

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

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

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fawry for Banking Technology and Electronic Payments S.A.E. which comprise the consolidated statement of financial position as of December 31, 2021 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and applicable Egyptian laws and regulations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fawry for Banking Technology and Electronic Payments as of December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and related Egyptian laws and regulations.

Cairo, April 20, 2022



Kamel Magdy Saleh, FCA
F.E.S.A.A. (R.A.A. 8510)
EFSA Register No. 691

Translation of financial statements

Originally Issued in Arabic

Fawry for Banking Technology and Electronic Payments S.A.E.
Consolidated statement of Financial Position
As of December 31, 2021

	<u>Note No.</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
		<u>EGP</u>	<u>EGP</u>
Assets			
<u>Non-current assets</u>			
Fixed assets (net)	(6)	535 279 313	249 779 641
Goodwill	(9)	24 732 978	--
Intangible assets (net)	(7)	275 780 339	169 386 163
Projects under construction	(8)	16 199 524	11 889 489
Micro finance loans (net)	(13)	100 150 604	46 330 308
Investments in associate and joint ventures	(10)	4 041 289	7 738 550
Investments at fair value through OCI statement	(19)	47 171 976	--
Total non-current assets		1 003 356 023	485 124 151
<u>Current assets</u>			
Inventory	(11)	298 046	4 894 389
Accounts and notes receivable	(12)	63 746 140	53 471 408
Micro finance loans (net)	(13)	310 596 197	204 907 574
Advances to billers		372 680 643	385 426 890
Debtors and other debit balances	(14)	96 414 376	67 809 063
Due from related parties	(15)	1 700 445	6 212 787
Loan to related parties	(16)	--	37 602 912
Treasury bills	(17)	1 129 566 247	562 333 838
Cash and cash equivalents	(18)	1 120 900 729	623 737 310
Deferred tax assets	(39)	24 816 082	4 410 948
Total current assets		3 120 718 905	1 950 807 119
Total assets		4 124 074 928	2 435 931 270
Equity and liabilities			
<u>Equity</u>			
Issued and paid-up capital	(20)	853 652 060	353 652 060
Legal reserve	(21)	47 129 042	37 799 312
Reserve for employee stock ownership plan (ESOP)	(49)	52 398 017	--
Retained amount from retained earnings for capital increase	(20)	--	100 000 000
Combination reserve	(22)	11 745 574	5 841 596
Compulsory reserve for EAS 47 Application Risk	(23)	2 612 539	2 612 539
Shares issuance expenses reserve		(2 835 763)	--
Retained earnings		414 309 089	268 270 884
Total equity for the parent company		1 379 010 558	768 176 391
Non controlling interest		79 008 776	28 727 823
Total equity		1 458 019 334	796 904 214
<u>Non-Current Liability</u>			
Deferred tax liability	(39)	19 952 604	10 140 687
Long term loans	(40)	63 758 411	--
Lease Liabilities	(41)	81 540 702	--
Total Non-current liabilities		165 251 717	10 140 687
<u>Current liabilities</u>			
Provisions	(24)	32 430 642	20 802 142
Banks overdraft	(25)	431 224 733	222 983 552
Short term loans	(40)	149 820 206	--
Accounts and notes payable	(26)	73 688 962	29 251 646
Accounts payable—billers	(27)	1 015 103 526	770 253 418
Merchants advances		444 655 635	353 441 286
Retailer's POS security deposits		62 338 803	38 982 402
Creditors and other credit balances	(28)	219 126 376	137 044 872
Lease Liabilities	(41)	19 695 737	--
Current income tax		52 719 257	56 127 051
Total current liabilities		2 500 803 877	1 628 886 369
Total equity and liabilities		4 124 074 928	2 435 931 270

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

Chief Financial Officer
AbdelMaguid Mohamed Afifi

Chief Executive Officer
Ashraf Kamel Mousa Sabry

Chairman
Saifullah Coutry Saadi

Auditor's report attached.

Fawry for Banking Technology and Electronic Payments S.A.E.
Consolidated Statement of Profit or Loss
For the year ended December 31, 2021

	<u>Note No.</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
		<u>EGP</u>	<u>EGP</u>
Operating revenues	(30)	1 658 156 677	1 234 562 921
<u>Less:</u>			
Operating costs	(31)	(725 893 276)	(566 666 470)
Gross margin		932 263 401	667 896 451
<u>Add (Less):</u>			
General and administrative expenses	(32)	(379 711 786)	(236 217 835)
Employee stock ownership plan expenses (ESOP)	(49)	(52 398 016)	--
Board Compensation expenses		(3 972 600)	(1 261 744)
Selling and marketing expenses	(33)	(279 254 967)	(190 435 802)
Medical contribution for Health and insurance		(5 505 997)	(4 065 677)
Formed provisions	(24)	(11 628 500)	(2 040 000)
Net impairment loss on customers' loans	(13)	(12 749 394)	(8 048 358)
Reversal of expected credit loss		1 770 520	--
Other Operating Expenses		(7 020 000)	(7 765 003)
Net gain from incentives of spreading pos points of CBE initiative	(52)	21 725 295	21 400 420
Credit interest	(34)	126 766 483	67 105 771
Finance costs	(35)	(39 439 470)	(15 758 334)
Foreign currency exchange losses		310 283	(70 909)
Gain on disposal of fixed assets		7 168 024	4 656 402
Other revenues		5 871 268	2 552 485
Operating Profit		304 194 544	297 947 867
Group's share in losses of investments in associates and joint ventures	(38)	(5 549 798)	(4 680 732)
The change from investments in associate to investment in subsidiaries	(45)	22 800 000	--
Other Expenses		--	(55 506)
Profit of the year before tax		321 444 746	293 211 629
Current income tax		(75 726 644)	(67 875 965)
Deferred tax	(39)	(3 596 019)	(1 771 173)
Net profit for the year after tax		242 122 083	223 564 491
<u>Distributed as follows:</u>			
Net profit for the parent company		177 177 542	186 234 037
Net profit for the non controlling interest		64 944 541	37 330 454
Net profit for the year after tax		242 122 083	223 564 491
Earnings per share - basic (EGP/share)	(44)	0.12	0.18
Earnings per share - diluted (EGP/share)	(44)	0.12	0.18

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

Translation of financial statements

Originally Issued in Arabic

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

Consolidated statement of comprehensive income

For the year ended December 31, 2021

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Profit for the year	242 122 083	223 564 491
Other comprehensive income	--	--
Total other comprehensive income	--	--
Total comprehensive income for the year	242 122 083	223 564 491
Distributed as follows:		
Comprehensive income for the parent company	177 177 542	186 234 037
Comprehensive income for the non controlling interest	64 944 541	37 330 454
Total comprehensive income for the year	242 122 083	223 564 491

