

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

**Separate Financial Statements**

**Together with Auditor's Report  
For The Year Ended December 31, 2021**

**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, 2021 and the related separate statements of profit or loss, comprehensive income, changes in equity and separate 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 Technology and Electronic Payments S.A.E. as of December 31, 2021 and of its separate financial performance and its separate cash flows for the year then ended in accordance with the Egyptian Accounting Standards and related 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, April 20, 2022

  
Kamel Magdy Saleh, FCA  
F.E.S.A.A. (R.A.A. 8510)  
EFSA Register No. "69"  
Auditors  
Saleh, Barsoum & Abdel Aziz & Co.

Translation of financial statements

Originally Issued in Arabic

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

**Separate statement of financial position**

**as of December 31, 2021**

	<b>Note No.</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
		<b>EGP</b>	<b>EGP</b>
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Fixed assets (net)	(6)	476 146 746	251 996 210
Intangible assets (net)	(7)	266 718 728	183 554 066
Projects under construction	(8)	16 199 524	11 889 489
Investments in subsidiaries	(9)	163 514 882	99 161 433
Investments in associates and joint venture	(10)	15 233 230	37 673 230
Investments at fair value through OCI statement	(11)	47 171 976	-
Deferred tax asset	(33)	8 230 058	-
Loans to related parties - Long term	(12)	121 929 026	190 190 531
<b>Total non-current assets</b>		<b>1 115 144 170</b>	<b>774 464 959</b>
<b><u>Current assets</u></b>			
Inventory		298 046	103 264
Accounts and notes receivable	(13)	37 600 243	32 824 027
Debtors and other debit balances	(14)	53 112 160	62 381 449
Advances to billers		372 680 643	385 426 890
Due from related parties	(15)	25 906 741	12 425 523
Loans to related parties	(12)	-	37 602 912
Treasury bills	(16)	1 081 560 038	551 749 245
Cash and cash at banks	(17)	1 073 389 272	616 985 307
<b>Total current assets</b>		<b>2 644 547 143</b>	<b>1 699 498 617</b>
<b>Total assets</b>		<b>3 759 691 313</b>	<b>2 473 963 576</b>
<b><u>Equity</u></b>			
Issued and paid-up capital	(18)	853 652 060	353 652 060
Legal reserve	(19)	47 129 042	37 799 312
Reserve for employee stock ownership plan (ESOP)	(43)	52 398 017	-
Shares issuance expenses reserve		(2 835 763)	-
Retained amount from retained earnings for capital increase		-	100 000 000
Retained earnings		267 244 741	112 141 716
Net profit for the year		120 419 625	186 594 594
<b>Total equity</b>		<b>1 338 007 722</b>	<b>790 187 682</b>
<b><u>Non-Current liabilities</u></b>			
Deferred tax liabilities	(33)	14 313 398	10 174 641
Lease Liabilities	(44)	35 931 789	-
<b>Total non current liabilities</b>		<b>50 245 187</b>	<b>10 174 641</b>
<b><u>Current liabilities</u></b>			
Bank credit facilities	(20)	431 224 733	222 983 552
Provisions	(21)	32 130 642	20 502 142
Accounts and notes payable	(22)	70 405 635	28 775 362
Accounts payable - Billers	(23)	1 009 535 411	770 253 418
Merchant advances		444 655 635	353 441 286
Retailers' POS security deposits		62 338 903	38 982 500
Creditors and other credit balances	(24)	161 366 419	108 553 154
Due to a related parties	(25)	136 011 779	94 235 697
Current income tax		19 019 856	35 874 142
Lease Liabilities	(44)	4 749 391	-
<b>Total current liabilities</b>		<b>2 371 438 404</b>	<b>1 673 601 253</b>
<b>Total equity and liabilities</b>		<b>3 759 691 313</b>	<b>2 473 963 576</b>

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

Chief Financial Officer  
AbdelMaguid Afifi

Chief Executive Officer  
Ashraf Sabry

Chairman  
Saifullah Country



*Translation of financial statements*

*Originally Issued in Arabic*

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

**Separate Statement of Profit or Loss**

**for the year ended December 31, 2021**

	<b>Note No.</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
		<b>EGP</b>	<b>EGP</b>
Operating revenues	(27)	1 116 266 077	906 367 666
Operating costs	(28)	(492 424 763)	(396 246 147)
<b>Gross margin</b>		<b>623 841 314</b>	<b>510 121 519</b>
<b><u>Add (Less):</u></b>			
General and administrative expenses	(34)	(293 055 873)	(191 961 101)
Selling and marketing expenses	(30)	(276 246 095)	(192 531 758)
Board Compensation expenses		(3 702 600)	( 961 744)
Formed provisions	(21)	(11 628 500)	(2 040 000)
Net gain from incentives of spreading POS points of CBE initiative	(42)	19 278 912	19 632 552
Employee Stock Ownership Plan expenses	(43)	(36 578 038)	--
Reversal of expected credit loss		4 693 390	--
Social contribution for Health and insurance		(3 233 185)	(2 528 916)
Credit interest	(31)	134 687 722	77 445 951
Finance costs	(29)	(31 291 083)	(15 657 586)
Foreign currency exchange losses		203 650	6 296
Gain on disposal of fixed assets		7 168 024	4 656 402
Other revenues		8 989 575	3 457 871
<b>Operating profit</b>		<b>143 127 213</b>	<b>209 639 486</b>
Dividends from investments in subsidiaries	(32)	12 060 499	26 271 605
Profits from selling share in a subsidiary		6 680 000	--
Other Expenses		(4 395 726)	--
<b>Profit for the year before tax</b>		<b>157 471 986</b>	<b>235 911 091</b>
Current income tax		(41 143 661)	(47 225 235)
Deffered income tax	(33)	4 091 300	(2 091 262)
<b>Net profit for the year after tax</b>		<b>120 419 625</b>	<b>186 594 594</b>
<b>Earnings per share - basic</b>	(35)	<b>0.08</b>	<b>0.19</b>
<b>Earnings per share - diluted</b>	(35)	<b>0.08</b>	<b>0.19</b>

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

*Translation of financial statements*

*Originally Issued in Arabic*

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

**Separate statement of comprehensive income**

**for the year ended December 31, 2021**

	<b><u>December 31, 2021</u></b>	<b><u>December 31, 2020</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Net profit for the year	120 419 625	186 594 594
Other comprehensive income	--	--
Total other comprehensive income	--	--
Total comprehensive income for the year	120 419 625	186 594 594

