113)	--
Payments under capital increase	--	242 349 000	--	--	--	--	242 349 000
Dividends	--	--	--	--	(5 978 651)	--	(5 978 651)
Total Transactions with the Company's owners	--	242 349 000	--	2 503 048	41 340 414	(49 822 113)	236 370 349
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**
Balance as of January 1, 2018	**111 303 060**	**242 349 000**	**21 040 550**	**5 237 101**	**12 827 302**	**52 555 899**	**445 312 912**
Items of other comprehensive income							
Items of other comprehensive income	--	--	--	--	--	--	-
Net profit for the year	--	--	--	--	--	71 192 665	71 192 665
Total comprehensive income for the year	--	--	--	--	--	**71 192 665**	**71 192 665**
Transactions with Company's owners							
Transferred to accumulated losses and legal reserve	--	--	(21 040 550)	23 668 345	49 928 104	(52 555 899)	--
Capital increase	242 349 000	(242 349 000)	--	--	--	--	--
Dividends	--	--	--	--	(8 600 000)	--	(8 600 000)
Total Transactions with the Company's owners	242 349 000	(242 349 000)	(21 040 550)	23 668 345	41 328 104	(52 555 899)	(8 600 000)
Balance as of December 31, 2018	**353 652 060**	**--**	**--**	**28 905 446**	**54 155 406**	**71 192 665**	**507 905 577**

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

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

Fawry for Banking and Payment Technology Services S.A.E.
Separate 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		95 325 467	68 803 321
Adjusted by:			
Depreciation and amortization during the year	(31)	53 351 923	34 895 812
Formed provisions	(21)	11 800 000	1 950 000
Unrealized foreign currency exchange loss/(gain)		180 582	(758 335)
Gain on sale of fixed assets		(7 548 799)	(7 105 310)
Credit interest		(67 322 737)	(43 533 928)
Finance costs		7 502 356	5 573 263
Gains from sale of shares in subsidiary		(5 902 782)	--
Operating gain before change in working capital		**87 386 010**	**59 824 824**
Changes in Working capital			
Decrease / (increase) in inventory		266 512	(437 353)
(Increase) in advances to billers		(26 549 336)	(7 362 540)
(Increase) in debtors and other debit balances		(9 441 036)	(32 535 048)
(Increase) / decrease in accounts and notes receivable		(6 485 051)	181 532
Decrease / (increase) in due from related parties		19 698 375	(26 294 433)
(Increase) in loans to related parties		(14 615 412)	--
Increase in accounts and notes payable		(11 159 026)	42 312 047
(Increase) / decrease in billers payable		72 087 675	(6 460 889)
Increase in due to a related party		8 041 459	15 297 774
Increase in advances to merchants		29 823 422	39 305 442
Increase in retailers' POS security deposits		3 883 500	1 204 000
(Decrease) / increase in creditors and other credit balances		(14 010 962)	31 126 416
Income tax paid		(16 043 252)	(12 545 658)
Used provisions		--	(48 466)
Proceeds from credit interest		67 322 737	43 533 928
Net cash provided from operating activities		**190 205 615**	**147 101 576**
Cash flows from investing activities			
(Payments) to acquire fixed assets		(106 831 463)	(48 681 115)
(Payments) for projects under construction		(14 755 664)	(679 309)
(Payments) to acquire intangible assets		(34 437 961)	(34 596 878)
Proceeds from the sale of fixed assets		13 809 477	80 639 958
Change in treasury bills - more than three months		(83 516 915)	(22 962 018)
Proceeds from sale of shares in subsidiary		6 025 157	--
Payments of investment in associate and joint ventures		(19 550 000)	(5 700 000)
Net cash (used in) investing activities		**(239 257 369)**	**(31 979 362)**
Cash flows from financing activities			
Proceeds from payment under capital increase		--	242 349 000
Dividends paid		(8 600 000)	(5 978 651)
Payments for finance cost		(7 502 356)	(5 573 263)
Net cash (used in) provided from financing activities		**(16 102 356)**	**230 797 086**
Net change in cash and cash equivalents during the year		(65 154 110)	345 919 299
Cash and cash equivalents at beginning of the year		618 088 729	271 411 095
Effect of exchange rate changes on cash and cash equivalents		(180 582)	758 335
Cash and cash equivalents at end of the year	(18)	**552 754 037**	**618 088 729**

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

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

1. General information

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

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

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

2. Statement of compliance

The separate 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 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).

