



ETH SWITCH

ANNUAL REPORT

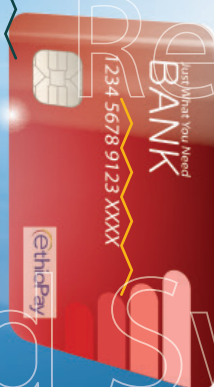
2022 | 23

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2023

2022



ETHSWITCH



Shared Infrastructure

for all Financial Service Providers

Card Switch

Digital Instant Payment Switch

Payment Gateway

Shared wallet

Reconciliation solution

Channel monitoring

Shared SOC

Card Perso & PIN Production

ANNUAL

REPORT

2022 | 23



ETHSWITCH

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2023

CONTENTS

Performance Highlights

Board Chairperson's Message

Chief Executive Officer's Message

Our Corporate Philosophy

Report of the Board of Directors

1. Digital Payments Landscape	1
2. Operational Performance	4
2.1. Interoperable Transactions	4
2.2. Card and PIN (Personal Identification Number) Personalization	6
2.3. Dispute Management	6
2.4. Clearing and Settlement	6
2.5. Development and Establishment of a Domestic Payment Scheme	7
2.6. Provide secure, reliable, and seamless services	7
2.7. Project Implementation Status	7
3. Financial Performance	8
3.1. Assets	8
3.2. Capital	8
3.3. Revenues and Expenses	8
4. Strategy and Other Development	11
4.1. Strategy Development and Revision	11
4.2. Status of Strategy Implementation	12
4.3. Other Development	13
Auditor's Report	25

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የጉባኤው አጀንዳዎች

1. የጉባኤውን ጽ/ቤት መሰየም፤	6. እ.ኤ.አ የ2022/23 የኩባንያውን የተጣራ ትርፍ አደላደል እና አከፋፈል ላይ የቀረበው የውሳኔ ሀሳብ ላይ ተወያይቶ መወሰን፤
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3. የጉባኤውን ረቂቅ አጀንዳ ማጽደቅ፤	8. የውጪ አዳተሮችን መሾም እና ክፍያቸውን መወሰን፤
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PERFORMANCE HIGHLIGHTS

Shareholders

28 
Banks

12 
MFIs

01 
PSO

01 
PII

National Data


7,858
Total Number of
ATMs


38,403,675
Total Number of
Payment Card Issued


12,016
Total Number of
POS Terminals

Total transactions across the industry


356,384,957


6,601,796


298,826,380

Interoperable Transactions Total Number


71,433,041
ATM


970,434
POS


14,140,881
P2P


380,795
Card Printing


185,322,065
Total

Financial Performance


1,785,869,074 Birr
Total Asset


941,552,000 Birr
Paid-up Capital

123 
Total Number of Staffs


606, 536,792 Birr
Operational Income


534,534,327 Birr
Profits before Tax

2022 | 2023 FY

BOARD DIRECTORS



H.E Ato Solomon Desta
Chairperson



Ato Melaku Kebede
Vice Chairperson



Ato Asfaw Alemu
Board Director



Ato Daniel Tekeste
Board Director



Ato Dereje Zebene
Board Director



Ato Girum Tsegaye
Board Director



Ato Teferi Mekonnen
Board Director



Ato Yehuala Gessesse
Board Director

BOARD CHAIRPERSON'S MESSAGE



Esteemed Shareholders,

On behalf of the Board of Directors and myself, I am pleased to present EthSwitch's Annual Report for the Financial Year 2022/2023.

The financial year 2022/2023 was marred by challenges both nationally and globally. Despite the many factors that adversely affected the global and local economic environment, EthSwitch has achieved significant milestones.

During the concluded financial period, EthSwitch successfully implemented its strategic plan, achieving notable advancements in policy, income generation, project implementation, and operational efficiency. EthSwitch has earned a profit before tax of Birr 534,534,327; accordingly, the pre-tax profit has increased by 172%, a record-high figure compared to the previous years. This achievement is realized by the unwavering commitment to enhance operational efficiency, revenue growth, and cost optimization. Besides, this achievement is attributed to the overall effort of the board of directors, management, and staff.

Moreover, EthSwitch is playing a significant role in the realization of National Digital Payment Strategy, a strategy to promote e-commerce and digital services at the national level, and the National Financial Inclusion Strategy II, which aims to create universal access to affordable financial services and products by 2025. These national strategies are strongly aligned with the strategic aspirations and goals of EthSwitch.

EthSwitch has succeeded in various service areas, including Person-to-Person (P2P) services, ATM and POS transaction interoperability, and card and PIN personalization services. These accomplishments reveal the company's contributions to the modernization of the national payment system and the expansion of financial inclusion nationwide.



Regarding the implementation of the Real-Time Payment Platforms, the National Payment Gateway received a pilot authorization from the National Bank of Ethiopia, and the pilot phase has commenced. The Instant Payment System and Shared Wallet system are on the final stage of UAT process. The Shared Reconciliation project, a multi-tenant platform that creates operational excellence in the day-to-day reconciliation process, has launched and moved to a production environment for EthSwitch's use and one member bank.

Internationally, EthSwitch is live with MasterCard ATM acquiring and progressing, and in testing phase of POS acquiring with a member bank. The Discover project analysis is completed, and development is expected to finish in December 2023. Upgrades to comply with PCI-PIN requirements for international card issuing are also underway.

In the upcoming fiscal year 2023/24, we will focus on delivering excellent service, maintaining infrastructure, deploying new platforms, and advancing initiatives such as the Real-Time Payment (RTP) project and Cross-Border Payments. We are also preparing for the next phase of our strategy.

Lastly, I extend my most profound appreciation to the Board, management, and the entire EthSwitch staff for their dedication, commitment, and hard work. I am grateful to our member banks, MFIs, PIs, and PSOs for their ongoing support in modernizing Ethiopia's national payments. I would also like to convey special thanks to the National Bank of Ethiopia, the Bill and Melinda Gates Foundation, and the Africa Development Bank for their guidance and support.

Together, we have achieved remarkable milestones, and I am confident that EthSwitch will continue to lead Ethiopia's digital payment sector.

Thank you.



H.E. Ato Solomon Desta
Board Chairperson

EXECUTIVE MANAGEMENT



Yilebes Addis
Chief Executive Officer



Yosef Melka
Chief Corporate Services Officer



Nebiyu Mengistu
Chief Operations Officer



Assefa Yeshanew
Chief Information Officer



Solomon Mohammed
Director, IT Infrastructure Department



Beza Mamo
Director, Payment Applications Department



Abeneazer Wondwossen
Director, Program Management Office



Yared Seyoum
Director, Strategy & Change Management Department



Yoseph Endale
Director, Marketing Department

CHIEF EXECUTIVE OFFICER'S MESSAGE



Esteemed Shareholders,

I am delighted to report to you the achievements of EthSwitch during the fiscal year 2022/23. We have made significant progress in operational activities, technology, revenue generation, project execution, and international engagements, making it a truly remarkable year for EthSwitch.

As the National Switch, EthSwitch plays a crucial role in simplifying payments, and I am pleased to highlight the key accomplishments of the past fiscal year:

- 1. Interoperable ATM Transactions:** We conducted an impressive 71,433,041 successful interoperable ATM transactions, providing convenient and seamless payment options to our customers across Ethiopia.
- 2. Person-to-Person (P2P) Interoperable Service:** Our P2P interoperable service achieved immense success, totaling 14,140,881 transactions. This service has empowered individuals to transfer funds easily and securely, contributing to financial inclusion.
- 3. Interoperable POS Purchases:** We have achieved 970,434 successful transactions for interoperable POS purchases, enabling individuals and businesses to efficiently complete their transactions.
- 4. Real-Time Payment (RTP) Project:** We made significant progress in the Real-Time Payment project, including successfully deploying the shared reconciliation system for EthSwitch. This project has enhanced the speed and efficiency of payment processing, benefiting our customers and stakeholders.
- 5. Strategic Plan:** successfully conducted mid-term review and revision of our strategic plan, and excellent progress has been made in implementing the third-year strategic plan. This strategic focus has guided our initiatives and paved the way for our success.

6. **Strengthened Internal Control:** We have strengthened internal control measures by developing and implementing various policies, procedures, and guidelines. These measures ensure the integrity and security of our operations.
7. **System Performance:** Our continuous efforts to improve and upgrade our system's performance have yielded positive results, enhancing the reliability and efficiency of our services.
8. **PCI-DSS Recertification:** We finalized the third-year PCI-DSS (Payment Card Industry Data Security Standard) recertification, demonstrating our commitment to maintaining the highest standards of data security and protecting our stakeholders' interests.

Furthermore, I am delighted to report substantial improvements compared to the previous fiscal year:

- Interoperable transactions increased by an impressive 130%, reflecting the growing adoption of digital payments in Ethiopia.
- Our total assets increased by a remarkable 64%, showcasing our steady growth and financial strength.
- Net profit before tax surged by an outstanding 172%, a testament to our successful revenue generation and sound financial management.

These achievements are a demonstration to the hard work, dedication, commitment, and support of all our stakeholders. I would like to express my sincere gratitude to the National Bank of Ethiopia, the Board of Directors, Member Banks, MFIs, PIs, PSOs, EthSwitch's management and employees, development partners, participating merchants, and our valued customers for their unwavering support.