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

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

Separate statement of changes in equity  
for the year ended December 31, 2021

Note No.	Issued and paid up capital	Legal reserve	Reserve for employee stock ownership plan (ESOP)	Retained Earnings	Retained amount from retained earnings for capital increase	Shares issuance expenses reserve	Net profit for the year	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2020	353 652 060	32 465 079	--	120 391 285	--	--	106 684 666	613 193 090
Items of comprehensive income								
Net profit for the year	--	--	--	--	--	--	186 594 594	186 594 594
Total comprehensive income for the year	--	--	--	--	--	--	186 594 594	186 594 594
Transactions with company's owners								
Dividends distributions	--	--	--	(9 600 000)	--	--	--	(9 600 000)
Transferred to retained earnings and legal reserve	--	5 334 233	--	101 350 433	--	--	(106 684 666)	--
Total transactions with the company's owners	--	5 334 233	--	91 750 433	--	--	(106 684 666)	(9 600 000)
Balance as of December 31, 2020	353 652 060	37 799 312	--	212 141 718	--	--	186 594 594	790 187 684
Balance as of January 1, 2021	353 652 060	37 799 312	--	112 141 716	100 000 000	--	186 594 594	790 187 682
Implementation of EAS 47	--	--	--	(7 595 326)	--	--	--	--
Items of comprehensive income								
Net profit for the year	--	--	--	--	--	--	120 419 625	120 419 625
Total comprehensive income for the period	--	--	--	--	--	--	120 419 625	120 419 625
Transactions with company's owners								
Dividends distributions	--	--	--	(14 566 513)	--	--	--	(14 566 513)
Transfer amount from retained earnings to capital increase	(18) 100 000 000	--	--	--	(100 000 000)	--	--	--
Capital increase	(18) 400 000 000	--	--	--	--	--	--	400 000 000
Transferred to retained earnings and legal reserve	--	9 329 730	--	177 264 864	--	--	(186 594 594)	--
Reserve for employee stock ownership plan (ESOP)	(43) --	--	52 398 017	--	--	--	--	52 398 019
Shares issuance expenses reserve	--	--	--	--	--	(2 835 763)	--	(2 835 761)
Total transactions with the company's owners	500 000 000	9 329 730	52 398 017	162 698 351	(100 000 000)	(2 835 763)	(186 594 594)	434 995 745
Balance as of December 31, 2021	853 652 060	47 129 042	52 398 017	267 244 741	--	(2 835 763)	120 419 625	1 338 007 722

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

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

Separate statement of cash flows  
for the year ended December 31, 2021

	Note	For the year ended December 31, 2021 EGP	For the year ended December 31, 2020 EGP
<b>Cash flows from operating activities:</b>			
Net profit for the year before tax		157 471 986	235 911 091
<b>Adjusted by:</b>			
Depreciation and amortization during the year	(30)	127 672 027	90 183 470
Formed provisions	(21)	11 628 500	2 040 000
Unrealized foreign currency exchange loss.		( 203 650)	( 6 296)
Reversal of expected credit loss		(4 693 390)	-
(Gain) on sale of fixed assets		(7 168 024)	(4 656 402)
Dividends from investments in subsidiaries		(12 060 499)	-
Employee Stock Ownership Plan expenses		36 578 038	-
Net gain from incentives of spreading POS points of CBE initiative		(19 278 912)	(19 632 552)
Credit interest	(31)	(134 687 722)	(77 445 951)
(Gain) from the sale of subsidiaries shares		(6 680 000)	-
Finance costs		31 291 083	15 657 586
<b>Operating gain before change in working capital</b>		<b>179 869 437</b>	<b>242 050 946</b>
<b>Changes in working capital</b>			
(Increase)/Decrease in inventory		( 194 782)	6 075
Decrease in advances to billers		12 746 247	183 060 562
Decrease/(Increase) in debtors and other debit balances		9 269 289	(23 487 269)
(Increase) in accounts and notes receivable	(13)	(4 776 216)	(10 293 111)
Decrease/(Increase) in due from related parties		2 338 761	(114 219 659)
Decrease/(Increase) in loans to related parties		102 962 481	(199 976 864)
Increase in accounts and notes payable		41 630 273	11 963 940
Increase in accounts payable- billers		239 281 993	332 885 367
Increase/(Decrease) in due to related parties		41 776 082	( 122 256)
Increase in merchants prepaid balances		91 214 349	135 345 806
Increase in retailer's POS security deposits		23 356 403	15 866 016
Increase in creditors and other credit balances		52 813 265	24 163 221
Income tax paid		(46 470 487)	(13 850 452)
Proceeds from credit interest		75 106 284	60 728 932
<b>Net cash provided from operating activities</b>		<b>820 923 379</b>	<b>644 121 254</b>
<b>Cash flows from investing activities</b>			
(Payments) to acquire fixed assets		(324 750 993)	(126 863 738)
(Payments) for projects under construction		(14 296 517)	(3 796 950)
(Payments) to acquire intangible assets		(113 116 380)	(66 338 205)
Proceeds from the sale of fixed assets		15 912 080	30 261 219
Proceeds from POS's machines under CBE initiative		68 206 579	54 989 492
(Payments) to acquire investment at fair value through OCI		(47 171 976)	-
(Payments) to acquire investment in subsidiary and associates		(41 913 449)	(42 514 637)
Proceeds from dividends from investments in subsidiaries		12 060 499	-
Net movement of treasury bills - more than three months		(481 756 816)	(660 871 059)
Proceeds from sale of subsidiaries shares		6 680 000	-
<b>Net cash (used in) investing activities</b>		<b>(920 146 973)</b>	<b>(815 133 878)</b>
<b>Cash flows from financing activities</b>			
Proceeds from capital increase		397 164 237	-
Proceeds from bank facilities		208 241 181	222 983 552
(Payments) for lease liabilities		(6 548 898)	-
Dividends paid		(14 566 513)	(9 600 000)
Finance Expenses Paid		(28 866 098)	(15 657 586)
<b>Net cash provided from financing activities</b>		<b>555 423 909</b>	<b>197 725 966</b>
Net change in cash and cash equivalents during the year		456 200 315	26 713 343
Cash and cash equivalents at beginning of the year		616 985 307	590 265 668
Changing currency difference for cash and cash equivalent		203 650	6 296
<b>Cash and cash equivalents at end of the year</b>	(17)	<b>1 073 389 272</b>	<b>616 985 307</b>

**Non cash transactions:**

Non cash transaction effect has been eliminated amounted EGP 9 986 482 due to transfer from project under constructions to fixed assets.  
Non cash transaction effect has been eliminated amounted EGP 44 805 093 related to right of use assets.

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



## **Fawry for Banking Technology and Electronic payments S.A.E.**

### **Notes to the Separate Financial Statements**

**For the Year Ended December 31, 2021**

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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 has changed to 50840 in March 2011. The company reregistered at the commercial register under the No. 1333 on July 19, 2018.

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

The separate financial statements of the company were approved in the board of directors meeting dated April 20, 2022.

#### **2. Statement of compliance**

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

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards published in the official gazette on 7 April 2019.