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

EWRY for Banking Technology and Electronic Payments S.A.E.
Condensed consolidated interim 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 amount from retained earnings for capital increase	Combination reserve	Shares issuance expenses reserve	Compulsory reserve for EAS 47 Application Risk	Retained earnings	Total equity of the parent	Non controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2020	353 652 060	32 465 079	--	--	5 841 596	--	--	201 317 499	593 276 234	33 648 419	626 924 653
Comprehensive income items											
Net profit for the year	--	--	--	--	--	--	--	186 234 037	186 234 037	37 330 454	223 564 491
Total comprehensive income	--	--	--	--	--	--	--	186 234 037	186 234 037	37 330 454	223 564 491
The Company's shareholders transactions											
Transferred to retained earnings and legal reserve	--	5 334 233	--	--	--	--	--	(5 334 233)	--	--	--
Capital increase from retained earnings	--	--	--	100 000 000	--	--	--	(100 000 000)	--	--	--
Dividend distribution	--	--	--	--	--	--	--	(11 333 880)	(11 333 880)	--	(11 333 880)
Non-controlling interest share from dividends distributed in subsidiaries	--	--	--	--	--	--	--	--	--	(42 251 050)	(42 251 050)
Compulsory reserve for EAS 47 Application Risk	--	--	--	--	--	--	2 612 539	(2 612 539)	--	--	--
Total company's shareholders transactions	--	5 334 233	--	100 000 000	--	--	2 612 539	(119 380 652)	(11 333 880)	(42 251 050)	(53 584 930)
Balance as of December 31, 2020	353 652 060	37 799 312	--	100 000 000	5 841 596	--	--	268 270 884	768 176 391	28 727 823	796 904 214
Balance as of January 1, 2021	353 652 060	37 799 312	--	100 000 000	5 841 596	--	2 612 539	268 270 884	768 176 391	28 727 823	796 904 214
Impact of application of EAS 47	--	--	--	--	--	--	--	(4 486 467)	(4 486 467)	(634 286)	(5 120 753)
Comprehensive income items											
Net profit for the year	--	--	--	--	--	--	--	177 177 542	177 177 542	64 944 541	242 122 083
Total comprehensive income	--	--	--	--	--	--	--	177 177 542	177 177 542	64 944 541	242 122 083
The company's shareholders transactions											
Transferred to legal reserve	--	9 329 730	--	--	--	--	--	(9 329 730)	--	--	--
Reserve for employee stock ownership plan (ESOP)	--	--	52 398 017	--	--	--	--	--	52 398 017	--	52 398 017
capital increase from retained earnings	100 000 000	--	--	(100 000 000)	--	--	--	--	--	--	--
Capital cash increase	400 000 000	--	--	--	5 903 978	--	--	--	400 000 000	(2 352 200)	400 000 000
Additions on combination reserve	--	--	--	--	--	--	--	--	5 903 978	--	3 551 778
Dividend distribution	--	--	--	--	--	--	--	(17 323 140)	(17 323 140)	--	(17 323 140)
Non-controlling interest's share from dividends distributed in one of subsidiaries	--	--	--	--	--	--	--	--	--	(19 586 048)	(19 586 048)
Shares issuance expenses	--	--	--	--	--	(2 835 763)	--	--	(2 835 763)	--	(2 835 763)
Non-controlling interest share from the acquisition of subsidiaries	--	--	--	--	--	--	--	--	--	7 908 946	7 908 946
Total Company's shareholders transactions	500 000 000	9 329 730	52 398 017	(100 000 000)	5 903 978	(2 835 763)	--	(26 652 870)	438 143 092	(14 029 302)	424 113 790
Balance as of December 31, 2021	853 652 060	47 129 042	52 398 017	--	11 745 574	(2 835 763)	2 612 539	414 309 089	1 379 010 558	79 008 776	1 458 019 334

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

Translation of financial statements

Originally Issued in Arabic

Fawry for Banking Technology and Electronic Payments S.A.E.
Consolidated statement of cash flows
For the year ended December 31, 2021

	Note	December 31, 2021 EGP	December 31, 2020 EGP
Cash flows from operating activities:			
Net profit for the year before tax		321 444 746	293 211 629
Adjusted by:			
Depreciation and amortization during the year	(35)	151 346 930	88 392 028
Formed provisions	(24)	11 628 500	2 040 000
Net impairment loss on customers loans	(13)	12 749 394	8 048 358
Reversal of expected credit loss		(1 770 520)	--
Employee stock ownership plan expenses		52 398 017	--
Credit interest		(126 766 483)	(67 105 771)
Net gain from incentives of spreading pos points of CBE initiative		(21 725 295)	(21 400 420)
Share of investments in associate and joint venture losses	(37)	5 549 798	4 680 732
The change from investment in associate to investment in subsidiaries	(44)	(22 800 000)	--
Unrealized foreign currency exchange gain		(310 283)	70 909
Gain on sale of fixed assets		(7 168 024)	(4 656 402)
Finance expenses		39 439 470	15 758 334
Operating gain before change in working capital		414 016 250	319 039 397
Changes in Working capital			
Decrease / (increase) in inventory		4 596 343	(4 785 050)
Decrease / (increase) in advances to billers		12 746 247	(183 060 562)
(Increase) in debtors and other debit balances		(20 213 085)	(20 619 866)
Decrease (Increase) in accounts and notes receivable		2 302 542	(24 374 439)
Increase in loans to customers		(172 258 313)	(142 057 045)
Decrease in Due from related parties		10 771 149	4 117 382
Increase in accounts and notes payable		44 437 316	12 302 013
Increase in accounts payable— billers		241 030 024	332 885 367
Increase in merchants prepaid balances		74 837 166	135 345 806
Increase in retailer's POS security deposits		23 356 401	15 865 918
Increase in creditors and other credit balances		8 455 715	10 655 680
		644 077 755	455 314 601
Income tax paid		(54 494 666)	(19 436 935)
Proceeds from credit interest		50 993 340	67 105 771
Net cash provided from operating activities		640 576 429	502 983 438
Cash flows from investing activities			
(Payments) to acquire fixed assets		(346 930 073)	(126 144 031)
(Payments) for projects under construction		(14 296 517)	(3 796 950)
(Payments) to acquire intangible assets		(110 129 731)	(63 809 837)
Proceeds from sale of fixed assets		15 912 080	12 744 030
Proceeds from POS's machines under CBE initiative	(53)	68 206 579	54 989 492
Payments to acquire Investment in associate and joint venture		(1 852 537)	(7 300 970)
(Payments) for investments at fair value through OCI statement	(19)	(47 171 976)	--
Proceeds from selling shares in associate		6 674 157	--
Cash proceeds from acquisition of subsidiary	(44)	27 939 659	--
(Increase) in loans to related parties		--	(9 786 333)
Net movement of treasury bills - more than three months		(435 531 678)	(510 352 930)
Net cash flows (used in) investing activities		(837 180 037)	(653 457 529)
Cash flows from financing activities			
Proceeds from capital increase		397 164 237	--
Dividends Paid		(36 909 188)	(53 584 933)
Net proceeds from loans		205 353 617	--
Proceeds from Bank overdrafts		208 241 181	222 983 552
(Payments) for lease liabilities		(17 224 472)	--
Finance Expenses Paid		(30 632 390)	(15 758 334)
Net cash generated from financing activities		725 992 985	153 640 285
Net change in cash and cash equivalents during the year		529 389 378	3 166 195
Cash and cash equivalents at beginning of the year		623 737 310	620 642 024
Exchange rate changes on cash and cash equivalents		310 283	(70 909)
Cash and cash equivalents at end of the year	(18)	1 153 436 971	623 737 310

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 109 653 830 related to right of use assets.