Looking ahead, we remain committed to our mission of making payments simple, and affordable, as well we will continue to strive for excellence in the coming years. Together, we can achieve even greater success and drive the digital payment landscape forward.

Thank you for your continued trust and investment in EthSwitch. Your support is invaluable, and we are enthusiastic about the opportunities that lie ahead.

Thank you.



Yiebes Addis

Chief Executive Officer

OUR CORPORATE PHILOSOPHY

EthSwitch is the National Switch Owned by all commercial banks, the National Bank of Ethiopia, MFIs (Microfinance Institutions), PIs (Payment Instrument Issuers), and PSOs (Payment System Operators).

EthSwitch is mandated to Create Interoperability between financial institutions, Implement a Domestic Payment Scheme, provide National Payment Gateway, serve as Central Interconnectivity for clearing & settlement, and provide Shared Platform /Infrastructure services.



Mission

Making Payments Simple and Affordable.



Vision

To be the Best-in-Class Payment Network in Africa by 2035.



Core Values



Integrity



Security



Innovative



Customer Focused



Enabling



Employee Focused

Strategic Aspirations

To scale up digital payment transactions in Ethiopia by being the best-in-class switch that enables all value chain participants.

Strategic Goals-Vision 2025

Goal 1



Create Interoperability Across All Channels and Players

Goal 2



Develop Payment Scheme

Goal 3



Provide Shared Platform and Infrastructure Services

Goal 4



Build Internal Dynamic Capability

Goal 5



Ensure Service Excellence: Secure, Reliable, Seamless Services

BOARD OF DIRECTORS' REPORT

The Board of Directors of EthSwitch is honored to present the EthSwitch Annual Report and Audited Financial Statements for the Financial Year ended June 30, 2023, to the 10th Annual General Meeting of its Shareholders.

During the reporting period, EthSwitch continued to deliver superior operational and financial performances and remarkable project implementation despite the challenging year due to domestic and global issues.

1. Digital Payments Landscape

Ethiopia's digital payment landscape is rapidly evolving, driven by improved telecom infrastructure, government support, competition, economic growth, and urbanization. This transformation brings tangible changes, including increased ATMs and POS terminals, development in mobile banking and Internet banking, and EthSwitch's role in facilitating interoperable payments. These changes have positive impacts, enhancing convenience, efficiency, security, and financial inclusion.

The government's commitment to the National Digital Payments Strategy (NDPS) further promotes this development. However, challenges such as financial literacy, security, and regulatory frameworks must be addressed. EthSwitch's role as the national payment switch operator is crucial in advancing digital

payments. The government and private sector must collaborate, prioritize security, and invest further to unlock the full potential of digital payments in Ethiopia. With continued support, Ethiopia can become a prominent player in Africa's digital payments market.

According to data obtained from the National Bank of Ethiopia (NBE), in 2022/23, there was a total of 7,858 Automated Teller Machines (ATMs) deployed all over the country, while there were 12,016 Point of Sales (POS) terminals active and deployed on merchant premises. The total number of ATM transactions has reached 356,384,957 in the banking sector, with the corresponding value of Birr 478,319,000,000. POS transactions have also reached 6,601,796, amounting to a corresponding purchase value of Birr 40,840,440,000.

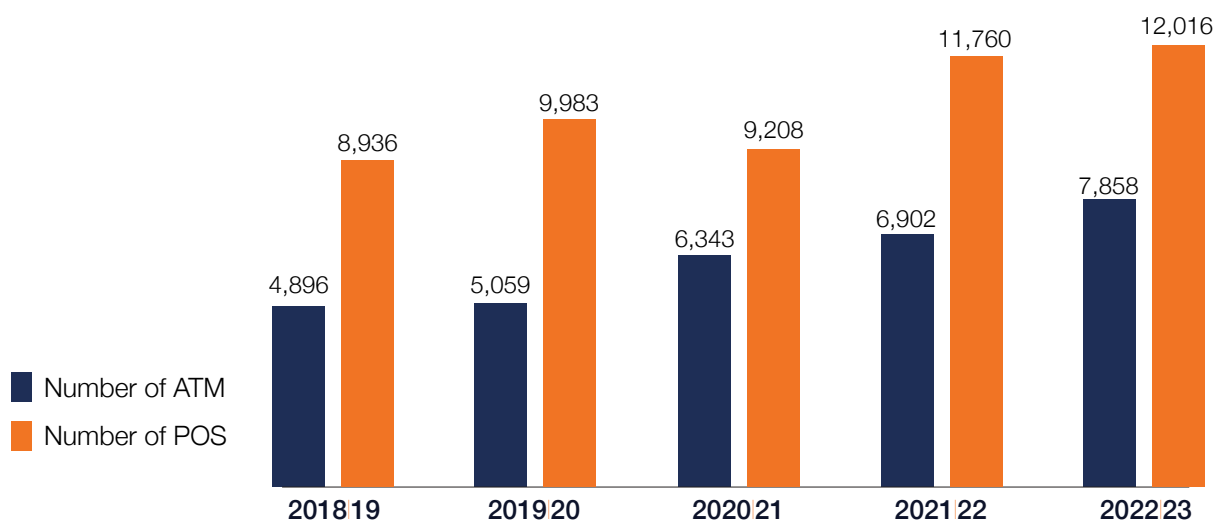


Figure 1.1: Growth of Industry-Wide ATM & POS Terminals Deployment, 2018/19-2022/23

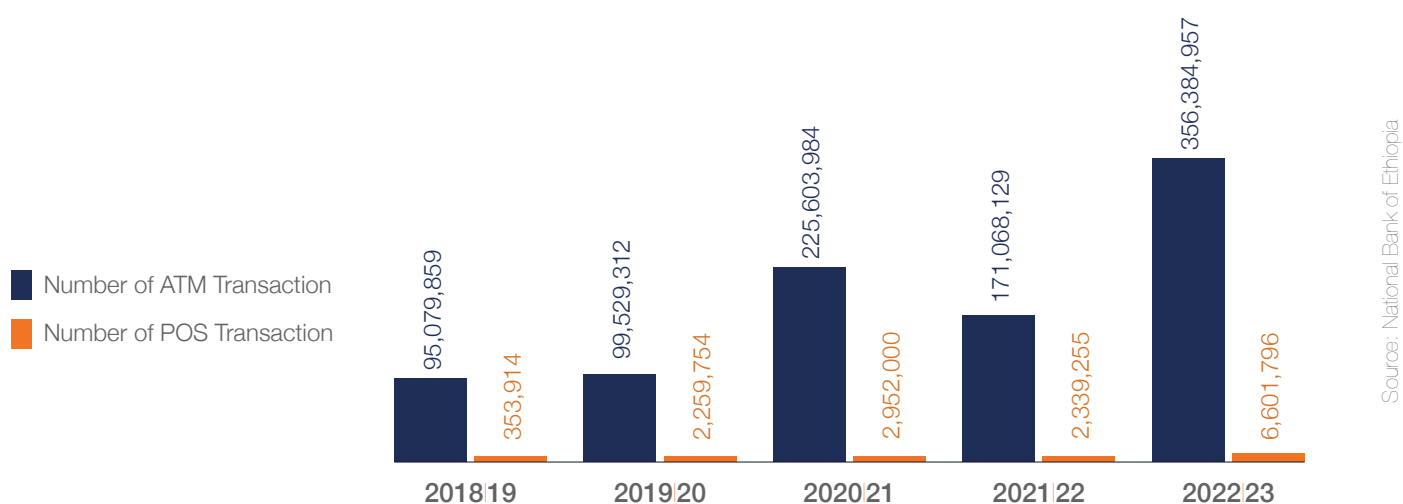


Figure 1.2: Growth of Industry-Wide ATM & POS Transaction Volume, 2018/19-2022/23