On 20 September 2020, Prime Minister Decision No. 1871 of 2020 postponed the implementation of the following new Egyptian Accounting Standards: Standard (47) - Financial Instruments, Standard (48) - Revenue from Contracts with Clients and Standard (49) - Leasing Contracts, effective date of application will be for the financial years starting from January 1, 2021

The most prominent amendments are as follows:

##### **A. Initial application of new Egyptian Accounting Standards "EAS" No.(47) – financial instrument**

The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) Was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.

1. Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.



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

**Notes to the Separate Financial Statements**

**For the Year Ended December 31, 2021**

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2. When measuring the impairment of financial assets, the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.
3. based on the requirements of this standard the following standards were amended:
  - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019.
  - Egyptian Accounting Standard No. (4) "Statement of Cash Flows".
  - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation.
  - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement".
  - Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "

The change in accounting policies was applied due to the application of EAS No. (47) in accordance with the transition phase retroactively, recognizing the aggregate effect of the initial application at the date of application and therefore the comparative figures were not adjusted, the application of EAS No. (47) resulted in a change in retained earnings at January 1, 2021 by EGP 1 998 129 as a result of expected credit losses on financial assets.

**B. The new Egyptian Accounting Standard No. (48) "Revenue from contracts with customers"**

The value of the revenue is measured at fair value to the amount received or due to the establishment after excluding any amounts collected for the account of other parties or entities such as VAT, withholding taxes, as well as any commercial discount or quantity discount permitted by the enterprise.

The application of the new accounting standard will have no effect on the amount or timing of the recognition of revenues recognized in accordance with the requirements of EAS 48, where the use of the amendment was approved retroactively while demonstrating the cumulative effect of the initial application of this standard, and the results of the previous year were not adjusted.

The basic principle of Egyptian Accounting Standard (48) is that the recognition of revenue from contracts with customers must reflect:

- The rate at which performance obligations are met, corresponding to the transfer of control of a commodity or service to the customer.
- The amount the seller expects to receive for its activities.
- The way in which control of a commodity or service is transferred is crucial, as this transfer determines the recognition of revenue.
- Control of a commodity or service may be transferred continuously (revenues on the basis of progress) or at a specific date (recognition upon completion).

**The impact on separate financial statements**

Management implemented the new standard during the first quarter of 2021 and there is no impact on the Company's financial statements.

**C. The new Egyptian Accounting Standard No. (49) "Lease Contracts"**

- 1- This new accounting standard shall supersede and revoke Standard No. (20)," Accounting Rules and Standards related to Financial Leasing" issued in 2015.
- 2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the Company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating l or finance lease contracts.

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

**Notes to the Separate Financial Statements**

**For the Year Ended December 31, 2021**

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- 3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.
- 4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.
- 5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other consistent basis.

**The date of implementation**

EAS 49 will be applied to financial periods starting on or after January 1, 2021 and early application is permitted if Egyptian Accounting Standard (48) "Revenue from contracts with customers" is applied at the same time.

With the exception of the date of the above, Standard (49) applies to leases that were subject to the Financial Leasing Act No. 95 of 1995 - and its amendments were processed in accordance with Egyptian Accounting Standard No. (20) "Accounting rules and standards relating to financing leases", as well as Financial Leasing agreements, which arises under the Regulation of Financing Leasing and Privatization Act No. 176 of 2018, from the beginning of the annual reporting period in which Law No. 95 of 1995 was cancelled and Law No. 176 of 2018 took effect. In accordance with the decision of the Minister of Investment and Cooperation No. (69) for 2019 on amending the provisions of Egyptian accounting standards, leasing companies and tenants under the financing leases of non-banking financial companies and companies with papers on the Egyptian Stock Exchange must apply the standard of financing leases on a date its purpose is 30 September 2019, taking into account the obligation to disclose the accounting impact of applying the standard to financial statements issued from 1 January 2019 until the end of each financial period for which financial lists are prepared.

**The impact on separate financial statements**

Management implemented the new standard during the first quarter of 2021, refer to Note no. (6) regarding the fixed assets.

**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, associates, and joint ventures 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.

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 company 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.

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

**Notes to the Separate Financial Statements**

**For the Year Ended December 31, 2021**

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

**C. Investments in Joint ventures**

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

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

**D. Foreign currencies**

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

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

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

**E. Fixed assets and depreciation**

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

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

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

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

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

**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. Impairment of non-financial assets**

On the date of preparing the financial statements, the company determines whether there is an indication that an asset has been impaired. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and is reduced to its recoverable amount. The impairment loss is recorded in the statement of profit or loss.

An impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized and it is limited so that, as a result of the impairment loss, the asset's recoverable amount or exceeds its recoverable amount. The carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. The refund is recorded in the loss resulting from the impairment of the value in the statement of profits or losses



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**H. Related party transactions**

Related party transactions carried out by the company are proven in the context of its normal transactions in accordance with the conditions set by the Board of Directors and on the same basis as dealing with third parties. These transactions are disclosed if they change from the normal transaction with a third party.

**I. Revenues recognition and measurement**

**Applications sales revenues**

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

**Services**

The revenue of rendered services is recognized as follows:

**Transactions sales revenues**

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

**Subscription revenues**

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

**Interest revenues**

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

**Investment revenues**

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

**J. 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.

**K. Inventories**

The inventory is measured at the date of the financial statements at cost or net realizable value whichever is less. The cost is represented in the purchase price; however, the realizable value is represented in the estimated selling value less selling and distribution costs.

**L. Taxation**

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

Income tax expense for the year is the sum of current income tax and deferred tax.

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

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. These assets and liabilities are not recognized if the temporary difference results from goodwill or from the initial recognition of other assets and liabilities (other than those arising from business combinations) due to a transaction that did not have any effect on the taxable or accounting profit.

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

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

**M. Legal reserve**

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.

**N. 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.

**O. 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 statement of profit or loss.



**P. The 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.

**Q. Short-term employee benefits**

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

**R. Lease contracts**

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

**1- The company as lessee**

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

**Initial measurement of lease liability:**

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

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

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

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Subsequent measurement of lease liability:

The lease liability is subsequently measured as follows:

- a. Increase the carrying amount to reflect interest on the lease liability
- b. Reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the leases payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease

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

Initial measurement of Right of use assets

The cost of right-of-use assets include:

- The initial measurement of the corresponding lease liability at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate stated in the contract if that rate can be easily determined. If this rate cannot be determined, the lessee must use the interest rate on the additional borrowings.
- Lease payments made at or before the start day
- Any initial direct costs
- Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventory.

The cost of right-of-use assets include:

- a. The initial measurement of the corresponding lease liability at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate stated in the contract if that rate can be easily determined. If this rate cannot be determined, the lessee must use the interest rate on the additional borrowings.
- b. Lease payments made at or before the start date
- c. Any initial direct costs
- d. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventory.