4. Critical accounting judgments and key sources of uncertain estimations

In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.
Those estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates therefore, these estimates and underlying assumptions are reviewed on an ongoing basis.
Revisions of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods (prospectively) if the revision affects both current and future periods.

5. Significant accounting policies

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

A. Investments in a subsidiaries

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:
- The size of the Company's voting rights relative to the size and dispersion of the other vote holders.
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements and
- Any additional facts and circumstances that indicate that the Company has or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

B. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee.
Investments in associates in the separate financial statement are carried at cost. However, for those investments which are categorized as held for sale, they are carried at book value

or fair value less any transactions costs that are directly attributable to selling these investments, whichever is less. The company does not account for investments in associates using the equity method in the attached separate financial statements as required by paragraph (17) from Egyptian Accounting Standard (18)

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

C. Investments in joint ventures

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

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

D. Foreign currencies

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

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

The gains and losses resulting from the translation differences are recognized in the 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.

E. Fixed assets and depreciation

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

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

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

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

Programs' licenses

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

Programs

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

G. Revenues recognition and measurement

Applications sales revenues

Revenue is measured at the fair value of the consideration received or receivable for the entity. Revenues recognized from the sold applications are recognized in the separate 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 entity does not retain any continuing managerial involvement right to the degree usually associated with ownership, and when the amount of revenue can be measured reliably.

Services

The revenue of rendered services is recognized as follows:

Transactions sales revenues

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

Subscription revenues

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

Interest revenues

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

Investment revenues

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

H. Operational costs

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

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

I. 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 separate financial statements. Income tax expense for the year is the sum of current income tax and deferred tax.

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

Deferred tax is recognized as an expense or revenue in the separate 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.

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

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

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

K. <u>Legal reserve</u>

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

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

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

M. <u>Provisions</u>

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

N. <u>Separate cash flows statement</u>

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

O. <u>Short-term employee benefits</u>

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

P. Impairment of assets

Impairment of financial assets

- At each reporting period, the company reviews the carrying values of the recorded financial assets carried at cost or amortized cost to determine whether there is any indication that the values of these assets may be impaired. In case of evidences of impairment, the loss is recognized immediately and charged to the 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 the subsequent periods, that the previously recognized impairment loss related to the financial assets, was reduced and the impairment can be associated objectively to an event which occurred after the recognition of the impairment loss, then the previously recognized impairment loss or a portion of it, is recharged to the 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 income statement.
  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 income statement.

Q. Financial instruments

Financial assets

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

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

Financial assets available for sale

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

R. Finance lease

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

	Building	Networks and Servers	Point of sales machines	Computers	Furniture & Office equipment	Leasehold Improvements	Vehicles	Tools & Equipment Super Fawry	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost									
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 January 1, 2018	--	**20 934 928**	**87 297 058**	**12 226 724**	**6 125 331**	**10 811 317**	**149 300**	**641 766**	**138 186 424**
Additions during the year	--	1 739 117	68 131 323	34 710 841	1 224 130	1 026 052	--	--	106 831 463
Disposals	--	--	(13 748 781)	--	--	--	--	--	(13 748 781)
As of December 31, 2018	--	**22 674 045**	**141 679 600**	**46 937 565**	**7 349 461**	**11 837 369**	**149 300**	**641 766**	**231 269 106**
Accumulated depreciation									
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 January 1, 2018	--	**15 210 673**	**55 607 872**	**5 310 009**	**2 218 300**	**2 093 572**	**104 510**	**506 380**	**81 051 316**
Depreciation for the year	--	3 307 107	29 433 105	7 130 931	1 245 933	2 053 166	29 860	114 833	43 314 935
Depreciation of disposals	--	--	(7 488 104)	--	--	--	--	--	(7 488 104)
As of December 31, 2018	--	**18 517 780**	**77 552 873**	**12 440 940**	**3 464 233**	**4 146 738**	**134 370**	**621 213**	**116 878 148**
Net book value									
As of December 31, 2018	--	**4 156 265**	**64 126 727**	**34 496 625**	**3 885 228**	**7 690 631**	**14 930**	**20 553**	**114 390 958**
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**

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.12)
During the year, Point of sales machines have been sold for an amount of EGP 13 809 477 with a net book value of EGP 6 260 678 at the date of sale, which has generated gains on sales of fixed assets amounting to EGP 7 548 799.