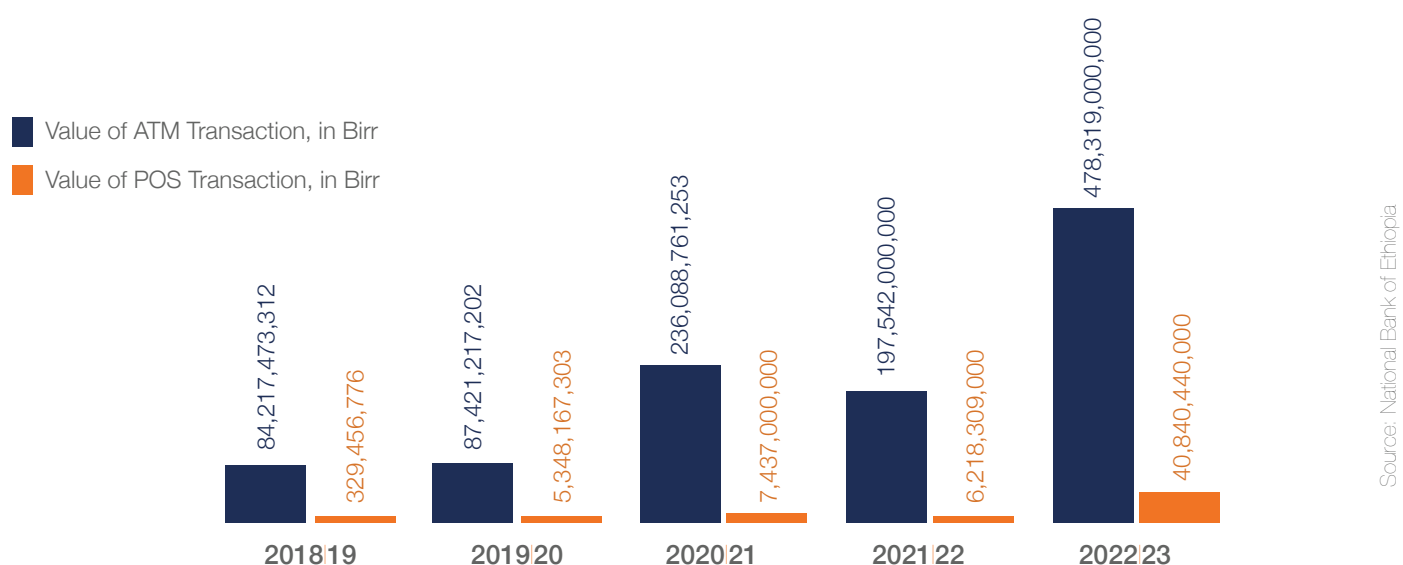
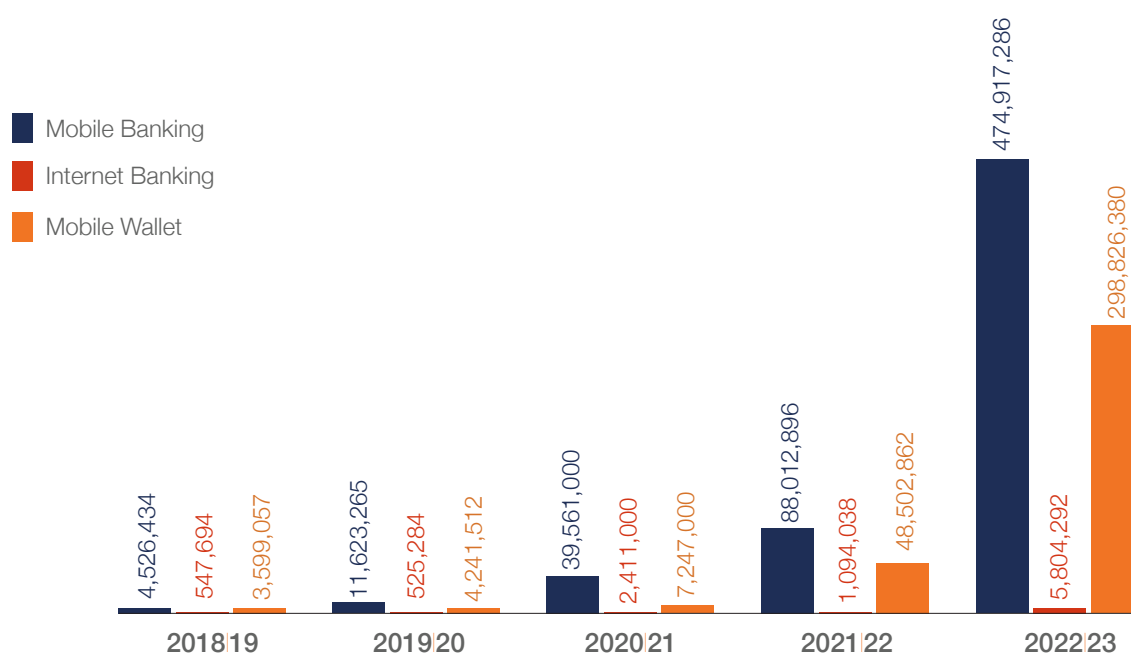


Figure 1.3: Growth of Industry-Wide ATM & POS Transaction Value, 2018/19-2022/23

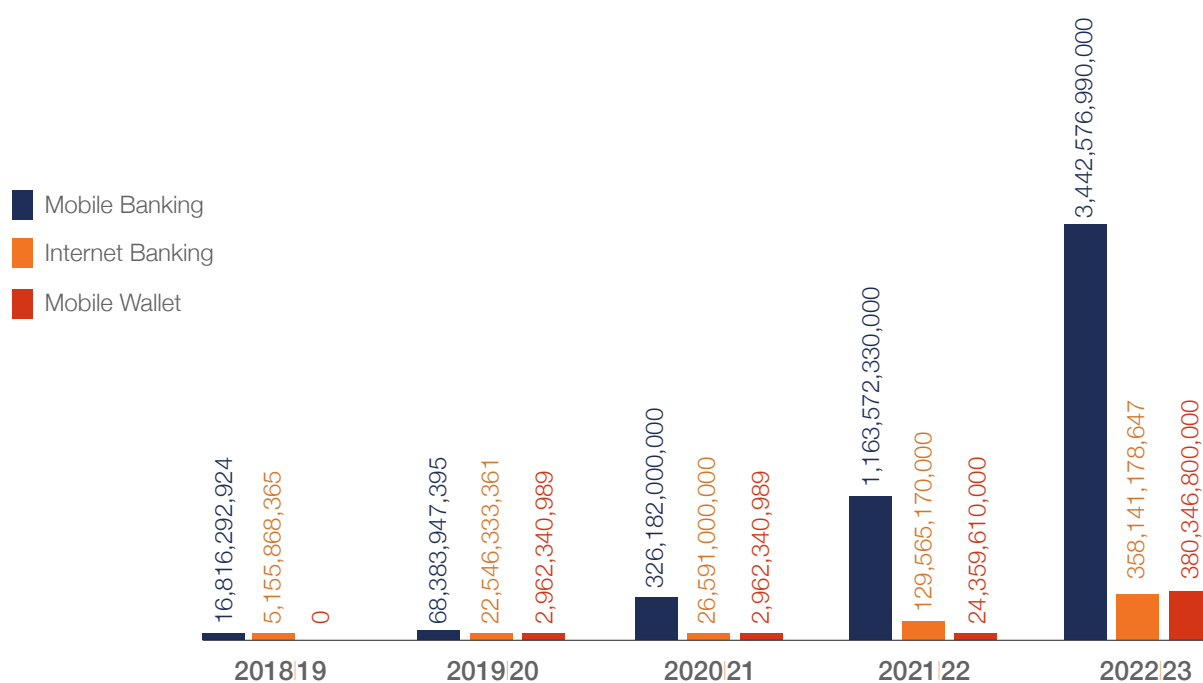
According to NBE, there has been a significant development in the industry-wide usage of mobile banking, internet banking, and mobile wallets in recent years. Taking 2022/23 as an example, a total of 474,917,286 transactions have been concluded on mobile banking with a value of Birr 3,442,576,990,000. On Internet banking, 5,804,292 transactions have also been recorded, having a value of Birr 358,141,178,647. Mobile

wallets are the third channel that has shown tremendous growth, with a transaction volume of 298,826,380 and a value of Birr 380,346,800,000. Compared to transaction volumes of the previous year, mobile banking, internet banking, and mobile money (wallet) have shown an enormous increase, showing that the digital payment system is growing from year to year.



Source: National Bank of Ethiopia

Figure 1.4: Growth of Industry-Wide Mobile Banking, Internet Banking & Wallet Usage in transaction volume, 2018/19-2022/23



Source: National Bank of Ethiopia

Figure 1.5: Growth of Internet Banking, Mobile Banking & Wallet Usage in Transaction Value in Birr, 2018/19-2022/23

2. Operational Performance

To attain maximum performance on operation, EthSwitch will continuously work on increasing transaction volumes, improving the success rate of transactions, and minimizing transaction failures due to any technical circumstances.

To achieve service excellence in all products and services, EthSwitch has built a customer-centric communication center which is playing a crucial role in creating the direct link between EthSwitch and its customers (Banks, MFIs) and third-party players like Digital Financial Services Providers (DFSPs) by assigning “Key Account managers.”

Key Account Managers have built and reinforced the relationship between EthSwitch and member banks by diligently tracking and following up on each member bank’s issues/requests, providing timely and suitable solutions.

This has been instrumental in bolstering the overall operational performance of EthSwitch in the fiscal year, as can be observed from the performance of the main lines of operation.

2.1. Interoperable Transactions

During the fiscal year 2022/23, EthSwitch has processed a total of 185,322,065 interoperable transactions.

Compared with the 2021/22 previous year performance, the total number of transactions processed increased by 130%.