Non cash transaction effect has been eliminated amounted EGP 25 873 000 related to determined intangible assets from subsidiary acquisition

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

1. General information

Fawry for Banking Technology and Electronic Payments S.A.E. was established in accordance with the provisions of Law No. 159 of 1981 and its executive regulation and was registered at the Commercial Register under No. 33258 on June 26, 2008 the Commercial Register was changed to No. 50840 in March 2011. The company has been re-registered at the 6th of October's Commercial Register under No. 1333 on July 19, 2018.

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

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

2. Statement of compliance

The consolidated financial statements have been prepared in accordance to the Egyptian Accounting Standards, issued by the Minister of Investment Decree No. 110 for the year 2015, and in the light of the relevant Egyptian laws and regulations.

The Egyptian Accounting Standards require reference to the International Financial Reporting Standards "IFRS" for events and transactions that have not been covered by the Egyptian Accounting Standard or legal requirements describing their treatments.

On March 18, 2019, the Minister of Investment and International Co-operation 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. New Egyptian Accounting Standards No. (47) "Financial Instruments"

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.
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 5 120 753 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 consolidated financial statements

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

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

- 1- This new Egyptian accounting standard No. (49) lease contract" 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 right of use 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 or finance lease contracts.
- 3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.
- 4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.
- 5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other 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

The impact on financial statements

The Management implemented the new standard during year 2021, refer to Note no. (6) fixed assets.

3. Basis of preparation of the Consolidated financial statements

The consolidated financial statements have been prepared in accordance to the historical cost basis except for the financial assets and liabilities measured at fair value, or at amortized cost.

4. Critical accounting judgments and key sources of uncertain estimations

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

Those estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may differ from the estimates therefore, these estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions of accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods (prospectively) if the revision affects both current and future periods.

5. Significant accounting policies

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

a. Basis of consolidation

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

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

The Company reassesses whether or not it still controls an investee, and whether facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:

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

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

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

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

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The choice of measurement is made on an acquisition by acquisition basis. Other non-controlling interest are either measured at fair value or at another basis specified in the Egyptian Accounting Standards that is applicable to it.

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

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

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

a) Business combination

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

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

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

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

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

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

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

Subsidiary	Country	Main activity	<u>Holding percentage</u>
Fawry Integrated Systems Company	Egypt	Provide operations services specialized in systems and communications, management, operating and maintenance of equipment's and computers networks services.,	99.99%
Fawry Dahab for Electronics Services	Egypt	Provide operations services specialized in systems and communications, management, operating and maintenance of equipment's and computers networks services. And electronic financial payments through the group.	37.11%
Fawry Micro Finance	Egypt	Micro finance activities.	99.8%
Fawry Insurance Brokerage	Egypt	Insurance Brokerage	90%
Fawry Fast Moving Consumer Goods	Egypt	Providing electronic payment services – collecting cash for consumer and pharmaceutical companies	51%
Fawry for consumer finance	Egypt	Consumer finance	100%
Fawry Plus for Banking Services	Egypt	Providing electronic payment services and electronically circulating secured documents	60.46%
Fawry Gulf	UAE	Free zone – The United Arab Emirates	75%

b) Foreign currencies

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

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

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

c) Investments in associates and joint venture entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

	Country of Domicile	Ownership %
<u>Associate:</u>		
Bosta company	USA	9.05%
Tazcara for information technology and electronic booking	Egypt	20%
Roaderz for smart application	Egypt	30%
Egy-Insurtech for electronic application	Egypt	20%
<u>Joint Venture:</u>		
Waffarha.Com	Egypt	30%

b. Fixed assets and depreciation

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

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

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

The depreciation of these assets starts when they are ready for their intended use according to the same basis of depreciation applied with other fixed assets.

Depreciation is charged so as to write-off the cost of assets using the straight-line method, over their estimated useful lives, represented as follows: -

<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

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

c. Intangible assets

Assets of a non-monetary nature that do not have a physical substance but identifiable that are acquired for business purposes and from which future benefits are expected to flow are treated as intangible assets. Intangible assets (other than goodwill) include computer systems, licensing of computer software, trademark rights and contractual relationships with customers. Intangible assets are measured at cost, which is the cash price on the date of its initial recognition. In the event of deferment of payment for periods longer than the normal credit period, the difference between the cash price and the total amount paid is recognized as interest. Intangible assets are presented net of depreciation and impairment losses. Subsequent expenditures on the acquisition of intangible assets are capitalized within the carrying amount of the capitalized assets only when such expenditures increase the future economic benefits of the asset or assets, while all other expenditures when incurred are charged to the profit or loss statement. Intangible assets are depreciated according to the straight-line method over the useful lives of intangible assets, unless the useful life of intangible assets is indefinite, in which case an impairment test is conducted for those assets on an annual basis.

<u>Assets description</u>	<u>Years</u>
Programs	10-4
Program's license	10
Trademark	15
Contractual relationship with customers	10 – 15

Internally generated intangible assets

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

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

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
- b) The company's intention to complete the intangible asset and use it or sell it.
- c) The company's ability to use or sell the intangible asset.
- d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- f) The company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets excluding goodwill

On annual basis, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Intangible assets with indefinite useful lives and those not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

The recoverable amount of an asset (or cash-generating unit) is represented in the higher of "fair value less costs to sell" or "value in use"

Future estimated cash flows from use of an asset (or cash-generating unit) are discounted using discount rate before tax to reach the present value for these cash flows which represent their value in use. This rate reflects the current market estimates for the time value of money and the risks related to this asset that have not been taken into consideration when estimating the future cash flows generated. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d. Revenues recognition and measurement

Applications sales revenues

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

Services

The revenue of rendered services is recognized as follows:

Transactions sales revenues

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

Subscription revenues

Subscription revenues are recognized in the consolidated 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.

e. 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.

f. 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 group must apply the new Egyptian Standard No. (49) at the beginning of 2019 to contracts subject to the provisions of Law 95 of 1992 that were previously dealt with according to Egyptian Accounting Standard No. (20) according to the instructions mentioned in the periodic book No. 171. For the year 2019 issued on August 4, 2019, the companies Laguerre Lease and tenants under leasing contracts of non-bank financial firms and companies have restricted securities Egyptian Stock Exchange application of the standard lease financing no later than September 30, 2019. Therefore, the date shall be the first application in January 1, 2019.

1- The group as lessee

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

Initial measurement of lease liability:

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

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

- a. Fixed lease payments less any lease incentives;
- b. Variable lease payments that 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

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 Group 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 a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments;
 - 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:

- 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.