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Subsequent measurement of Right of use assets

Right of use assets are subsequently measured at cost less:

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

Sale and lease back transactions

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

**S. Financial instruments**

Trade receivables is initially recognised when it is originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; at fair value through profit or loss – debt investment; at fair value through other comprehensive income – equity investment; or at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



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A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets – Business model assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice.
- These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

**Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets – Subsequent measurement and gains and losses**

Financial assets at fair value through profit or loss: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at fair value through other comprehensive income: These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**Derecognition**

**Financial assets**

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**Offsetting**

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Impairment of financial instruments and contract assets**

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.



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Loss allowances for trade and other receivables and loans to customers are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Rating Agency Moody's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

**Measurement of ECLs**

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

Expected credit losses are discounted at the effective interest rate of the financial asset.

**Credit-impaired financial assets**

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the company on terms that the Company would not consider otherwise.
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

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

For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognised in other comprehensive.

**T. 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.

The instrument is considered an equity instrument - only - if it satisfies the two conditions mentioned in (1) and (2) below together:

(1) The instrument does not create a contractual obligation for the entity to:

- to hand over cash or another financial asset to another entity - or
- To exchange financial assets or liabilities with another entity according to conditions that may not be in the interest of the entity issuing the instrument.

(2) If the instrument is to be (or may be) settled into equity instruments of the same instrument issuer - any of the following must be met:

- If it is a non-derivative instrument, the issuer should not have a contractual obligation to deliver a variable number of its equity instruments - or
- If it is a derivative, it should be settled only by the issuer of the instrument exchanging a fixed amount of cash or another financial asset for a fixed number of its equity instruments.

The Company recognizes the equity instruments it issues on the basis of the consideration received less direct issuance costs.

If an entity buys back its own equity instruments, then those repurchased instruments are recognized - and discounted - directly in equity. The gain or loss that may arise from the purchase, sale, issuance or write-down of equity instruments of the same entity is not recognized in profit or loss.

**U. 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.



**V. Amortized cost and gross carrying amount**

The "Amortized cost" of a financial asset or financial liability is the amount for which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative depreciation using the effective interest method for any difference between the amount on initial recognition and the maturity amount, and for financial assets, adjusted for any provision for expected credit loss. The "gross carrying amount of a financial asset" is the amortized cost of a financial asset before adjusting for any provision for expected credit loss.

**W. Calculating interest income and expenses**

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability. The effective interest rate is adjusted as a result of periodic reassessment of the cash flows of floating rate instruments to reflect movements in market interest rates.

However, for financial assets that become creditworthy after initial recognition, the interest yield is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the sub-asset is no longer creditworthy, then the interest yield calculation reverts to the gross basis.

For financial assets that were credit-impaired upon initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not return to the gross basis, even if the credit risk of the asset has improved.

**X. Government Grants**

The incentives granted by the Central Bank of Egypt "CBE" for the deployment of points of sale devices under the CBE's initiative are recognized and recorded in the statement of profit or loss for the year when the grant amounts are approved by the CBE, in light of the Egyptian Accounting Standard (12) Government Grants, this is the point when the company fulfils all of the procedures for the grant to be eligible and collectable pursuant to the initiative's conditions.

**6- Fixed assets (net)**

	Note No.	Land	Buildings		Networks and Servers		Point of sales machines		Computers		Furniture & Office equipment		Leasehold Improvements		Vehicles		Tools and Equipment		Right of use asset		Total	
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>Cost</b>																						
As of January 1, 2020		25 970 500	41 129 500		57 443 389	202 691 346	48 953 247	8 424 822	15 481 733	149 300	641 766										400 885 603	
Additions during the year		--	--	--	1 426 991	119 209 807	4 043 834	708 190	1,474,916.00	--	--	--	--	--	--	--	--	--	--	--	126 863 738	
Disposals		--	--	--	--	(46 967 604)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(46 967 604)	
As of December 31, 2020		25 970 500	41 129 500		58 870 380	274 933 549	52 997 081	9 133 012	16 956 649	149 300	641 766										480 781 737	
As of January 1, 2021		25 970 500	41 129 500		58 870 380	274 933 549	52 997 081	9 133 012	16 956 649	149 300	641 766										480 781 737	
Additions during the year		26 520 000	70 230 000		49 803 111	158 654 784	9 789 760	695 863	20 665 349	--	--	--	--	--	--	--	--	--	44 805 093	--	381 163 960	
Disposals during the year		--	--	--	--	(69 955 499)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(69 955 499)	
As of December 31, 2021		52 490 500	111 359 500		108 673 491	363 632 834	62 786 841	9 828 875	37 621 998	149 300	641 766								44 805 093		791 990 198	
<b>Accumulated depreciation</b>																						
As of January 1, 2020		--	3 170 400		33 675 719	102 113 858	15 051 163	4 832 914	6 408 326	149 298	641 739								--	--	166 043 417	
Depreciation for the period		--	1 028 238		9 944 345	41 071 324	11 855 729	1 575 470	2 905 401	--	--	--	--	--	--	--	--	--	--	--	68 380 507	
Depreciation of disposals		--	--	--	--	(5 638 398)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(5 638 398)	
As of December 31, 2020		--	4 198 638		43 620 064	137 546 784	26 906 892	6 408 384	9 313 727	149 298	641 739								--	--	228 785 526	
As of January 1, 2021		--	4 198 638		43 620 064	137 546 784	26 906 892	6 408 384	9 313 727	149 298	641 739								--	--	228 785 526	
Depreciation for the period	(31)	--	1 467 175		26 937 265	54 013 427	4 677 934	1 322 442	4 130 083	--	--	--	--	--	--	--	--	--	5 171 983	--	97 720 309	
Depreciation of disposals		--	--	--	--	(10 662 383)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(10 662 383)	
As of December 31, 2021		--	5 665 813		70 557 329	180 897 828	31 584 826	7 730 826	13 443 810	149 298	641 739								5 171 983		315 843 452	
<b>Net book value</b>																						
As of December 31, 2021		52 490 500	105 693 687		38 116 162	182 735 006	31 202 015	2 098 049	24 178 188	2	27								39 633 110		476 146 746	
As of December 31, 2020		25 970 500	36 930 862		15 250 316	137 386 765	26 090 189	2 724 628	7 642 922	2	27								--	--	251 996 210	

\*Disposals include points of sale deployed under the central bank's Initiative, Note (42).