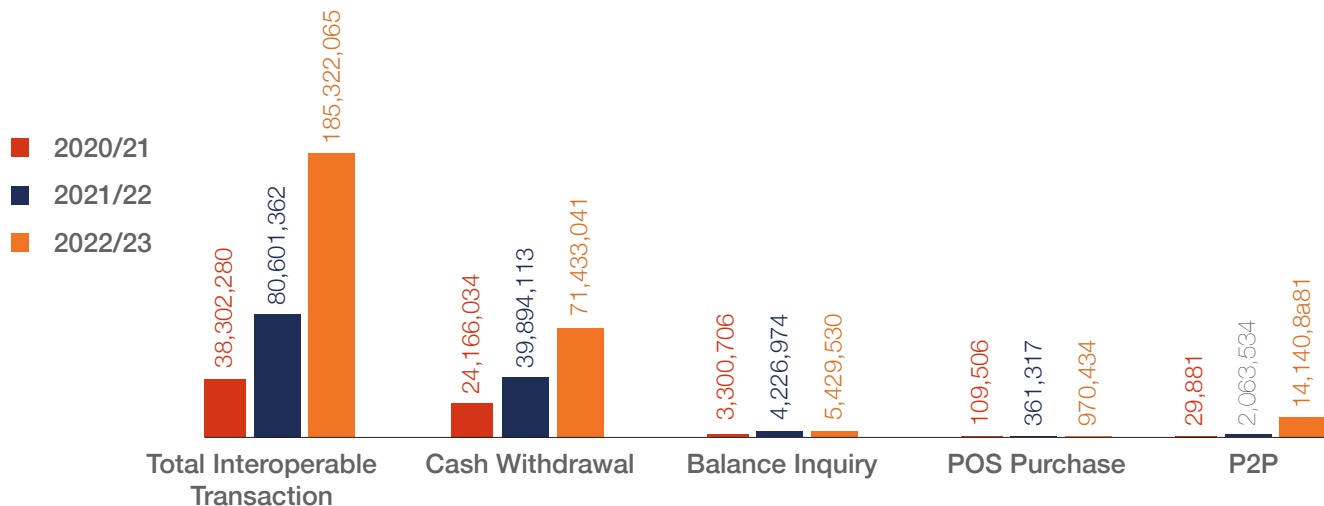


Figure 2.1: Seasonal Comparison of Successfully Processed Transactions

2.1.1. Interoperable ATM Transactions

Out of the total interoperable transactions, 71,433,041 transactions have been successful cash withdrawal transactions, achieving 115% of its annual target, with a value of Birr 89,762,128,279. The volume of ATM interoperable transactions has increased by 79% from the previous year. The average transaction success rate for ATMs over the year stands at 93%, achieving 99% of the annual target of 93.5%. This represents a significant improvement compared to the same period in the previous year, where the success rate was 89%.

2.1.2. Interoperable POS Transactions

During the fiscal year, EthSwitch recorded 970,434 interoperable POS transactions, surpassing its annual target by 138%. These transactions were valued at Birr 2,642,979,031, showing a significant increase of 169% from the previous year.

The average transaction success rate for POS was 89%, exceeding the annual target of 85% and an improvement from the previous year's rate of 84%. EthSwitch completed POS phase I and phase II interoperability tests, onboarded new banks and POS operators, and is currently working on expanding the POS interoperability environment. These efforts aim to enhance the customer experience and drive the growth of the national payment ecosystem.

EthSwitch is actively working to improve the success rate of member banks by appointing dedicated account managers to monitor their transaction performance and provide daily reports on declines. EthSwitch is also expanding its interoperability network by integrating new participants and completing testing activities with Tsedey, Goh Beto, Sidama, Gada, Shabelle Banks, Rays MFI, and "One" MFI as an issuer and acquirer. EthSwitch's focus on expanding its network and providing innovative payment solutions demonstrates its commitment to its customers.

2.1.3. Interoperable P2P Transactions

EthSwitch offers a versatile P2P fund transfer service, supporting various transfer use cases. With 30 participants, including banks and microfinance institutions, the service has processed 14,140,881 transactions, achieving 98% of its annual target. The volume of transactions has increased by 584% compared to the previous year.

EthSwitch's commitment to expanding payment services and integrating new players highlights its dedication to innovative solutions. Integration with Kacha and integrations with Flocash and Ethiopia Movable Collateral Registry (EMCR) further expand its services. EthSwitch's focus on growth drives the national payment ecosystem.

2.2. Card and PIN (Personal Identification Number) Personalization

EthSwitch achieved a remarkable milestone by delivering 380,795 personalized cards to nine member banks, meeting its annual target and showing a 26% increase from last year's performance.

EthSwitch is committed to continuous improvement and plans to expand services by developing contactless and prepaid cards. Efforts are underway to double card personalization machine capacity and

introduce dual interface card printing. EthSwitch's service expansion now includes twelve hosted banks, demonstrating its commitment to establishing a reliable and efficient payment infrastructure. EthSwitch's dedication to high-quality personalized cards and ongoing improvement establishes its position as a leading payment solutions provider in the region.

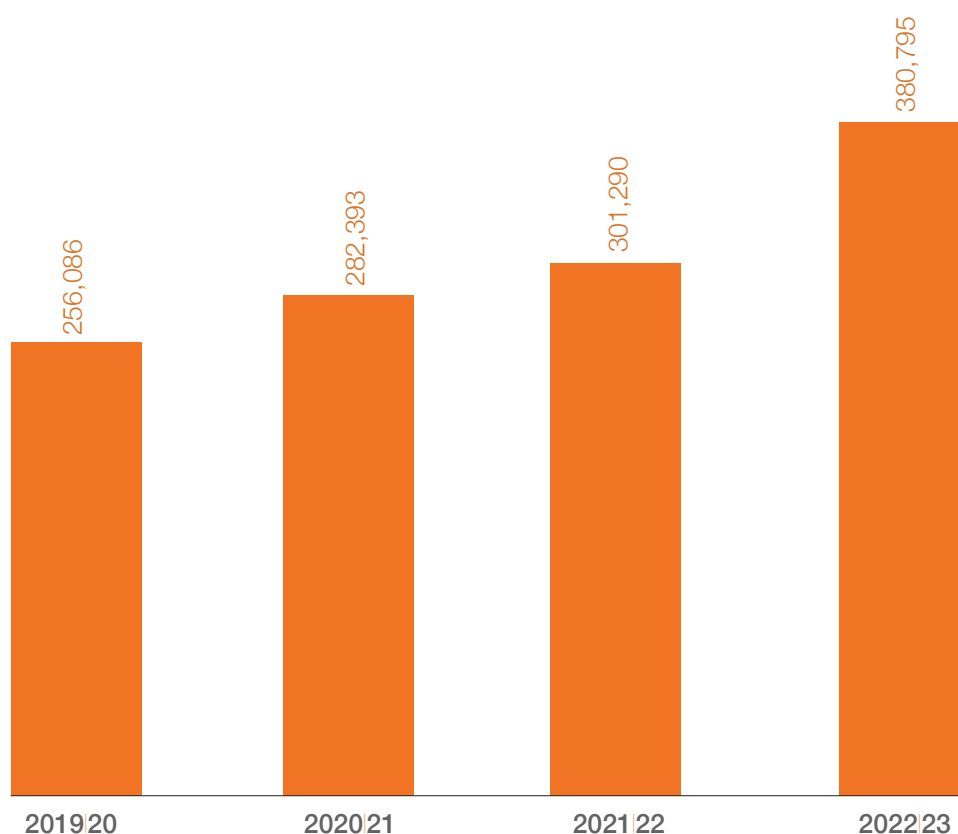


Figure 2.4: Yearly Card and PIN Printing & Personalization Performance

2.3. Dispute Management

Throughout the year, EthSwitch processed 340,718 dispute transactions through the system, of which 338,356 disputes were resolved within the eight-day dispute resolution time frame without the need for re-presentment. The remaining 2,362 disputed transactions were resolved during the second stage of the dispute resolution process, the re-presentment stage, and were resolved within the thirteen-day timeframe. The disputed transactions accounted for 0.47% of the total number of transactions, indicating a high level of reliability and efficiency in EthSwitch's payment infrastructure.

EthSwitch's new Dispute Management System, which has been successfully deployed and implemented, has played a significant role in streamlining the dispute resolution process. The system has automatic chargeback rules that enable the smooth handling of disputes, minimize the resolution process, and increase service excellence and efficiency. EthSwitch continues to hold regular monthly meetings with all member banks' clearing and settlement representatives to review the monthly dispute management progress and plan towards minimizing technical challenges related to dispute

handling, ensuring a seamless dispute resolution process.

2.4. Clearing and Settlement

EthSwitch successfully cleared and settled Interoperable ATM and P2P transactions on a T+1 (Transaction will be settled in the next business day) basis. POS transaction settlement was coordinated with member banks, ensuring timely file submissions. EthSwitch implemented a procedure for interoperable POS clearing file exchange, and managing transaction values and fees appropriately. Daily settlements adhered to NBE and EthSwitch system rules, with automated processing on the RTGS (Real-Time Gross Settlement) system.

Clearing and settlement reports were regularly provided to ensure smooth reconciliation. EthSwitch addressed outstanding issues promptly, minimizing unsettled transactions despite the increased volume. Additionally, EthSwitch remained responsive to member banks' clearing, settlement, and reconciliation incidents, emphasizing its dedication to setting up reliable and efficient payment infrastructure.

2.5. Development and Establishment of a Domestic Payment Scheme

EthSwitch has made significant progress in standardizing its contact payment card scheme, EthioPay. During the year ended a draft standard document was prepared and presented to the Ethiopian Standard Authority (ESA) workforce team. The final draft zero document has been submitted to the ESA technical committee for approval. The contact scheme is also being reviewed by the Ethiopian National Standard Council.

Additionally, EthSwitch has initiated the EthioPay contactless payment card scheme and QR code scheme, with terms of reference (ToR) documents prepared for their standardization process.