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 a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated from the commencement date over the useful life of the underlying asset. Other 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 Group applies EAS 31 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy.

-Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in

which the event or condition that triggers those payments occurs and are include in the line "administrative expenses" in the statement of profit or loss. Currently, the Group does not have such variable rents.

- The standard permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease component as a single arrangement. The Group has not used this practical expedient.

Sale and lease back transactions

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

g. Inventory

The inventory is measured at the date of the consolidated 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.

h. Taxation

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

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

Deferred tax is recognized as an expense or benefit in the 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 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 method and are reported in the consolidated financial position as non-current assets and liabilities.

i. **Legal reserve**

In accordance with law No. 159 for 1981 and the article of incorporation of the Group, at least 5% should be retained and transferred from the net profit of the previous year to the legal reserve until the reserve reaches 50% of the issued capital.

j. **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.

k. **Provisions**

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

l. **The consolidated cash flows statement**

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

m. **Share - based payments**

The company introduced Employees Share Ownership Plan (ESOP) program in accordance with the shareholders' approval at the extraordinary general assembly meeting on February 22, 2021. Where the Company applies share-based payments that shall be settled as equity instruments. The fair value of equity instruments recognized for provided services from employees in exchange of granting free shares or allocated shares is recognized in the employees' related costs in the income statement, the total amount to be recognized as expenses over the vesting period will be determined by reference to the fair value of the granted equity instruments, taking into consideration the modification of that fair value with the terms and conditions on which the instruments will be issued, and the effect of the revisions to the initial estimates, if any, is recognized in the income statement with a corresponding settlement of equity over the remaining vesting period. Net proceeds to be received from employees after deducting any direct transaction costs are added to the capital (at nominal value) and the share premium account when the granted shares to the employees are exercised.

n. **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.

o. Impairment of assets

Impairment of non-financial assets

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

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

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

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

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

p. Financial instruments

Trade receivables and loans to customers issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group 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 Group 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.

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 Group 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 Group 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 Group 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 Group'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 Group'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 Group 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 Group 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 Group'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 Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group 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 Group 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 Group recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost.

The Group 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.

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 Group 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 Group's historical experience and informed credit assessment, that includes forward-looking information.

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

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

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

The Group 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 Group 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 Group 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 Group 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 Group 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 Group on terms that the Group 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.

q. 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 Group 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.

r. 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.

s. 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.

t. 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.

u. 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 consolidated 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	Building	Networks and Servers	Point of sales machines	Computers	Furniture and Office Equipment	Leasehold Improvements	Vehicles	Tools and Equipment Super Fawry	Fawry Branches	Cash counting machines	Right of use assets	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost														
As of January 1, 2020		25 970 500	41 129 500	57 450 469	199 744 293	51 769 439	9 234 800	12 732 388	149 300	641 766	3 286 435	--	--	402 108 890
Additions during the year		--	--	1 426 991	115 300 996	5 286 852	2 511 145	143 131	--	--	1 474 916	--	--	126 144 031
Disposals		--	--	--	(46 787 008)	--	--	--	--	--	--	--	--	(46 787 008)
As of December 31, 2020		25 970 500	41 129 500	58 877 460	268 258 281	57 056 291	11 745 945	12 875 519	149 300	641 766	4 761 351	--	--	481 465 912
As of January 1, 2020		25 970 500	41 129 500	58 877 460	268 258 281	57 056 291	11 745 945	12 875 519	149 300	641 766	4 761 351	--	--	481 465 912
Impact of acquisition of subsidiary - net cost	(44)	--	--	--	--	429 225	1 337 581	13 357 586	--	1 782 773	--	806 237	--	17 713 402
Additions during the year		26 520 000	70 230 000	49 803 111	154 732 416	14 420 387	1 400 926	20 732 737	--	205 716	--	1 157 860	109 653 830	448 856 983
Disposals*		--	--	--	(69 955 499)	(12 030)	--	--	--	--	--	(340 000)	--	(70 307 529)
As of December 31, 2021		52 490 500	111 359 500	108 680 571	353 035 198	71 893 873	14 484 452	46 965 842	149 300	2 630 255	4 761 351	1 624 097	109 653 830	877 728 768
Accumulated depreciation														
As of January 1, 2020		--	3 170 400	33 682 799	101 621 869	16 593 286	5 404 646	6 890 833	149 298	641 739	54 576	--	--	168 209 446
Depreciation for the year		--	1 028 238	9 944 345	40 037 461	12 972 362	1 694 578	2 910 146	--	--	--	--	--	68 587 130
Depreciation of disposals		--	--	--	(5 110 304)	--	--	--	--	--	--	--	--	(5 110 304)
As of December 31, 2020		--	4 198 638	43 627 144	136 549 025	29 565 648	7 099 224	9 800 979	149 298	641 739	54 576	--	--	231 686 271
As of January 1, 2021		--	4 198 638	43 627 144	136 549 025	29 565 648	7 099 224	9 800 979	149 298	641 739	54 576	--	--	231 686 271
Depreciation for the year	(36)	--	1 467 175	26 937 265	51 063 102	6 398 816	2 699 088	10 572 066	--	692 150	0	520 314	21 427 622	121 777 598
Depreciation of disposals		--	--	--	(10 662 383)	(12 031)	--	--	--	--	--	(340 000)	--	(11 014 414)
As of December 31, 2021		--	5 665 813	70 564 409	176 949 744	35 952 433	9 798 312	20 373 045	149 298	1 333 889	54 576	180 314	21 427 622	342 449 455
Net book value														
As of December 31, 2021		52 490 500	105 693 687	38 116 162	176 085 454	35 941 440	4 686 140	26 592 796	2	1 296 366	4 706 775	1 443 783	88 226 208	535 279 313
As of December 31, 2020		25 970 500	36 930 862	15 250 316	131 709 256	27 490 643	4 646 721	3 074 540	2	27	4 706 775	--	--	249 779 641

*Disposals include points of sale deployed under the central bank's initiative, Note (53).