7. Intangible assets – Net

Cost	licenses EGP	Programs EGP	Total EGP
As of January 1, 2017	**6 352 744**	**62 267 589**	**68 620 333**
Additions during the year	11 362 358	23 234 520	34 596 878
As of January 1, 2018	**17 715 102**	**85 502 109**	**103 217 211**
Additions during the year	1 641 361	32 796 600	34 437 961
As of December 31, 2018	**19 356 463**	**118 298 709**	**137 655 172**
Accumulated amortization			
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 January 1, 2018	**5 515 789**	**25 628 403**	**31 144 192**
Amortization for the year	1 667 231	8 369 757	10 036 988
As of December 31, 2018	**7 183 020**	**33 998 160**	**41 181 180**
Net book value			
As of December 31, 2018	**12 173 443**	**84 300 549**	**96 473 992**
As of December 31, 2017	**12 199 313**	**59 873 706**	**72 073 019**

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

8. Projects under construction

	December 31, 2017 EGP	Additions during the year EGP	Transferred to fixed assets & intangible assets EGP	December 31, 2018 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 subsidiaries

	Ownership	December 31, 2018	December 31, 2017
	%	EGP	EGP
Fawry Integrated Systems	99.999%	43 373 900	43 373 900
Fawry Dahab for Electronic Services	39.11%	488 875	611 250
Fawry Micro Finance	99.8%	7 485 000	7 485 000
		51 347 775	**51 470 150**

The Company has control over Fawry Dahab for Electronic Services as the company is considered the initial service provider, technological infrastructure, technical consultant and cash collector. Hence, the company has controlling power over all the relevant activities' related decisions. Moreover, affecting the returns obtained by shareholders of Fawry Dahab for Electronic Services.

On May 7, 2018, the company sold 9.79% of its share in Farwy Dahab for Electronic Services for total amount of EGP 6 025 158, resulting in profits of EGP 5 902 782 which has been recognized in the income statement for the year. However, this has not affected the company's controlling power over Fawry Dahab for Electronic Services in any means.

During April 2018, the shareholders in the ordinary general assembly meeting for Fawry Dahab for Electronic Services decided to distribute dividends with an amount of EGP 8 185 362; the Company's share in the declared dividends amounted to EGP 3 555 238.

10. 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%	22 800 000	5 700 000
Tazcara for Information Technology and Electronic Booking	10 000	20%	200 000	--
			23 000 000	**5 700 000**

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

* On February 2, 2018 Fawry Plus's 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.

11. Investments in joint ventures

	December 31, 2018	December 31, 2017
	EGP	EGP
Waffarha.com	2 250 000	--
	2 250 000	--

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

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

12. Finance lease

On March 25, 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:

	December 31,2018	December 31,2017
Description	EGP	EGP
Beginning Balance	27 650 521	33 600 000
Amortization 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 was amortized during the year and charged 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 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.

13. Accounts and notes receivable

	December 31, 2018 EGP	December 31, 2017 EGP
Accounts receivable - from billers and banks	18 543 919	11 944 781
Notes receivable	49 950	164 037
	18 593 869	**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	2 460 402
Deposits with others	152 700	64 300
Withholding tax	16 861 365	10 137 168
Other debit balances	11 058 544	4 231 775
	36 755 453	**20 678 292**

15. Due from related parties

	Nature of relationship	December 31, 2018 EGP	December 31, 2017 EGP
PSI Netherlands Holding BV	Current account	14 717 773	7 792 814
Tazcara Information Technology and Electronic Booking	Current account	451 452	--
Fawry Plus for Banking Services	Current account	--	27 074 786
		15 169 225	**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, 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 36)

17. Treasury Bills

	December 31, 2018	December 31, 2017
	EGP	EGP
Treasury bills due up to (91) days	131 290 683	67 960 892
Treasury bills due 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**
Face value	**267 500 000**	**114 025 000**