This focus on standardization highlights EthSwitch's commitment to providing reliable and efficient payment infrastructure. The standardized schemes will enhance the customer experience and contribute to the growth of the National payment ecosystem. EthSwitch remains dedicated to delivering innovative payment solutions and will continue to work on standardizing and introducing new payment schemes.

2.6. Provide secure, reliable, and seamless services

EthSwitch's Service Excellence/platform enhancement achievements include:

- Implementation of a comprehensive security framework complying with PCI-DSS (Payment Card Industry Data Security Standard) standards, ensuring data protection and continuous security updates.
- Integration of CBS card files for multiple banks, instant card issuing, and implementation of reloadable and disposable prepaid cards.
- Development of various systems and platforms for enhanced operational efficiency and user-friendly experience.
- Upgrading the DC and DR infrastructure, acquiring Microsoft Windows Server 2022 licenses, and deploying a monitoring system.

- IT diagnostic assessment, IT strategic plan development, and completion of yearly PCI-DSS compliance recertification.
- In-house security operation center (SOC) implementation, deployment of anti-malware solutions, and improvements in IT infrastructure.
- Availability of EthSwitch payment infrastructure and hosting services, including online messaging, dispute management, clearing & settlement, and card personalization.
- Improved incident response capability and 24/7 technical and operational support for member banks.
- Milestones achieved in international card acquiring and issuing activities, including Mastercard ATM acquisition and system integration.
- Certification for fulfilling Visa RoC requirements and development of specifications for the Discover project.
- Overall, EthSwitch remains dedicated to providing secure and reliable payment solutions, ensuring customer satisfaction.

2.7. Project Implementation Status

EthSwitch is actively implementing real-time interoperable payment systems projects, including instant payment systems, national payment gateway, shared wallets, and digital channels. During the year ended, progress has been made in system integration and simulation tests for instant payment systems. The national payment gateway has achieved major technology readiness milestones, received pilot authorization from the National Bank of Ethiopia, and conducted successful pre-production transactions, marking the first historic online payment using the payment gateway. The shared wallet system has also reached significant milestones and is undergoing a version upgrade for pilot completion. Furthermore, the shared reconciliation system was successfully deployed for EthSwitch's use, and projects with Awash Bank and Cooperative Bank of Oromia have been implemented on the shared reconciliation platform.

3. Financial Performance

3.1. Assets

During the period under consideration, EthSwitch's total assets rose to Birr 1,785,869,074 from the previous year of Birr 1,088,752,804, registering a growth of 64%. Out of the total assets, non-current

assets constituted Birr 176,815,304 or 10%, while current assets accounted for 90% or Birr 1,609,053,770. The asset increases were financed mainly by share sales and revenue generated during the period.

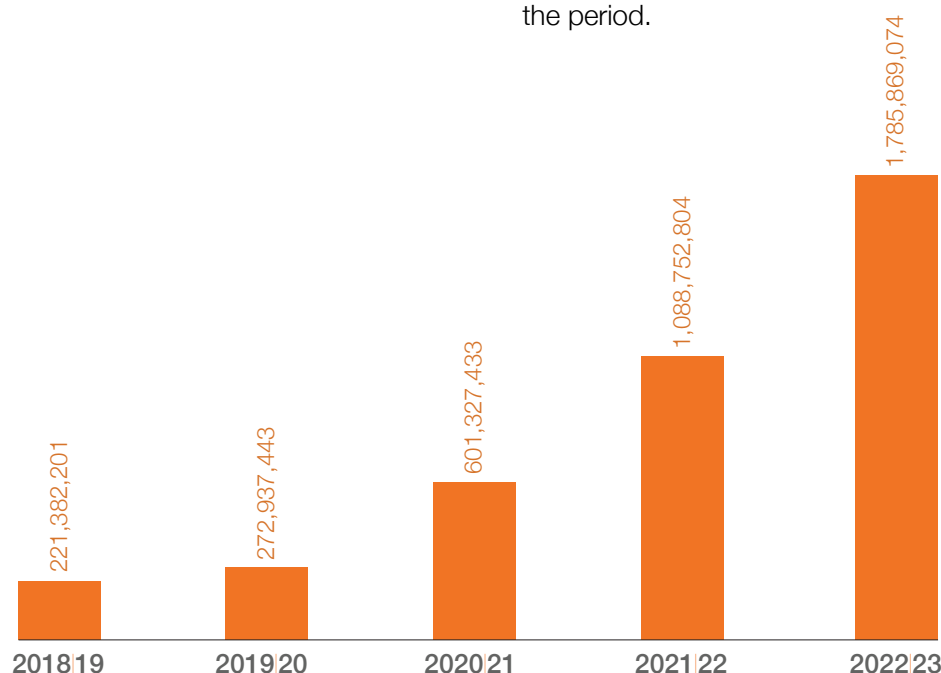


Figure 3.1: Comparison of Total Assets in Birr, 2018/19 – 2022/23

3.2. Capital

EthSwitch was established in 2011 with a paid-up capital of Birr 80,496,000.00. At the second extraordinary general shareholders meeting held on the 20th of September 2014, a decision was made to increase the company's capital to Birr 300,000,000.00 to enable EthSwitch to invest in infrastructure and other capabilities. Furthermore, on the fourth extraordinary general shareholders meeting on December 25, 2019, the Shareholders of EthSwitch endorsed the paid-up capital of the company, which was Birr 217,530,000 as of September 2019 and decided to increase the capital with additional 600,000,000 Birr by issuing 600,000 new shares with a par value of Birr 1,000. The subscribed capital, as per the decision of the fourth extraordinary general meeting, is fully paid up. Following this, during the sixth extraordinary meeting, held on March 16, 2023, the shareholders decided to increase the capital by additional Birr 2.2 Billion through the issuance of 2,200,000 new shares with a par value of Birr 1,000 each. EthSwitch's paid-up capital, which was Birr 616,826,000 as of June 30, 2022, has increased to Birr 941,552,000 at the end of the reporting fiscal year.

3.3. Revenues and Expenses

During the fiscal year under review, EthSwitch generated revenue from the operational performance of Birr 606,536,792, indicating a growth of Birr 341,117,715 (129%), compared to the same period of last year. An additional income of Birr 162,336,016 has been generated from other sources, which is an increase of 151%, compared with the same performance of the previous year. The financial performance of EthSwitch has shown a robust improvement, achieving a total of Birr 768,872,808 in overall revenue, and compared to the previous fiscal year, a year-on-year increase of Birr 438,890,005 or 133% in overall revenues.

The overall operational and administrative expense of the company is registered to be 234,338,481, and a 76% increase from the previous fiscal year's of Birr 133,144,849.

During the period ended, EthSwitch has registered a recorded high profit before tax of Birr 534,534,327.

The profit performance of EthSwitch has shown a remarkable growth rate of 172% increase as compared with the previous fiscal year.

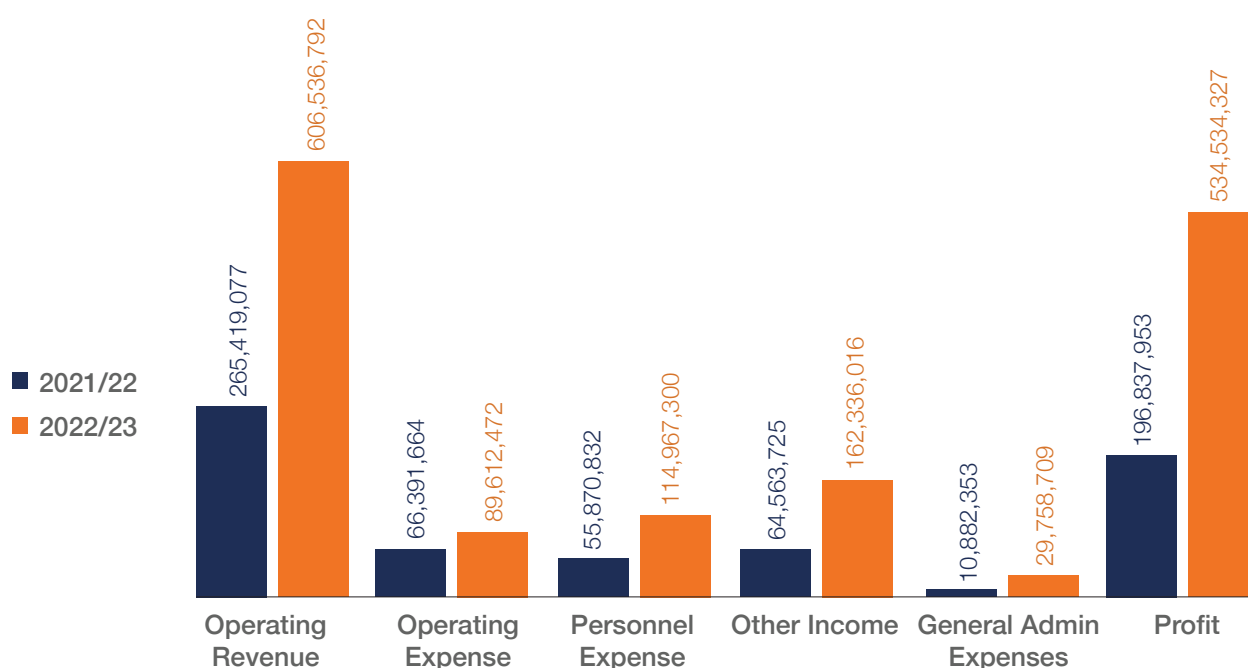


Figure 3.2: Key Financial Performance Figures in Birr

In terms of revenue streams, EthSwitch's primary income during the period under review came from ATM interoperable transaction fees. A total of Birr 474,437,598 in revenue was generated from ATM interoperable transactions, a 99% increase from the previous fiscal year.