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7. Intangible assets – Net

	<u>licenses</u>	<u>Programs</u>	<u>Contractual relationship with clients</u>	<u>Customer List</u>	<u>Trademark</u>	<u>Total</u>
<u>Cost</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>		<u>EGP</u>	<u>EGP</u>
As of January 1, 2020	35 058 427	139 141 995	--	--	--	174 200 422
Additions during the year	3 974 224	59 835 613	--	--	--	63 809 837
As of January 1, 2021	39 032 651	198 977 608	--	--	--	238 010 259
Additions during the year	25 964 158	84 126 350	--	--	--	110 090 508
Change in the scope of grouping of subsidiaries and associate companies *	--	--	6 270 000	533 000	19 070 000	25 873 000
As of December 31, 2021	64 996 809	283 103 958	6 270 000	533 000	19 070 000	373 973 767
<u>Accumulated amortization</u>						
As of January 1, 2020	10 601 905	38 217 292	--	--	--	48 819 197
Amortization for the year	4 275 033	15 529 866	--	--	--	19 804 899
As of January 1, 2021	14 876 938	53 747 158	--	--	--	68 624 096
Amortization for the year	2 655 397	24 248 244	531 815	88 833	1 271 333	29 569 332
As of December 31, 2021	17 532 335	77 995 402	531 815	88 833	1 271 333	98 193 428
Net Book value as of December 31, 2021	46 690 765	204 488 786	5 738 185	444 167	17 798 667	275 780 339
Net Book value as of December 31, 2020	24 155 713	145 230 450	--	--	--	169 386 163

* During the year the group's management completed the fair value study for identified assets acquired and liabilities assumed related to the acquisition of Fawry Plus company. and the remeasurement of goodwill and intangible assets acquired at date of acquisition of Fawry Plus company. which was acquired during first quarter of 2021. The adjusted goodwill balance resulting from acquisition amounted to EGP 24.7 million compared to EGP 54.4 million at the date of initial recognition, The adjustments resulted from remeasuring the goodwill were made in accordance with the requirements of the Egyptian accounting standard No. 29 "Business combination". Intangible assets were recognized at EGP 25.8 million (Note No. 45).

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

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8. Projects under construction

	<u>Opening Balance</u>	<u>Additions during the year</u>	<u>Transferred to fixed assets and intangible assets</u>	<u>Ending Balance</u>
	<u>EGP</u>	<u>EGP</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
Advances payments to purchase fixed assets	--	9 005 390	(1 300 826)	7 704 564
	<u>11 889 489</u>	<u>14 296 517</u>	<u>(9 986 482)</u>	<u>16 199 524</u>

9. Goodwill

In the first quarter of 2021, the group's management took control of Fawry Plus for Banking Services LLC. The goodwill has been measured and determined. Please refer to Note No. (45).

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	--	--
Goodwill resulting from acquisition of subsidiary	24 732 978	--
	<u>24 732 978</u>	<u>--</u>

* During the year the group management completed the fair value study for identified assets and liabilities acquired related to the acquisition of Fawry Plus co. and revaluation of goodwill and intangible assets at date of acquisition of Fawry Plus co. which was acquired during first quarter of 2021. Adjusted goodwill balance resulting from acquisition amounted to EGP 24.7 million compared to EGP 54.4 million at the date of initial recognition, The adjustments resulted from remeasuring the goodwill were made in accordance with the requirements of the Egyptian accounting standard No. 29 "Business combination". Intangible assets were recognized at EGP 25.8 million (Note No. 45).

10. Investments in associates and Joint ventures

	<u>Type of investment</u>	<u>Owner ship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
			<u>EGP</u>	<u>EGP</u>
Roaderz for Smart Applications *	Associate	30%	--	--
Bosta Co.	Associate	9.05%	1 814 084	6 549 557
Tazcara for Information Technology	Associate	20%	--	--
EGY Insure-tech	Associate	20%	1 470 162	--
Fawry Plus for Banking Services **			--	--
Waffarha.com	Joint venture	30%	757 043	1 188 993
			4 041 289	7 738 550

During the year the group recognized its share in the associates' losses in the consolidated statement of profit or loss by an amount of EGP 5 549 798 (Note No. 38).

* 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.

** 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 (Note No. 45).

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

<u>EGP</u>	<u>Total Assets</u>	<u>Total Equity</u>	<u>Total Revenue</u>	<u>Net Losses</u>
Roaderz Technologies Co.	3 365 123	(2 530 825)	--	(3 330 826)
Bosta Co.	46 735 818	(104 595 413)	100 568 373	(44 984 450)
Insure-tech	5 000 000	4 888 124	--	(111 876)
Waffarha.com	6 556 483	(3 485 424)	90 207 699	(1 439 832)

11. Inventory

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Goods in transit	--	4 791 125
Goods for sale	298 046	103 264
	298 046	4 894 389

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12. Accounts and notes receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accounts receivables- Billers and banks	60 668 946	52 346 196
Notes receivables	5 783 896	1 125 212
Less: Expected credit losses	(2 706 702)	--
	<u>63 746 140</u>	<u>53 471 408</u>

13. Loans to customers (net)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Loans to customers – Short term	330 689 315	213 508 450
Less: allowance for credit losses	(20 093 118)	(8 600 876)
Loans to customers – Short term(net)	<u>310 596 197</u>	<u>204 907 574</u>
Loans to customers – Long term	106 042 857	48 967 280
Less: allowance for credit losses	(5 892 253)	(2 636 972)
Loans to customers – Long term (net)	<u>100 150 604</u>	<u>46 330 308</u>
	<u>410 746 801</u>	<u>251 237 882</u>

Allowance for credit losses movement represented as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	11 237 848	3 189 490
Formed during the year	12 749 394	8 048 358
Impact of EAS 47 application	1 998 128	--
Ending balance	<u>25 985 370</u>	<u>11 237 848</u>

14. Debtors and other debit balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Advance payments (Vendors)	2 407 203	2 616 921
Prepaid expenses	9 141 207	9 540 314
Deposits with others	3 699 788	566 200
Withholding tax	38 642 826	28 693 568
Other debit balances	11 263 171	18 725 222
Accrued interest – microfinance portfolio	9 841 768	3 967 299
Petty cash	10 765 565	--
Accrued revenue	10 685 892	3 699 540
Less: Expected credit losses	(33 044)	--
	<u>96 414 376</u>	<u>67 809 063</u>

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15. Due from related parties

	<u>Nature</u>	<u>Account type</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
			<u>EGP</u>	<u>EGP</u>
Fawry Plus for Banking Services co.	Subsidiary	Current account	--	4 781 474
Waffarha.com co.	Joint venture	Current account	220 211	220 211
ACIS co.	Associate	Current account	3 000 000	--
Tazcara Information Technology and Electronic Booking co.	Associate	Current account	1 494 309	1 211 102
Less: Expected credit losses			(3 014 075)	--
			<u>1 700 445</u>	<u>6 212 787</u>

16. Loans to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Fawry Plus for Banking Services	--	37 602 912
	<u>--</u>	<u>37 602 912</u>

The entire loan amount was repaid during the year (Note No. 9, 45)

17. Treasury bills

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Treasury bills- with maturities up to (91) days	32 342 990	--
Treasury bills- with maturities after (91) days	1 037 616 535	548 065 930
Add:		
Accrued interest -Less than three months	246 343	--
Accrued interest -More than three months	75 526 800	17 834 760
Less:		
Accrued tax on accrued interest -Less than three months	(53 091)	--
Accrued tax on accrued interest-More than three months	(15 105 360)	(3 566 852)
Less: Expected credit losses	(1 007 970)	--
Balance	<u>1 129 566 247</u>	<u>562 333 838</u>
Nominal value	<u>1 200 500 000</u>	<u>603 500 000</u>

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18. Cash and banks balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Current bank accounts – local currency	291 482 114	125 758 156
E-Acceptance transactions under settlement	128 704 285	18 674 737
Cash at companies and agents of money collections	583 161 259	376 239 906
Time deposit – local currencies	95 086 110	90 074 795
Time deposit – foreign currencies	15 155 942	7 957 107
Current bank accounts – foreign currencies	7 523 412	5 032 609
Less: Expected credit losses	(212 393)	--
Cash and cash at banks	1 120 900 729	623 737 310

For cash flows purposes, Cash and cash equivalents are analyzed as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cash and banks balances	1 120 900 729	623 737 310
Treasury bills – less than 3 months	32 536 242	--
	1 153 436 971	623 737 310

19. Investments at fair value through OCI

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
El menus Co.	15 716 676	--
Brimore Co.	15 700 000	--
Bringer co. (Netherlands)	15 755 300	--
	47 171 976	--

During the second quarter 2021, the company invested 1% in El menus co. and the company paid USD 1 million equivalent to EGP 15.71 million.