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For the Year Ended December 31, 2021

**7. Intangible assets – Net**

	<u>Programs' license</u>	<u>Programs</u>	<u>Total</u>
<u>Cost</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
As of January 1, 2020	34 893 247	160 018 327	194 911 574
Additions during the year	2 313 754	62 363 981	66 338 205
As of January 1, 2021	38 867 471	222 382 308	261 249 779
Additions during the year	25 946 158	87 152 222	113 116 380
As of December 31, 2021	64 831 629	309 534 530	374 366 159
<u>Accumulated amortization</u>			
As of January 1, 2020	10 601 905	45 290 845	55 892 750
Amortization for the year	3 204 434	18 598 530	21 802 964
As of January 1, 2021	14 876 938	62 818 775	77 695 713
Amortization for the year	3 429 106	26 522 612	29 951 718
As of December 31, 2021	18 306 044	89 341 387	107 647 431
<u>Net book value</u>			
As of December 31, 2021	46 525 585	220 193 143	266 718 728
As of December 31, 2020	23 400 660	160 153 406	183 554 066

Cost of programs represents 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.



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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2021

**8. Projects under construction**

	<u>Beginning balance</u>	<u>Additions during</u>	<u>Transferred to fixed</u>	<u>Ending Balance</u>
		<u>the year</u>	<u>assets and intangible</u>	
	<u>EGP</u>	<u>EGP</u>	<u>assets</u>	<u>EGP</u>
			<u>EGP</u>	
Software and program licenses	4 170 505	980 408	484 303	4 666 610
Servers	7 718 984	4 310 719	8 201 353	3 828 350
Payments to acquire fixed assets	--	9 005 390	1 300 826	7 704 564
	<b>11 889 489</b>	<b>14 296 517</b>	<b>9 986 482</b>	<b>16 199 524</b>

**9. Investments in a subsidiaries**

The company owns the following investment as follows:

	<u>Holding</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>percentage</u>		
	<u>%</u>	<u>EGP</u>	<u>EGP</u>
Fawry Integrated System	99.99%	43 374 000	43 374 000
Fawry Dahab for electronics service	37,11 %	463 776	488 776
Fawry Gulf-Free Zone (UAE)	75%	213 667	213 667
Fawry fast moving consumer goods	50.99%	5 099 990	5 099 990
Fawry Plus for Banking Services	60.46%	56 878 449	--
Fawry Consumer finance	75%	7 500 000	--
Fawry For Micro Finance	99.8%	49 985 000	49 985 000
		<b>163 514 882</b>	<b>99 161 433</b>

The company has control over Fawry Dahab Company for E-Services, as the company is the provider of Technology related services, technological infrastructure, technical support and cash collections services, the company has full control over all relevant decisions related to the company activities and is able to influence the returns obtained by the shareholders of Fawry Dahab E-Services Company.

- During 2021 tow ordinary general assemblies of Dahab Electronic Services Company were convened and decided to distribute dividends with total amount of 36 633 928 Egyptian pounds and the company's share in the said declared dividends amounted to 12 060 499 Egyptian pounds.
- During first quarter the Company underwrites to 100% of the total shares of the increase in capital of Fawry Plus for Banking Services – S.A.E with 34 078 000 shares, the nominal value of the share is 1 EGP, amounting to EGP 34 078 000 with ownership 60.46%, The Company's share in the capital increase was paid of EGP 34 078 00.
- During the third quarter of 2021, the company established fawry Consumer Finance, which owns 75% of the capital of EGP 10 million.

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2021

**10. Investments in an associates and joint ventures**

	<u>Authorized capital</u>	<u>Capital participation %</u>	<u>December 31, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
Fawry Plus for Banking Services company*	60 000 000		--	22 800 000
Bosta Technology company	8 744 819	9.05%	12 423 230	12 423 230
Tazcara for Information Technology company	10 000	20%	200 000	200 000
Roaderz for Smart Applications company **	800 000	30%	360 000	--
Waffarha.com company			2 250 000	2 250 000
			<b>15 233 230</b>	<b>37 673 230</b>

- 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.

\* The acquisition of Fawry Plus for Banking Services Company carried out during the first quarter of the fiscal year 2021, and the investment was derecognized from investments in associates and became an investment in subsidiaries.

\*\* During the third quarter of 2021, the company signed a shareholders' agreement to establish Roaderz Technologies Co., and the company owns 30% of the capital, and the company paid an amount of 360,000 EGP, which represents 10% of the company's share in the investment, and the rest of the investment, which amounted to MEGP 3.24, was paid in February 2022.

**11. Investments at fair value through OCI**

<u>Company Name</u>	<u>% of shares</u>	<u>December 31, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
El Menus	1%	15 716 676	--
Brimore	1%	15 700 000	--
Brenger (Netherlands)	9.9%	15 755 300	--
		<b>47 171 976</b>	<b>--</b>

**12. Loans to related parties**

	<u>December 31, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
<u>Description</u>		
Fawry plus for banking services (subsidiary)-short term	--	37 602 912
Fawry for microfinance – long term	122 190 000	190 190 531
Less: Expected credit loss	<b>(260 974)</b>	--

-On the 29<sup>th</sup> of December 2020 the company agreed to convert all the due amounts from Fawry for Micro Finances to a loan under a two years financing contract. and the two parties agreed to refer on the CBE Discount rate in calculating the loan's interest rate, the interest rate amount during the period is EGP 14 510 965.

Fawry for Banking Technology and Electronic payments S.A.E.

Notes to the Separate Financial Statements

For the Year Ended December 31, 2021

**13. Accounts and notes receivable**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Accounts receivables – from billers and banks	37 267 409	31 698 815
Notes receivable	1 631 404	1 125 212
Less: Expected credit losses	(1 298 570)	--
	<u>37 600 243</u>	<u>32 824 027</u>

**14. Debtors and other debit balances**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Description</u>	<u>EGP</u>	<u>EGP</u>
Vendors – advance payment	2 407 203	2 616 920
Accrued Revenue	4 755 495	15 399 190
Prepaid expenses	7 116 189	9 480 267
Deposits with others	1 346 052	566 200
Withholding tax	19 247 935	16 543 269
Other debit balances	8 400 448	17 775 603
Custodies	10 765 565	--
Less: Expected credit losses	(26 727)	--
	<u>54 012 160</u>	<u>62 381 449</u>

**15. Due from related parties**

	<u>Account type</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
		<u>EGP</u>	<u>EGP</u>
Fawry Fast Moving Consumer goods	Current account	2 406 653	3 553 583
Fawry for Micro Finance	Current account	18 960 591	287 061
Waffarha.com	Current account	220 211	220 211
Fawry Brockrage	Current account	2 760 244	874 264
Tazcara Information Technology and Electronic Booking	Current account	1 494 309	1 211 102
Fawry consumer finance	Current account	125 000	--
Fawry Plus for Banking Services	Current account	--	6 279 302
Less: Expected credit losses		(60 267)	--
		<u>25 906 741</u>	<u>12 425 523</u>



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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2021

**16. Treasury bills**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Treasury bills due after (91) days	1 022 985 555	538 277 150
<b>Add:</b>		
Accrued interest - More than three months	74 476 798	16 839 994
<b>Less:</b>		
Accrued tax on accrued interest - More than three months	(14 895 360)	(3 367 899)
Expected credit losses	(1 006 955)	--
<b>Balance</b>	<b>1 081 560 038</b>	<b>551 749 245</b>
<b>Nominal value</b>	<b>1 149 500 000</b>	<b>592 500 000</b>