The second biggest operational revenue was generated from the P2P service fee, amount to of Birr 110,946,351, an increase of 727% from the previous fiscal year. The third and the fourth revenues were generated from variables fee and POS purchase fees, amounting Birr 11,452,871 and 5,120,647, respectively. POS purchase fee has registered a very high increase from the previous year, which is a 196% increase.

Table 3.1: Composition of Revenues from Operation, in Birr

REVENUE STREAMS	2021/22	2022/23	Growth	Percentage Share	
				2021/22	2022/23
ATM Interoperable Transaction Fee	238,569,572	474,437,598	99%	90%	78%
Card Issuance Fee	2,844,400	3,807,950	34%	1%	1%
PIN Issuance Fee	556,064	771,376	39%	0.2%	0.1%
POS Purchase fee	1,732,325	5,120,647	196%	1%	1%
Variables fee	8,302,467	11,452,871	38%	3%	2%
P2P	13,414,250	110,946,351	727%	5%	18%
Total	265,419,077	606,536,792	129%	100%	100%

Interoperable ATM Transaction fees constitute about 78% of the total operational income of the budget year, making it the most important stream. P2P service has registered highly encouraging income over the year, with an 18% contribution to the overall revenue. POS purchase fees have also seen a substantial increase from the previous year, surging by 196%. Although this increase is significant, the contribution of POS purchase fees to the overall revenue remains

relatively low, accounting for just 1% of the total. This year's contribution of Interoperable ATM Transaction fees for the total operational income has decreased in comparison to the previous year, dropping from 90%. In contrast, the contribution of P2P service fees has increased from the previous year of 5%. This is an expected trend that will continue in the future due to rapidly expanding mobile banking (P2P), mobile money (wallet), and Internet banking services.

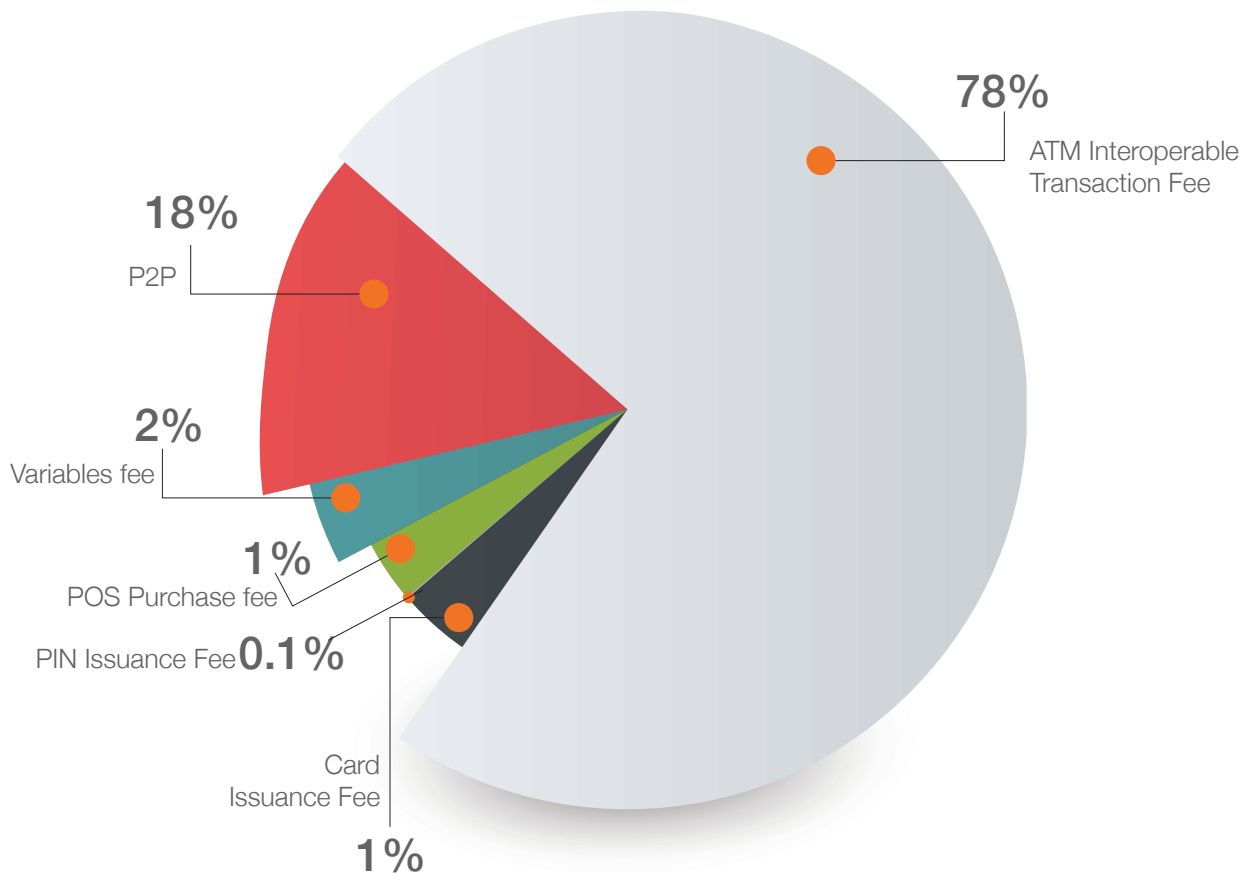


Figure 3.3: Percentage Composition of Revenue Streams in FY 2022/23

4. Strategy and Other Development

4.1. Strategy Development and Revision

In FY 2020/21, EthSwitch S.C. began implementing its first five-year strategic plan. Subsequent strategic plan review and revision were conducted in the 2022/23

fiscal year. Accordingly, EthSwitch has established five strategic goals to effectively address the gaps that require attention during the strategic period spanning from 2020/21 to 2024/25.

Goal 1



Create Interoperability across All Channels and Players:

EthSwitch will provide interoperability across all digital retail channels and technologies within the strategic period.

Goal 2



Develop a Payment Scheme: EthSwitch will develop the domestic card scheme, EthioPay, with its own scheme rules to be used for domestic payments across all channels.

Goal 3



Provide Shared Platform and Infrastructure Services: EthSwitch will provide shared platform and infrastructure services to the financial institutions in the country. Through a collective investment by EthSwitch, these financial institutions will receive these services in a cost-effective and technically efficient way.

Goal 4



Build Internal Dynamic Capability: EthSwitch will build its institutional capacity in terms of human resources, technologies, processes, and knowledge to be able to provide a unified e-payment platform for all financial institutions in Ethiopia while managing risks. As a measurable outcome/result, the institutionalization of enterprise risk management framework, deployment of relevant state-of-the-art technologies and systems, deployment of high-caliber personnel, as well as the establishment of conducive working facilities are some of them.

Goal 5



Ensure Service Excellence: Secure, Reliable, and Seamless Services:

EthSwitch will provide a high-quality, reliable, and seamless service with low failure rates across all digital transaction channels. This will require EthSwitch to implement a clear set of SLAs for each service and commit to continuous innovation and development. As a measurable output, EthSwitch can measure its SLA attainment levels and compare them to leading regional switches.

Through the achievements of these goals, EthSwitch has reset its mission and vision, which are: “Making Payments Simple & Affordable” and “To Be

the Best-in-Class Payment Network in Africa by 2035,” respectively.

4.2. Status of Strategy Implementation

EthSwitch's five year strategy, which has been revised in 2022/23, is being implemented in three phases (Housekeeping, Expansion, and Blue Sky) effective from the financial year 2020/21. The fiscal year 2022/23 is the third year in the execution of the company's five-year strategy. This phase referred to as the "expansion phase", will extend from the second year of strategy implementation. It will also serve as a preparation year for the subsequent "Blue-Sky phase," which will commence following the conclusion of the "expansion phase." Emphasis for fiscal year 2022/2023 was on completing the tasks carried over from the first "expansion phase," including delivering service

excellence on current goods and services, maintaining/replacing existing infrastructure, and deploying new platforms. Rollout of the RTP project, which is essential to achieving the strategic aim of "Creating interoperability across All Channels and Players," was given due consideration. RTP is a multi-year project that enables complete channel interoperability and allows end users to make any payment digitally in a simple, fast, low-cost, irrevocable, secure, and interoperable manner; it is, therefore, crucial to the modernization of national payments in general and EthSwitch S.C. in particular.