During the second quarter 2021, the company invested 1% in Brimore co. and the company paid USD 1 million equivalent to EGP 15.7 million.

During the third quarter 2021, the company invested 9.9% in Brenger co. (Netherlands company), and the company paid USD 1 million equivalent to EGP 15.75 million.

The company's management assessed the fair values of the investments on December 31, 2021 and concluded that they do not differ from that values at the date of acquisition during the current year 2021.

20. 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 EGP 100 million 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 EGP 400 million 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 nominal value of EGP 0.5.

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21. 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>

22. Combination reserve

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Combination reserve *	11 745 574	5 841 596
	<u>11 745 574</u>	<u>5 841 596</u>

* The change during the year is represented in the share of the proceeds of selling group's share in Fawry Dahab Electronic Services Company without losing control.

23. Compulsory Reserve –for EAS 47 application's risks

On December 27, 2020 Financial Regulatory Authority issued decision no. (200) for year 2020 to Oblige Small, medium and / or micro enterprise finance companies to create a reserve to face risks of EAS 47 application (financial instruments) Equivalent to 1% of total assets, to be appropriated from the net profit of the year after tax for the year ended at December 31, 2020, to be reported in shareholder's equity and will not be utilized without the approval of the authority.

24. Provisions

	<u>Balance at</u> <u>December 31, 2020</u>	<u>Formed during the</u> <u>year</u>	<u>Balance at</u> <u>December 31, 2021</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provisions for claims	20 802 142	11 628 500	32 430 642
	<u>20 802 142</u>	<u>11 628 500</u>	<u>32 430 642</u>

25. 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, and the balance reached EGP 194.1 million on December 31, 2021 (December 31, 2020: EGP 94 000 000).
- 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 million EGP at the prevailing market rates, and the balance on December 31, 2021 reached EGP 17.5 million (December 31, 2020: EGP 49 million)

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- On November 2021, a finance agreement was concluded with a local bank to grant the company a credit facility with a maximum amount of 75 million EGP 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 2 million EGP at the prevailing market rates, and the balance on December 31, 2021 reached EGP 31,184 million (December 31, 2020: Nil)

26. Accounts and notes payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accounts payable	70 990 249	27 522 865
Notes Payable	2 698 713	1 728 781
	<u>73 688 962</u>	<u>29 251 646</u>

27. Accounts payable – Billers

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Billers payable	822 130 729	630 187 367
Billers' Notes payable	192 972 797	140 066 051
	<u>1 015 103 526</u>	<u>770 253 418</u>

28. Creditors and other credit balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	46 896 427	28 940 695
Accrued interest (note 40)	7 344 769	--
Accrued commissions	50 604 607	33 806 311
Unearned revenue	3 868 268	2 776 749
Health insurance contribution	5 220 402	4 065 636
Tax Authority	75 683 299	49 382 164
Social Insurance Authority	4 325 030	5 575 208
Under settlement Transactions	6 096 583	7 955 177
Other credit balances	19 086 991	4 542 932
	<u>219 126 376</u>	<u>137 044 872</u>

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29. Contingent liabilities

The contingent liabilities are represented in the uncovered part of the letters of guarantees issued for the benefit of some parties and entities as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Letters of guarantee – local currency	734 562 932	826 744 625
	<u>734 562 932</u>	<u>826 744 625</u>

- Credit facilities to issue letters of guarantees reached MEGP 1 286.5 as of December 31, 2021, where the utilized amounts from the said facilities reached MEGP 734.56 represented in letters of guarantees.

30. Operating revenues

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Transactions services revenues- collection fees	1 500 694 699	1 147 392 575
Other revenues	14 898 984	13 452 521
Insurance brokerage commission	5 628 277	1 153 521
Interest revenue Micro finance	136 934 717	72 564 304
	<u>1 658 156 677</u>	<u>1 234 562 921</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Total throughput	130 850 180 494	81 037 393 309
	<u>130 850 180 494</u>	<u>81 037 393 309</u>

31. Operating costs

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Merchants' fees	541 133 157	432 832 137
Banks fees	19 640 836	16 348 731
Depreciation and amortization	61 355 123	30 461 296
Cash collection cost	71 892 907	79 276 210
Microfinance cost	14 103 388	2 471 145
Others	17 767 865	5 276 951
	<u>725 893 276</u>	<u>566 666 470</u>

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For the Year Ended December 31, 2021

32. General and administrative expenses

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Salaries and Wages	178 109 494	102 824 503
Outsourcing, technical support and services	66 491 122	38 490 160
Rent Expense	118 028	2 428 472
Depreciation and amortization	89 991 807	57 931 213
Insurance expenses	19 448 146	10 256 335
Premises expenses	7 097 272	5 192 463
Training and Human resource expenses	4 901 879	2 776 314
Professional fees	8 620 410	4 828 854
Other expenses	4 933 628	11 489 521
	<u>379 711 786</u>	<u>236 217 835</u>

33. Selling and marketing expenses

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Salaries and Wages	152 644 804	105 489 874
Selling and marketing commissions	64 810 347	55 412 995
Promotion and advertising expenses	61 799 816	29 532 933
	<u>279 254 967</u>	<u>190 435 802</u>

34. Credit Interest

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Credit interest - current accounts	4 816 971	5 144 700
Credit interest – treasury bills	120 716 132	57 135 264
Credit interest – time deposits	1 233 380	987 902
Credit interest – loans to related party	--	3 837 905
	<u>126 766 483</u>	<u>67 105 771</u>

35. Finance costs

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Debit interest	20 235 909	7 778 678
Letter of guarantees - Bank charges	10 396 481	5 586 391
Lease interest expense	8 807 080	--
	<u>39 439 470</u>	<u>13 365 069</u>

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36. Depreciation and amortization

Depreciation and amortization which amounted by EGP 151 346 930 were recognized at statement of profit or loss as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cost	61 355 123	30 461 296
General and administrative	89 991 807	57 931 213
	<u>151 346 930</u>	<u>88 392 509</u>

37. Significant related parties' transactions

The following are significant related parties' transactions:

	<u>Nature of the relation</u>	<u>Nature of the Transaction</u>	<u>For the Year Ended December 31, 2021</u>
		<u>EGP</u>	<u>EGP</u>
Egyptian American fund	Shareholder	Loans to some of subsidiaries	(160 000 000)
		Loans debit interest	10 869 041
Bank Misr	Shareholder	Loans to some of subsidiaries	(53 578 617)
		Loans debit interest	558 343

38. Group's share of (Losses)/profits of investments in associates and joint ventures entities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Waffarha.com	(431 950)	(515 268)
Roderz for smart applications	(360 000)	--
EGY Insure-tech for electronic applications	(22 375)	--
Bosta Co.	(4 735 473)	(4 165 464)
	<u>(5 549 798)</u>	<u>(4 680 732)</u>

39. Deferred tax

For the following represent deferred tax assets (liabilities) calculated according to income tax law:

	<u>Beginning balance</u>	<u>Impact of acquisition of subsidiary</u>	<u>Charged to Consolidated profit or loss</u>	<u>Ending balance</u>
Deferred tax Assets				
Deferred tax on granting shares to employees	--	--	11 789 553	11 789 553
Intangible assets	4 439 387	(5 269 027)	1 557 682	728 042
Deferred tax losses	--	19 458 263	(7 020 329)	12 437 934
Total	4 439 387	14 189 236	6 326 907	24 955 530
Deferred tax liabilities				
Difference in Fixed assets depreciation and intangible assets amortization	(6 083 935)	--	(4 792 926)	(10 876 861)
Effect of the initial application of EAS 49 (note 41)	(4 085 192)	--	--	(4 085 192)
Other temporary differences	--	--	(5 130 000)	(5 130 000)
Deferred tax Assets	(10 169 127)	--	(9 922 926)	(20 092 053)

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40. Loans

Description	<u>Loan's payments due within one year</u>	<u>Loan's payments due after one year</u>	<u>Total loans balance as of December 31, 2021</u>	<u>Total accrued interest for loans</u>	<u>Total loans balance as of December 31, 2020</u>
A loan from the Egyptian American Fund (a related party) starting from November 2020 for a period of three years from the date of the beginning of the loan, to be paid in two installments, with the first payment due two years after the date of signing the contract, and the second payment due one year after the first payment, and the two parties agreed to calculate a monthly interest rate Fixed annual return to be paid every six months.	112 000 000	48 000 000	160 000 000	7 344 769	--
On March 22, 2021, a medium-term loan contract was signed for a period of 18 months with Banque Misr (a related party) in the amount of 150 million Egyptian pounds at a market rate of return, to be used to finance the current activity of the company, for the purpose of financing the company's activity in the form of micro-loans in accordance with Financial Supervisory Authority controls.	37 820 206	15 758 411	53 578 617	--	--
Total loans and accrued interest On December 31, 2021	149 820 206	63 758 411	213 578 617	7 344 769	--

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For the Year Ended December 31, 2021

41. Lease liabilities

	<u>December 31, 2021</u>
<u>Headquarters and branches</u>	
Non- current liabilities	81 540 702
Current liabilities	19 695 737
	101 236 439
	<u>December 31, 2021</u>
Maturity Analysis	
Less than one year	30 105 577
More than a year and less than five years	92 791 550
More than five years	3 579 883
	126 477 010
Unrealized interest	(25 240 571)
	101 236 439

42. 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	560 773 993	463 357 544
Selling and marketing commissions	70 065 421	71 589 419
Other cost	17 767 789	5 929 355
Depreciation and amortization	151 346 930	88 392 029
Cost of cash collections	71 892 907	44 160 880
Micro finance contract expenses	14 103 388	797 900
Salaries and wages	321 967 579	178 772 522
Outsourcing, technical support and services	63 343 413	36 950 014
Rent expenses	--	3 352 552
Selling and marketing expenses	56 544 739	29 532 933
Lease finance expenses	8 807 080	--
Bank charges	10 396 501	1 403 391
Debit interest	20 235 909	14 357 331
Insurance expenses	19 448 147	10 256 335
Premises expenses	6 402 372	5 192 463
Training and Human resource expenses	4 623 131	2 776 314
Travel and transportation	9 973 120	37 934 293
Professional fees	4 787 241	4 828 854
Others	11 819 839	9 494 313
	1 424 299 499	1 009 078 441
Operating costs	725 893 276	566 666 470
General and administrative expenses	379 711 786	236 217 835
Selling and marketing expenses	279 254 967	190 435 802
Finance expenses	39 439 470	15 758 334
	1 424 299 499	1 009 078 441

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43. Segment information

The group has two major sectors representing the important sectors of the group, offering different services that are managed in a separate way because they require different skills and have different types of clients. The managers of each sector review internal management reports in a periodic manner at least once every three months.

The accounting policies of the reportable sectors are the same as the group's accounting policies on December 31, 2021, and the profits of each sector represented in the profits it makes, which are reviewed regularly without any distribution of income tax expense. This measure is considered the most appropriate for the purpose of allocating resources to sectors and assessing their performance.

A. Segment profit or loss statement

EGP	<u>Revenue</u>		<u>Segment Profit/(Loss)</u>	
	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Banking technology and E-payment sector	1 521 221 960	1 161 998 617	294 262 055	287 244 157
Micro-Finance sector	136 934 717	72 564 304	26 562 922	5 967 472
Total	1 658 156 677	1 234 562 921	321 444 746	293 211 629
Net profit before tax			321 444 746	293 211 629
Tax			79 322 663	69 647 138
Net profit after tax			242 122 083	223 564 491

B. Segment Assets

EGP	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Banking technology and E-payment	4 111 477 098	2 473 963 576
Micro-Finance	452 425 403	261 253 902
Assets before disposals	4 563 902 501	2 735 217 478
Elimination of internal transactions between segments	(439 827 573)	(299 286 208)
Assets after disposals	4 124 074 928	2 435 931 270
Total Assets	4 124 074 928	2 435 931 270

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44. Earnings per share

Earnings per share is calculated by divide available net profit for parent company shareholders by weighted average number of shares for 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 for the period	177 177 542	177 177 542	186 234 037	186 234 037
Less:				
Employee dividends*	(19 267 140)	(19 267 140)	(17 452 840)	(17 452 840)
Board of directors' bonus	--	--	(4 987 774)	(4 987 774)
Net profit after dividends	157 910 402	157 410 402	163 793 423	163 793 423
Average number of shares during the period	1 338 415 231	1 339 109 038	907 304 120	907 304 120
	0.12	0.12	0.18	0.23

* For the purposes of calculating the earnings per share of the fiscal year ending on December 31, 2021, the employees' dividends proposed by the board of directors has been deducted, the proposed dividend will be presented to the Company's general assembly for approval.

45. Acquisition of a subsidiary company

During the first quarter of 2021 Fawry for Banking Technology and Electronic Payments S.A.E acquired a percentage of 60.46% from the total shares of Fawry Plus for Banking Solutions S.A.E., The goodwill recognized represent the excess of the cash consideration paid over the fair values of the Company's identifiable net assets.