18. Cash and cash equivalents

	December 31, 2018	December 31, 2017
	EGP	EGP
Cash on hand	15 003 605	10 724 784
Bank accounts – local currency	211 691 244	196 000 183
Cash at money transfer companies	94 435 195	87 869 294
Bank accounts – foreign currencies	97 250 730	253 915 692
Cash and cash equivalents	**418 380 774**	**548 509 953**

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

	December 31, 2018	December 31, 2017
Description	EGP	EGP
Cash and bank balances	418 380 774	548 509 953
Treasury bills – less than 3 months	134 373 263	69 578 776
	552 754 037	**618 088 729**

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 July 19, 2018.

20. Legal reserve

	December 31, 2018	December 31, 2017
	EGP	EGP
Beginning balance	5 237 101	2 734 053
Transferred from prior year net profit	2 627 795	2 503 048
Share premium*	21 040 550	--
	28 905 446	**5 237 101**

* 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. Provisions

	December 31, 2017	Formed during the year	December 31, 2018
	EGP	EGP	EGP
Provisions for claims	10 025 576	11 800 000	21 825 576
	10 025 576	**11 800 000**	**21 825 576**

22. Accounts and notes payable

	December 31, 2018	December 31, 2017
	EGP	EGP
Accounts payable	19 641 990	16 079 112
Notes payable- billers	80 000 019	85 321 678
Notes payable	--	9 400 245
	99 642 009	**110 801 035**

23. Creditors and other credit balances

	December 31, 2018	December 31, 2017
	EGP	EGP
Accrued expenses	25 896 930	41 704 383
Tax Authority	14 924 562	10 725 943
Health insurance contribution	815 213	--
Social Insurance Authority	84 799	483 144
Other credit balances	12 935 469	15 754 465
	54 656 973	**68 667 935**

24. Due to related parties

	Nature of relationship	Account type	December 31, 2018 EGP	December 31, 2017 EGP
Fawry Integrated Systems	Subsidiary	Current account	51 018 292	48 956 724
Fawry Dahab for Electronic Services	Subsidiary	Current account	6 715 379	5 911 311
Fawry Micro Finance	Subsidiary	Current account	5 527 996	7 485 000
Fawry Plus for Banking Services	Associate	Current account	7 035 626	--
Waffarha.com	Joint Venture	Current account	97 201	--
			70 394 494	**62 353 035**

25. Contingent liabilities

Description	December 31, 2018 EGP	December 31, 2017 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 the 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 11. 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

26. Operating revenues

	December 31, 2018 EGP	December 31, 2017 EGP
Application sales revenues	1 753 760	464 704
Transactions services revenues	509 474 505	398 901 301
Subscriptions revenues	16 864 580	7 574 261
Other revenues	140 567	930 813
	528 233 412	**407 871 079**

Total throughput from Electronic 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), is analyzed 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**

27. Operating costs

	December 31, 2018	December 31, 2017
	EGP	EGP
Merchants' fees	214 847 930	171 134 655
Banks' fees	12 565 270	7 999 252
Depreciation and amortization	19 158 425	11 600 286
Cash collections' cost	23 511 593	17 474 197
Others	6 928 017	3 236 002
	277 011 235	**211 444 392**

28. 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**

29. Depreciation and amortization

The depreciation and amortization had been classified as follows:

	December 31, 2018	December 31, 2017
	EGP	EGP
Operating costs	19 158 425	11 600 286
General and administrative expenses	34 193 498	23 295 526
	53 351 923	**34 895 812**

30. Credit interest

	December 31, 2018	December 31, 2017
	EGP	EGP
Credit interest - current accounts	28 282 112	21 182 996
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	--
	67 322 737	**43 533 928**