**17. Cash and cash equivalents**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Bank accounts – local currency	243 380 392	119 190 823
E-Acceptance transactions under settlement	128 704 285	18 674 265
Cash at money transfer companies	583 161 259	376 239 906
Bank accounts – foreign currencies	7 233 158	4 848 411
Time deposit – local currencies	95 036 110	90 074 795
Time deposit – foreign currencies	15 155 942	7 957 107
Less: Expected credit losses	(181 874)	--
<b>Cash and cash at banks</b>	<b>1 072 489 272</b>	<b>616 985 307</b>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cash and bank balances	1 072 489 272	616 985 307
Treasury bills – less than 3 months	--	--
	<b>1 072 489 272</b>	<b>616 985 307</b>

**18. Capital**

The issued and paid-up capital amounted to EGP 353 652 060 distributed over 707 304 120 shares with a nominal value of EGP 0.5, and on December 31, 2020, the General Assembly of the Company decided to increase the capital by 100 million Egyptian pounds by distributing free shares financed from the retained earnings of the Company and registered that increase in the commercial register on February 3, 2021, as well as on December 31, 2020, the General Assembly of the Company decided to increase the capital by 400 million Egyptian pounds by cash increase in nominal value through underwriting to the old shareholders and was registered by this increase in the commercial register on 20 June 2021 to become the issued and paid-up capital of EGP 853 652 060 distributed on 1 707 304 120 shares with a par value of EGP 0.50.

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

**Notes to the Separate Financial Statements**

**For the Year Ended December 31, 2021**

**19. Legal reserve**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	37 799 312	32 465 079
Transferred from prior year net profit	9 329 730	5 334 233
	<u>47 129 042</u>	<u>37 799 312</u>

**20. Banks Credit Facilities**

- On November 2021, a finance agreement was concluded with a local bank to grant the company a credit facility with a maximum amount of 200 million EGP at the prevailing market rates, The credit facility will be used for the payment of the advances to billers (Telecommunication companies), and the balance reached EGP 194.1 million on December 31, 2021 (December 31, 2020: EGP 94 million).
- On February 2021, a finance agreement was concluded with a local bank to grant the company a credit facility with a maximum amount of EGP 150 million at the prevailing market rates, and the balance reached EGP 149.6 million on December 31, 2021 (December 31, 2020: EGP 79 983 552).
- On December 2021, a finance agreement was concluded with a local bank to grant the company a credit facility with a maximum amount of 50 EGP million at the prevailing market rates, and the balance on December 31, 2021 reached EGP 17.5 million (December 31, 2020: EGP 49 million).
- On November 2021, a finance agreement was concluded with a local bank to grant the company a credit facility with a maximum amount of EGP 75 million at the prevailing market rates, and the balance on December 31, 2021 reached EGP 70.1 million (December 31, 2020: EGP 49 Million).
- On August 2021, a finance agreement was concluded with a local bank to grant the company a credit facility with a maximum amount of EGP 2 million at the prevailing market rates, and the balance on December 31, 2021 reached EGP 31,184 million (December 31, 2020: Nil).

**21. Provisions**

	<u>Balance at January 1, 2021</u>	<u>Formed during the year</u>	<u>Balance at December 31, 2021</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provisions for claims	20 502 142	11 628 500	32 130 642
	<u>20 502 142</u>	<u>11 628 500</u>	<u>32 130 642</u>

**22. Accounts and notes payable**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	68 337 559	27 046 581
Notes Payable	2 068 076	1 728 781
	<u>70 405 635</u>	<u>28 775 362</u>

Fawry for Banking Technology and Electronic payments S.A.E.

Notes to the Separate Financial Statements

For the Year Ended December 31, 2021

23. Accounts payable – Billers

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payables – billers	816 562 614	630 187 367
Notes payables – billers	192 972 797	140 066 051
	<u>1 009 535 411</u>	<u>770 253 418</u>

24. Creditors and other credit balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	33 737 380	24 059 177
Accrued commissions	50 604 607	33 806 311
Tax Authority	50 867 801	33 103 000
Unearned revenue	1 756 320	2 776 749
Health insurance contribution	3 233 187	2 528 917
Transactions Under settlement	6 096 583	7 955 177
Other credit balances	15 070 541	4 323 823
	<u>161 366 419</u>	<u>108 553 154</u>

25. Due to related party

	<u>Nature of relationship</u>	<u>Account type</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
			<u>EGP</u>	<u>EGP</u>
Fawry Integrated System	Subsidiary	Current account	56 137 454	57 381 002
Fawry Dahab Technology	Subsidiary	Current account	79 555 835	36 854 695
Fawry Plus for Banking Services	Subsidiary	Current account	318 490	--
			<u>136 011 779</u>	<u>94 235 697</u>

26. Contingent liabilities

- The contingent liabilities are represented in the uncovered part of the letters of guarantees issued from banks for the benefit of some parties and entities that the company is dealing with as follows:

<u>Description</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Letters of guarantee – local currency	1 286 500 000	826 744 625
	<u>1 286 500 000</u>	<u>826 744 625</u>

Credit facilities to issue letters of guarantees reached EGPM 1,286 as of December 31, 2021, where the utilized amounts from the said facilities reached EGPM 735.



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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2021

**27. Operating revenues**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Transaction services revenue - collection fees	1 008 650 800	840 843 948
Other revenues	107 615 277	65 523 718
	<u>1 116 266 077</u>	<u>906 367 666</u>

The 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 as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Total throughput	130 884 911 658	81 037 393 309
	<u>130 884 911 658</u>	<u>81 037 393 309</u>

**28. Operating costs**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Merchants' fees	327 320 334	263 139 548
Banks' fees	19 640 836	16 348 731
Depreciation and amortization	40 694 290	31 552 310
Cash collection cost	94 853 914	79 276 203
Others	9 915 389	5 929 355
	<u>492 424 763</u>	<u>396 246 147</u>

**29. Finance costs**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Debit interest	19 352 306	7 681 429
Letter of guarantees' bank charges	9 513 792	7 976 157
Lease interest	2 424 985	--
	<u>31 291 083</u>	<u>15 657 586</u>

**30. Depreciation and Amortization**

Depreciation and amortization had been classified as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Operating costs	40 694 290	31 552 310
General and administrative Expenses	86 977 736	58 631 160
	<u>127 672 026</u>	<u>90 183 470</u>

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

Notes to the Separate Financial Statements

For the Year Ended December 31, 2021

**31. Credit Interest**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Credit interest - current accounts	5 487 106	5 566 089
Credit interest – treasury bills	114 689 651	55 162 843
Credit interest – loans to related party	14 510 965	16 717 019
	<u>134 687 722</u>	<u>77 445 951</u>