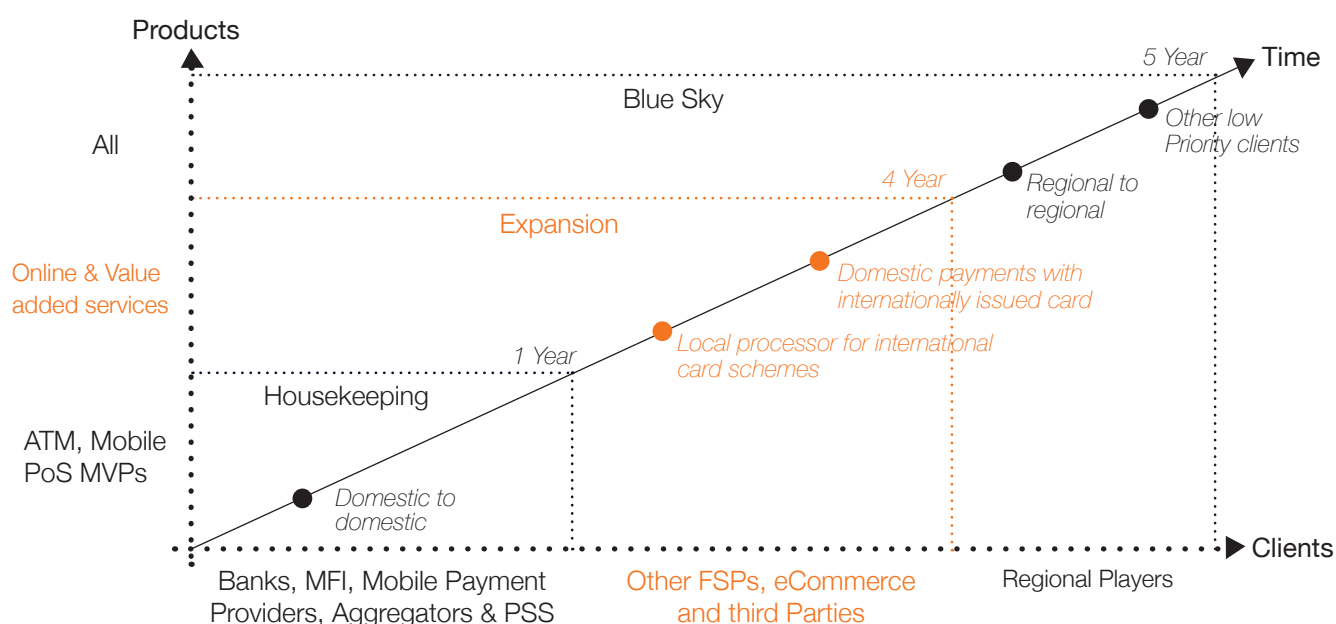


Figure 4.1: Strategy Prioritization

The Five-Year Strategy of EthSwitch S.C. set priorities into three phases:

1. House-Keeping,
2. Expansion, and;
3. Blue-Sky.

The five-year strategy implementation is currently being implemented (effective FY 2020/21).

- The focus in FY 2020/21 was on Phase 1, House-Keeping. Most Key initiatives of this phase are completed.
- The focus in 2021/22 was building on experiences of the previous year, completing already started projects, entering to expansion phase, and further expanding ETS products and services.

- In 2022/23, the emphasis was on building on past experiences, pursuing ongoing projects, finalizing initiatives under the expansion phase, reviewing the strategy, and starting the groundwork for Regional-to-Regional collaboration.
- In 2023/24, the emphasis will be on continuing the tasks transferred from the previous years, including delivering service excellence on current goods and services, maintaining/replacing existing infrastructure, and deploying new platforms. Rollout of the RTP project: Pursuing efforts to develop a national payment scheme, initiatives in International card acquiring and International/regional engagement activities are also other focus areas in the fiscal year.

4.3. Other Development

4.3.1. Human Resource

EthSwitch had a total of 123 employees by the end of June 2023, and 57 new employees joined during the reporting period. The company's success during the period was mainly attributed to the hard work and commitment of its staff, who continue to focus and engage in executing EthSwitch's revised strategy. As a national switch, EthSwitch continues to play a vital role in developing skilled workforce in the digital payment ecosystem and provides various local and international training and developments for its leadership team and other staff.

4.3.2. Own Buildings

EthSwitch strives to own its Headquarters at the heart of the financial district in Addis Ababa. In line with this, various discussions have been held with the Addis Ababa City Administration to acquire land. Accordingly, during the reporting period, EthSwitch has prepared a proposal and designed its HQ building.

4.3.3. Social Responsibilities (CSR)

In parallel to developing a secure, reliable, seamless digital financial services ecosystem, EthSwitch has engaged in corporate social responsibility initiatives. During the reporting period, EthSwitch has donated more than Birr 7.5 million as corporate social responsibility.

PHOTO GALLERY

The 9th Ordinary Meeting of Shareholders The 5th Extraordinary Meeting of Shareholders



The 6th Extraordinary Shareholders Meeting



First Half of the year All Staff meeting 2022/23



Annual Meeting 2022/23



“Breakthrough
to excellence &
let's go beyond
the limits”



Partnerships



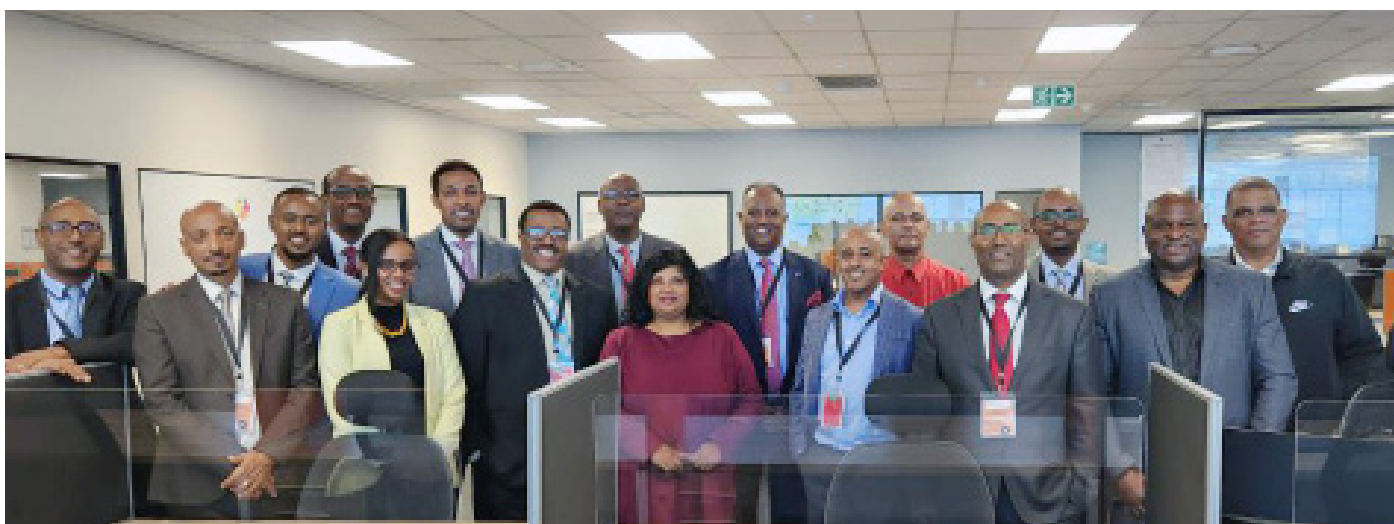
EthSwitch Partners with Mastercard to Drive Payment Sector's Digital Transformation



EthSwitch-Arifpay



Exposure Visit to BankServ Africa



Workshops

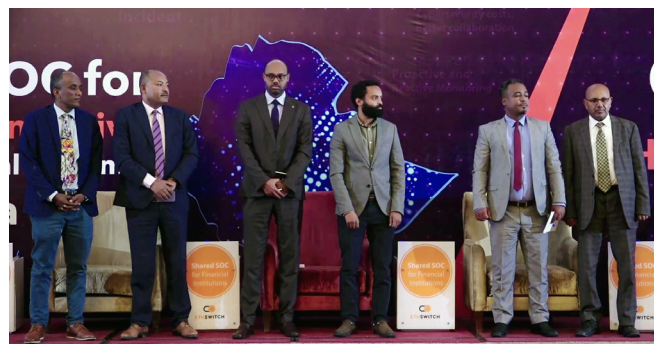
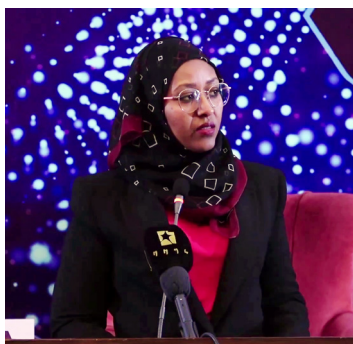