31. Significant transactions with related parties

	Nature of the Transaction	December 31, 2018 EGP	December 31, 2017 EGP
Fawry Dahab for Electronic Services	Revenue collection on behalf of related party	(95 478 505)	(28 481 729)
	Payments on behalf of related party	75 761 055	19 937 210
	Electronic Payment services revenue	14 071 578	--
	Cash transfers under dividend distribution	--	(1 467 000)
	Dividends	3 555 238	--
Fawry Integrated Services	Program acquisition from related party	(26 986 447)	(17 904 312)
	Payments on behalf of the company	25 413 888	18 509 454
	POS machine acquisition	(1 885 400)	--
	Monetary finance to related party	1 594 724	--
Fawry Micro Finance	Payment under capital	--	7 485 000
	Payments on behalf of related party	1 971 593	--
	Revenue Collection on behalf of related party	(14 589)	--
Fawry Plus for Banking Services	Payments on behalf of related party	--	27 074 786
	Revenue collection on behalf of related party	(26 121 197)	--
	Credit interest	151 600	--
	Payments on behalf of the company	(7 989 215)	--
	Loans to related party	14 615 412	--
PSI Netherlands Holding BV	Payments on behalf of related party	6 796 344	2 810 590
	Monetary finance from related party	--	(3 026 041)
	Cash transfers under capital increase	--	(242 349 300)
Tazcara for Information Technology and Electronic Booking	Payments on behalf of related party	451 452	--
Waffarha.com	Payments on behalf of the company	(97 201)	--

32. Deferred tax

	Opening balance EGP	Charged to income statement EGP	Closing balance EGP
Deferred tax Liabilities			
Fixed assets and intangible assets depreciation and amortization differences	827 651	(2 523 375)	(1 695 724)
	827 651	**(2 523 375)**	**(1 695 724)**

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

	December 31, 2018 EGP	December 31, 2017 EGP
Merchant's and bank commission	227 413 200	179 133 907
Selling and marketing commission	20 852 635	17 067 190
Depreciation and amortization	53 351 923	34 895 942
Cost of cash collections	23 511 593	17 474 197
Salaries and wages	68 123 476	62 505 588
Outsourcing, technical support and services	21 655 217	11 230 191
Rent expense	18 498 588	15 337 178
Selling and marketing expense	19 017 523	11 700 065
Bank charges	3 527 171	3 082 791
Debit interest	4 647 937	3 526 642
Insurance	4 221 734	2 986 795
Premises	4 978 087	4 234 303
Training and human resources expenses	2 043 366	989 285
Travel and transportation	17 360 303	12 838 272
Professional fees	1 790 224	1 782 927
Others	14 010 753	9 636 443
	505 003 729	**388 421 717**
Operating costs	(277 011 235)	(211 444 392)
General and administrative expenses	(137 570 540)	(112 728 883)
Selling and marketing expenses	(82 919 598)	(58 675 179)
Finance costs	(7 502 356)	(5 573 263)
	505 003 729	**388 421 717**

34. Tax position

Corporate tax

The period from inception until December 31, 2014

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

The period from 2015 until December 31, 2017

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

Salaries tax

The period from inception until December 31, 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 December 31, 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 December 31, 2017

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

Sales tax / VAT tax

The period from inception until December 31, 2014

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

The period from 2015 until December 31, 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.

35. Financial instruments

Categories of most significant financial instruments

	December 31, 2018 EGP	December 31, 2017 EGP
Financial assets		
Cash and cash at banks	418 380 774	548 509 953
Loans and receivables	184 943 285	150 076 692
Financial assets – available for sale	259 905 989	111 594 587
Financial liabilities		
Financial liabilities at amortized cost	666 769 740	570 919 159

Capital risk management

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

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

Financial risks factors

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

Credit risk

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

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

The maximum credit risk is analyzed as follows:

	December 31, 2018 EGP	December 31, 2017 EGP
Cash at banks	418 380 774	548 509 953
Treasury bills	259 905 989	111 594 587
Accounts and notes receivable	18 593 869	12 108 818
Debtors and other debit balances	11 211 244	4 296 075
Due from related parties	15 169 225	34 867 600
Loans to related parties	14 615 412	--
Advances to billers	125 353 535	98 804 199
Total	**863 230 048**	**810 181 232**

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	704 203 741	704 203 741
31 December 2018	**704 203 741**	**704 203 741**
Non-interest bearing	598 171 498	598 171 498
31 December 2017	**598 171 498**	**598 171 498**

Foreign Currency Risk

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

Interest rate risk:

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

36. 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.

37. Subsequent events to the financial statements issuance

- 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 Afifi	Ashraf Sabry	Saifullah Coutry