**32. Significant related parties' transactions**

The outstanding balances of Due to and from related parties have been disclosed in Note No. (14) and (25) which also include the nature of the relationship with each related party as well as the nature of the account. Transactions that took place during the financial year on current accounts represent expenses paid on behalf of the company or what the company paid for on behalf of the related parties in addition to the transfer of balances between the related parties (if any). The transactions recorded in the current accounts - which are essentially transfers to and from the company - are of short-term nature

The following are significant related parties' transactions:

	<u>Nature of the Transaction</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
		<u>EGP</u>	<u>EGP</u>
Fawry Dahab for Electronics Services	Revenue collection on behalf of related party	(415 412 115)	(303 729 338)
	Electronic Payment services cost	228 476 836	167 166 032
	Electronic Payment services revenue	(71 658 645)	52 071 197
	Dividends	(12 060 499)	26 271 605
Fawry for Integrated Systems	Program acquisition from related party	(78 632 166)	(53 085 695)
	POS machine acquisition	(160 922 133)	(119 209 756)
Fawry Micro Finance	Capital increase	--	35 000 000
	Loans to related parties	122 190 000	190 190 531
	Credit Interest	(12 686 551)	12 879 114
Fawry Plus for Banking Services	Revenue collection on behalf of related party	(62 867 258)	(49 735 677)
	Credit interest	(1 824 414)	3 837 905
	Expenses on behalf of the company	--	(2 006 400)
	Loans to related party	37 816 579	37 816 579
	Branches managing fees	2 293 640	--
Fawry for FMCG	Electronic Payment services revenue	(18 027 356)	(1 463 455)

**33. Deferred tax**

	<u>Balance at January 1, 2021</u>	<u>Charged to P&amp;L</u>	<u>Balance at December 31, 2021</u>
Depreciation & Amortization Differences	(6 089 449)	(4 138 757)	(10 228 206)
The impact of the initial application of EAS 49	(4 085 192)	-	(4 085 192)
ESOP	--	8 230 058	8 230 058
<b>Deferred tax Liabilities</b>	<b>(10 174 641)</b>	<b>4 091 301</b>	<b>(6 083 340)</b>

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**34. Operating costs and expenses by nature of expense**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Merchant's and bank commissions	324 239 242	279 488 279
Other costs	9 915 312	5 929 256
Selling and marketing commissions	70 065 421	71 589 419
Depreciation and amortization	122 500 044	90 183 470
Cost of cash collections	107 680 704	79 276 203
Salaries and wages	178 882 453	114 168 045
Social insurance	22 248 412	10 094 458
Technical support and service centers	61 349 681	36 950 014
Rent expenses	5 171 983	1 866 710
Selling and marketing expenses	53 535 867	29 506 734
Bank charges	9 513 812	7 976 157
Credit interest	21 777 291	7 681 429
Insurance expenses	17 014 927	9 147 619
Headquarters expenses	6 402 372	4 692 936
Training and Human resource expenses	4 623 131	2 811 481
Professional fees	4 671 180	4 156 199
Other Expenses	73 425 982	40 878 083
	<b>1 092 017 814</b>	<b>796 396 592</b>
Operating costs	492 424 763	396 246 147
General and administrative expenses	293 055 873	191 961 101
Selling and marketing expenses	276 246 095	192 531 758
Finance expenses	31 291 083	15 657 586
	<b>1 092 017 814</b>	<b>796 396 592</b>

**35. Earnings per share**

Earnings per share is calculated by dividing the net profit by the weighted average of the shares outstanding during the year.

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>EGP</u>		<u>EGP</u>	
	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
Net profit of the period	120 419 625	120 419 625	186 594 594	186 594 594
<b>Deducted:</b>				
<u>Dividends</u>	(19 267 140)	(19 267 140)	(17 452 840)	(17 452 840)
<u>Net profit after dividends</u>	101 152 512	101 152 512	169 141 754	169 141 754
Average number of shares	1 338 415 231	1 339 109 038	907 304 120	907 304 120
	<b>0.08</b>	<b>0.08</b>	<b>0.19</b>	<b>0.19</b>

**36. Legal Position**

During the third quarter of 2019, a company filed a lawsuit against Fawry for Banking Technology and Electronic Payments "the Company" claiming an amount of EGP 50 million under a contract covering the period from year 2015 to 30 June 2019 in addition to the legal accrued interest on the said amount. No transactions took place under the aforementioned contract, the company and the company's external legal advisor opinion regarding the outcome of this case that it will be in favor of the Company without any financial liabilities on the company in relation to this case.



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**37. Tax position**

The company's profits are subject to tax on the profits of legal persons in accordance with the provisions of the Income Tax Law No. 91 of 2005, its executive regulations, and its amendments

**a. Corporate tax**

The company submits the tax return prepared in accordance with the provisions of Law 91 of 2005 on legal dates.

**The period from 2009 until 2012**

- The Company was inspected and tax differences were settled.

**The period from 2013 until 31 December 2017**

The company has been notified of a request for an estimated evaluation of the aforementioned years, and it has been appealed against at the legal dates, and the company's books are being examined on actual basis.

**The period from 2018 until 31 December 2020**

The books and records of the company have not yet been examined by the tax authority for the aforementioned years, and the company has not received any tax claims or notifications of requesting examination of those years.

**b. Salaries tax**

**The period from inception until December 31, 2016**

- The Company was inspected and tax differences were settled.

**The year 2017 until December 31, 2020**

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

**c. Stamp duty tax**

**The period from inception until December 31, 2014**

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

**The period from 2015 until December 31, 2020**

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

**d. Sales tax / VAT tax**

**The period from inception until December 31, 2015**

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

**The period from 2016 until December 31, 2019**

- During the year, the company received a tax claim of 100.1 million Egyptian pounds for tax differences resulting from the examination of the tax for the years 2016 to 2019 the company has objected and appealed to claim on due legal dates, the company believes that the claim has no merit in the light of the tax assessment prepared by the tax advisor and legal opinion from the company's legal advisor in that regard.

**December 31, 2020**

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

**e. Withholding tax**

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

### 38. Financial instruments and managed related risk

#### Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concern, 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. Trade and notes receivables are monitored on an ongoing basis, and there are no delays included in these balances. Also, most of company's revenues arising from prepaid services, and the company is dealing with the financial institutions are only those that have high credit worthiness. The company 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cash and cash equivalents	1 084 336 711	616 985 307
Treasury bills	1 082 566 993	551 749 245
Accounts and notes receivable	38 898 813	32 824 027
Debtors and other debit balances	45 639 149	62 381 449
Due from related parties	28 217 013	12 425 523
Loans to related parties	122 190 000	37 602 912
Advances to billers	372 747 212	385 426 890
<b>Total</b>	<b>2 774 595 891</b>	<b>1 699 395 353</b>

#### 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.

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Analysis of contractual maturity for financial liabilities:

	<u>Less than one year</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>
<b>31 December 2021</b>		
Non-interest bearing	1 884 313 782	1 884 313 782
Interest bearing	471 905 913	471 905 913
	<b>2 356 219 695</b>	<b>2 356 219 695</b>
<b>31 December 2020</b>		
Non-interest bearing	1 667 174 012	1 667 174 012
Interest bearing	222 983 552	222 983 552
	<b>1 890 157 564</b>	<b>1 890 157 564</b>

**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.

**fair value measurement**

Fair value measurements recognized in the separate financial position:

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Stages 1 to 3 based on the degree to which the fair value is observable.