The group's management has applied the requirements of The Egyptian Standard (No.29) with regard to accounting for business combination carried out in stages and the group's management has re-measured the equity interest previously held in the invested company at fair value at the date of control and recognized the profits resulting from the remeasurement of the investment in the consolidated statement of profit or loss of 22 800 000 Egyptian pounds.

The fair value of the identifiable assets and liabilities and contingent liabilities arising from the acquisition of Fawry Plus for Banking Services LLC has been determined. The fair value at the acquisition date amounted to EGP 20 002 392.

	<u>December 31, 2021</u>
The net fair value of the assets and liabilities acquired	40 053 967
Less	
Non-controlling interest shares in fair value of net identifiable assets	7 908 946
Fair value of the previously held interest	22 800 000
Consideration paid	34 077 999
Goodwill	24 732 978
Net cash acquired from the acquisition of a subsidiary:	
	<u>EGP</u>
Consideration paid	(34 077 999)
Deduction: cash and cash equivalents of the acquired company	62 017 657
	27 939 659

Profits from Disposed investments in associate company - Fawry Plus Company for Banking Services

	<u>EGP</u>
The fair value of the investment at the date of disposal	22 800 000
Deduct: the book value of the investment at the date of disposal of the associate company	--
	22 800 000

46. Legal Position

During the third quarter of 2019, a company filed a lawsuit against Fawry for Banking Technology and Electronic Payments and one of its subsidiaries "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.

47. 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 have 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 advisory and legal opinion from the company's legal advisor in that regard.

The year 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.

48. Financial instruments**Credit risk factors**

- The company manages and evaluates the financial risks associated with the company's activity by analyzing the impact of those risks and the means to confront them. The financial risks include credit risks and liquidity risks.
- The company monitors the financial market in order to control the financial risks related to the company's operations.

Credit risk

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

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

The maximum credit risk is analyzed as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cash and cash equivalents	993 308 837	623 737 310
Treasury bills	1 129 566 247	562 333 838
Accounts and notes receivable	63 746 140	53 471 408
Loans to customers (Net)	310 596 197	204 907 574
Due from related parties	1 700 445	7 289 398
Loan to related parties	--	37 602 912
Debtors and other debit balances	63 471 350	36 646 763
Advances to billers	372 680 643	385 426 890
Total	<u>2 935 069 859</u>	<u>1 911 416 093</u>

The Group uses specialized models in estimating the expected credit losses on its financial assets, including loans to microfinance clients.

Expected credit losses assessment for loans to micro-finance customers

- This risk is represented in the inability of customers granted credit to pay their dues. To reduce this risk, the company's management implements policies that guarantee dealing with the risk and then managing it through the distribution of centralizations, whether at the level of individuals, geographical areas, or customer activities with a good credit record and a good reputation. By following up on clients' accounts, and in the event of a default in the repayment of those loans, it forms the necessary provision to meet these obligations. The company's cash balances are deposited in banks with a high credit reputation, and the maximum risk is represented in the value of clients' loans.
- The following table provides information about the exposure to credit risk and ECLs for loans to micro-finance customers as at 31 December 2021 and 31 December 2020:

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<u>31 December 2021</u> <u>In EGP</u>	<u>December 31, 2021</u>	<u>Installment's interest and</u> <u>Accrued revenues</u> <u>(debit balances)</u>	<u>Expected credit losses</u> <u>provision</u>
Current	378 924 582	--	3 590 053
1-30 days past due	41 140 349	2 462 741	1 647 193
31-60 days past	3 258 196	338 958	815 591
61-90 days past	2 251 348	298 695	1 398 422
91-120 days past	11 157 697	6 797 725	13 466 567
	436 732 171	9 898 119	20 917 825

The balance of the provision according to the rules of the Financial Regulatory Authority during the year 2021 amounted to 25,985,370 EGP, and accordingly, the provision according to the rules was recognized (Note No. 13)

<u>31 December 2020</u> <u>In EGP</u>	<u>December 31, 2020</u>	<u>Installment's interest and</u> <u>Accrued revenues</u> <u>(debit balances)</u>	<u>Expected credit</u> <u>loss provision</u>
Current	207 659 178	4 035 180	4 479 156
1-30 days past due	9 419 346	364 670	415 178
31-60 days past	40 388 175	154 456	5 961 557
61-90 days past	700 929	111 199	232 063
91-120 days past	993 388	96 596	490 493
More than 120	3 314 712	384 662	1 664 719
	262 475 728	5 146 763	13 243 166

The balance of the provision according to the rules of the Financial Regulatory Authority during the year 2020 amounted to 11,237,848 EGP, and accordingly, the provision according to the rules was recognized (Note No. 13)

a. Capital risk management

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

Financial risks factors

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

Liquidity risk

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

Analysis of contractual maturity for financial liabilities:

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For the Year Ended December 31, 2021

<u>31 December 2021</u>	<u>Less than one year</u>	<u>More than one year</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Non-interest bearing	1 814 763 215	--	1 814 763 215
Bearing interest	600 740 676	145 299 113	746 039 789
	<u>2 415 503 891</u>	<u>145 299 113</u>	<u>2 560 803 004</u>

<u>31 December 2020</u>	<u>Less than one year</u>	<u>Less than one year</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Non-interest bearing	1 405 902 817	--	1 405 902 817
Bearing interest	222 983 552	--	222 983 552
	<u>860 117 919</u>	<u>--</u>	<u>860 117 919</u>

Foreign currency risk

Foreign currency risk is represented in foreign currency fluctuations in exchange rates affecting the Company's cash inflow and outflow in foreign currencies and also the exchange differences arising from translation of monetary assets and liabilities in foreign currencies. The Group's management monitors foreign currency balances and prevailing exchange rates, and continuously 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 all the company does not has facility at variable interest rate.

fair value measurement

Fair value measurements recognized in the consolidated statement of 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>				
Financial assets at FVTOCI				
Unlisted shares measured at FV	--	--	47 171 976	47 171 976
<u>2020</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>EGP</u>				
Financial assets at FVTOCI				
Unlisted shares measured at FV	--	--	--	--

49. 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 Four Plus Banking Services - SAE a 60%.

50. 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:

	<u>December 31, 2021</u>	<u>December 31, 2021</u>
	<u>EGP</u>	<u>No. of shares</u>
Outstanding at the beginning of the period	--	--
Granted during the period*	62 005 689	16 255 546
Forfeited during the period	(9 607 672)	(1 380 880)
Exercised during the period	--	--
	52 398 017	14 874 666

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

51. 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 Group's management conducted a study to assess the potential risks related to the group's ability to provide its services through its multiple products and its impact on the activities of the group as a whole, human resources, in order to ensure that the group'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.

52. Subsequent events to the date of consolidated financial statements

- 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 Group's management considers that there is currently no indication of disruption to the group's business or failure to meet the Group's obligations to its customers and there are no indications of a material impact on its future operational performance.
- 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%.

53. 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 46 481 284 which were derecognized from fixed assets (note 6).