- Stage 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Stage 2: fair value measurements are those derived from inputs, other than quoted prices included within Stage 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). However, it is not considered quoted prices as that included in stage 1.
- Stage 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<u>2021</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>EGP</u>				
<b>Financial assets at FVTOCI</b>				
Unlisted shares measured at FV	--	--	47 171 976	47 171 976
<b>2020</b>	<b><u>Stage 1</u></b>	<b><u>Stage 2</u></b>	<b><u>Stage 3</u></b>	<b><u>Total</u></b>
<b><u>EGP</u></b>				
<b>Financial assets at FVTOCI</b>				
Unlisted shares measured at FV	--	--	--	--



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**39. Significant Events during the year**

- On April 29, 2021, the general assembly approved distribution of 15.7 million Egyptian pounds to employees.
- On January 28, 2021, the Company's Board of Directors approved to subscribe in 100% of the total shares of the increase in capital of Fawry Plus for Banking Services – S.A.E with maximum of 35 million Egyptian pounds and delegate the CEO and Managing Director of the company to take all necessary measures for this and the company's share in Fawry Plus Banking Services - SAE will be 60%.

**40. COVID-19 impact**

The company conducted a study in order to assess the potential risks related to the company's ability to provide electronic payment services through the multiple payment channels provided by the company, human resources, in order to ensure the continuation of the company's activities without interruption or interruption. It is not expected that a fundamental negative impact on its business and activities will occur, as the first half of the current fiscal year witnessed an increase in the demand for electronic payment services, in light of the measures taken by the Egyptian government and the Central Bank of Egypt to encourage the use of various electronic payment methods, and this was reflected in the increase in the company's revenues in the current year. The management is closely following up the situation and evaluating its impact on the company's activities on an ongoing basis in anticipation of any developments that may result in negative effects of this pandemic in a way that enables the company to modify the necessary plans to face the potential negative effects, if any.

In this regard, the company's management conducted a study to assess the potential risks related to the company's ability to provide its services through its multiple products and its impact on the activities of the company as a whole, human resources, in order to ensure that the company's activities continue without interruption or interruption and the study includes the following elements:

- Risk of impairment in investments
- Collection risks related to other debit balances and related parties on their due dates.
- Liquidity risks related to payment of liabilities to creditors, Billers and merchants.

The management of the company concluded that it is unexpected to have a substantial negative impact on its business and activities. Management is following the situation closely and assessing its impact on the company's activities on an ongoing basis in anticipation of any developments that may have negative effects on that pandemic, enabling the company to modify the plans necessary to counter the potential negative effects, if any.

**41. Subsequent events**

- On March 3, 2022, the company's extraordinary general assembly agreed to increase the capital to EGP 3 billion, and to increase the issued and paid-up capital by EGP 800 million at nominal value.
- In February 2022, the Russian and Ukrainian conflict broke out. Conditions are changing rapidly, leading to high volatility in all markets. Nevertheless, management is closely monitoring and analysing market developments in this highly volatile situation. However, the company's management considers that there is currently no indication of disruption to the company's business or failure to meet the company's obligations to its customers and there are no indications of a material impact on its future operational performance.

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- On March 21, 2022, the Monetary Policy Committee of the Central Bank of Egypt decided at its extraordinary meeting to raise the rates of deposit and lending return for one night and the price of the central bank's main operation by 100 points to 9.25%, 10.25% and 9.75%, respectively. The credit and discount rate was also raised by 100 basis points to 9.75%.

**42. Incentives related to the Central Bank of Egypt's initiative**

During the fiscal year 2020, the Company entered into agreements with some Egyptian banks with the aim of cooperating in purchasing, deploying and managing points of sale under the Central Bank of Egypt's initiative to promote for the use and acceptance of electronic payments which was issued during May 2020, the aforementioned initiative included the disbursement of an incentive for each electronic point of sale installed according to the type of machine and its geographical location.

The total incentive included in the profit or loss that the company obtained in exchange for deploying and installing points of sale under that initiative was an amount of EGP 68 206 579, while the cost of purchasing the POS equipment amounted to EGP 48 927 668 which were derecognized from fixed assets.

**43. Share-based payments.**

The Company introduced an Employees Share Ownership Plan (ESOP) program in accordance with the shareholders' approval at the extraordinary general assembly meeting held on February 22, 2021, The company granted free shares and allocated shares to some of its employees in accordance with the ESOP program which includes giving the right to some employees completing a term of 3 years in service at The Company to have the right in ordinary shares by granting free shares or allocating shares by 50% of the fair value on the vesting date after completion of a term of 2 years in service at The Company and which will be issued on the date of the grants. The equity instruments for share-based payment are recognized at fair value on the grant date and are recorded in the income statement on a straight line basis during a three-years period for the grant of free shares and two years for the allocated shares at 50% of the shares' fair values on the vesting date, with a corresponding increase in equity based on the Company's estimate, at each reporting date, for the number of shares that will vest. The fair value of granted shares was determined based on the share price announced on the Egyptian Stock Exchange at the grant date.

**Equity instruments during the year represents the following:**

	<b><u>December 31, 2021</u></b>	<b><u>September 30, 2021</u></b>
	<b><u>EGP</u></b>	<b><u>No. of shares</u></b>
Outstanding at the beginning of the period	--	--
Granted during the period*	62 005 689	16 255 526
Forfeited during the period	(9 607 672)	--
Exercised during the period	--	--
<b>Total at the end of the period</b>	<b><u>52 398 017</u></b>	<b><u>16 255 625</u></b>

\* The number of shares granted during the period is 16 255 546 shares, which comprise 8 127 773 free shares and 8 127 773 allocated shares at 50% of the fair value at the vesting date.

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**44. Lease Contracts**

Lease liabilities resulting from the company's lease of its branches.

Amounts recognized in the statement of profits or losses:

<u>Description</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Lease interests	2 424 985	--
ROU amortization	5 171 983	--
	<u>7 596 968</u>	<u>--</u>

The following table summarizes the movement of lease liabilities during the year:

<u>Description</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Additions during the year	44 805 093	--
Payments during the year	(6 548 898)	--
Lease interest	2 424 985	--
	<u>40 681 180</u>	<u>--</u>