Workshop on a real-time e-payment platform



EthSwitch Onboarding Workshop





Shared SOC for Financial Institutions



Mid-term strategy review



EthSwitch-Mastercard Partnership
Workshop for Multiple Initiatives



ADFI Visit to EthSwitch



Sponsorships



The 6th Annual East African Finance Summit

CENTRAL BANK



MEMBER / PARTICIPANT



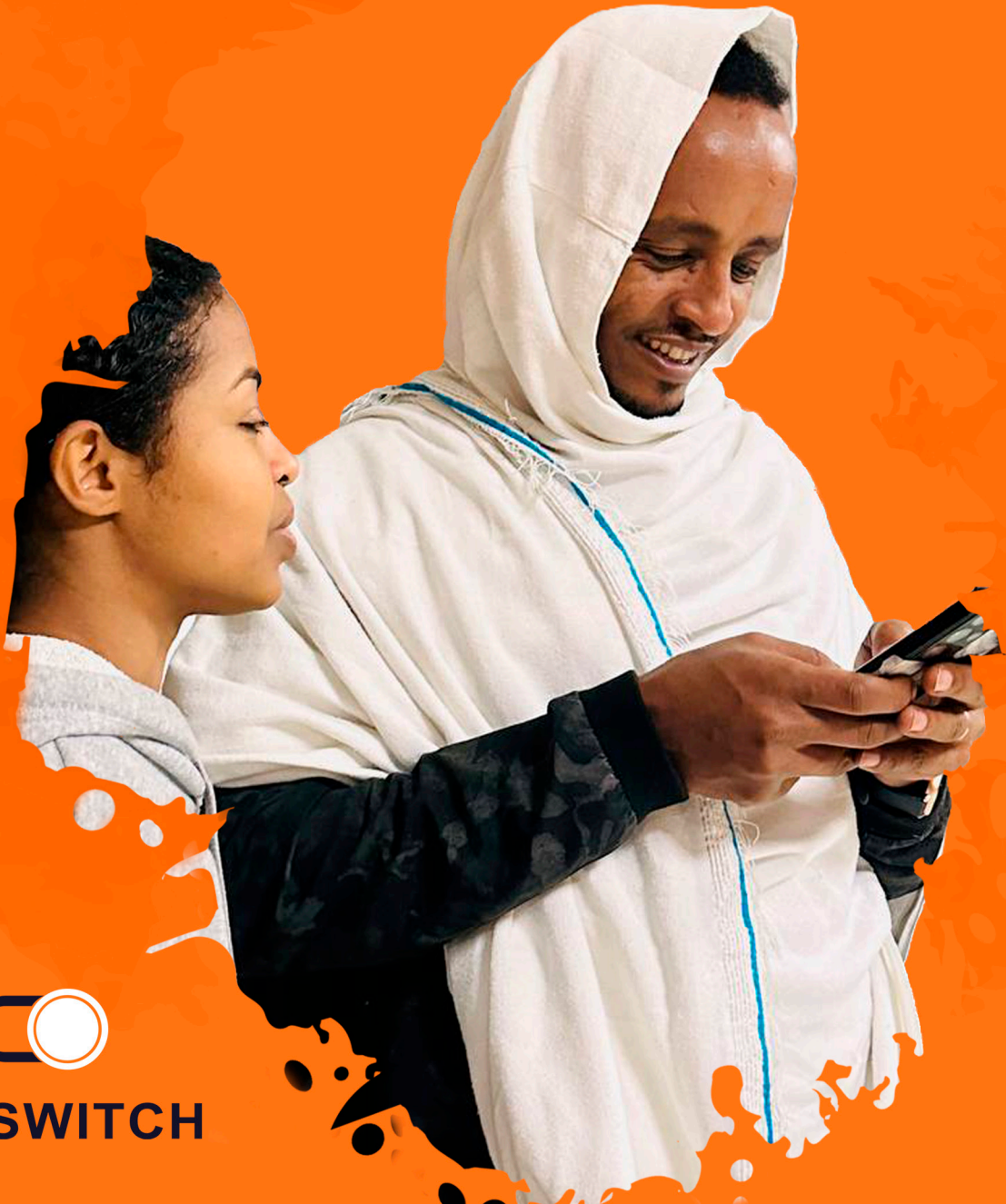
INTERNATIONAL PARTNERS



DEVELOPMENTAL PARTNERS



ከፍጥን በቀከኩ !



ETHSWITCH



AUDITORS'

REPORT

2022 | 23

**REPORTS AND FINANCIAL
STATEMENTS**

**FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2023**

TMSPlus

Tafesse, Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountants (UK) and authorized Auditors (Ethiopia)
Member Firm of HLB International
THE GLOBAL ADVISORY AND ACCOUNTING NETWORK



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INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS OF ETHSWITCH SHARE COMPANY

Opinion

We have audited the financial statements of Eth Switch Share Company, which comprise the statement of financial position as at 30 June 2023, the Statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Eth Switch Share Company as at 30 June 2023, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors for the Financial Statements

The Directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of your director's report so far as it relates to these financial statements and pursuant to article 349 (1&2) of the commercial code of Ethiopia of 2021 (Proclamation No. 1243/2021, we recommend approval of the mentioned financial statements.

In addition, we have no objection on the amount of dividend proposed by the directors and hence in accordance with article 349 (3) of the commercial code of Ethiopia of 2021 recommended approval of the proposed dividend distribution.

Taf. shi & Ay

Tafesse, Shisema and Ayalew (TMS Plus) Certified Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Addis Ababa

07 September 2023



ETHSWITCH SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

Currency: Ethiopian Birr

Assets	Notes		2022
Non-current assets			
Property, Plant and Equipment	11	128,484,833	73,914,632
Right-of-use asset	19	-	1,068,629
Lease Improvement	20	802,816	165,645
Intangible assets - Software	13	3,035,950	2,779,364
Project in progress	12	42,715,425	4,258,877
Deferred tax asset	10.2	1,776,281	6,704,600
		<u>176,815,304</u>	<u>88,891,746</u>
Current assets			
Trade and other receivables	16	64,380,241	27,527,955
VAT receivable	18	1,945,350	1,945,350
Advance and prepayments	17	64,778,074	10,870,862
Cash at Bank and in hand	14	700,492,104	366,516,890
Short-term deposits	15	777,458,000	593,000,000
		<u>1,609,053,770</u>	<u>999,861,057</u>
Total assets		<u>1,785,869,074</u>	<u>1,088,752,804</u>
Equity and Liabilities			
Equity			
Issued capital	22	941,552,000	616,826,000
Legal reserve	23	33,435,430	13,170,661
Retained earnings		385,301,660	155,011,772
Total Equity		<u>1,360,289,090</u>	<u>785,008,433</u>
Non-current liabilities			
Lease liabilities	21	-	1,626,120
Termination benefit liabilities	27	3,053,684	2,524,813
Deferred tax liabilities	10	1,231,884	1,231,488
		<u>4,285,568</u>	<u>5,382,420</u>
Current Liabilities			
Trade and other payables	25	229,949,888	234,952,757
Current tax payable	9c	124,310,231	42,993,626
Other tax and obligations	26	6,751,960	2,790,747
Accruals and other non financial liabilities	27	60,282,336	17,624,820
		<u>421,294,416</u>	<u>298,361,950</u>
Total Liabilities		<u>425,579,984</u>	<u>303,744,370</u>
Total Equity and Liabilities		<u>1,785,869,074</u>	<u>1,088,752,804</u>

The notes on page 7 to 36 are an integral part of these financial statements



ETHSWITCH SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Revenue	4	606,536,792	265,419,077
Operating expenses	5	(89,612,472)	(66,391,664)
Personnel expenses		(114,967,300)	(55,870,832)
Gross profit		401,957,021	143,156,581
Other income	6	162,336,016	64,563,725
General and administration expenses	7	(28,899,725)	(10,465,808)
Operating profit		535,393,312	197,254,497
Finance costs	8	(858,985)	(416,544)
Profit before tax		534,534,327	196,837,953
Income tax expense	9(a)	(129,238,947)	(34,779,448)
Profit for the year		405,295,379	162,058,505
Other comprehensive income			
Net other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			-
Net other comprehensive income not to be reclassified to profit or loss in the subsequent period. (net of tax)			-
Profit for the year net of tax.		405,295,379	162,058,505
EARNING PER SHARE	34	719.93	303.31

The notes on page 7 to 36 are an integral part of these financial statements



ETHSWITCH SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	<u>Share Capital</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Undistributable profit</u>	<u>Total</u>
Balance at 01 July 2021	460,151,000	5,067,736	57,070,563	-	522,289,299
Comprehensive income for the year	-	-	186,216,103	-	186,216,103
Undistributable profit	-	-	(24,157,598)	24,157,598	-
Dividend paid/reinvested	-	-	(57,070,563)	-	(57,070,563)
Capital Enhancement	156,675,000	-	-	-	156,675,000
Profit tax paid	-	-	-	-	-
Prior year adjustment	-	-	1,056,192	-	1,056,192
Transfer to legal reserve	-	8,102,925	(8,102,925)	-	-
Balance at 30 June 2022	616,826,000	13,170,661	155,011,772	24,157,598	809,166,031
Balance at 01 July 2022	616,826,000	13,170,661	155,011,772	24,157,598	809,166,031
Comprehensive income for the year	-	-	405,295,379	-	405,295,379
Dividend paid/reinvested	-	-	(153,395,105)	-	(153,395,105)
Board remuneration	-	-	(1,616,667)	-	(1,616,667)
Dividend reinvested	140,587,942	-	-	-	140,587,942
Shares added in cash	184,138,058	-	-	-	184,138,058
Prior year adjustment	-	-	271,050	-	271,050
Reclassification to Unrealized forex gain	-	-	-	(24,157,598)	(24,157,598)
Transfer to legal reserve	-	20,264,769	(20,264,769)	-	-
Balance at 30 June 2023	941,552,000	33,435,430	385,301,660	-	1,360,289,090

The notes on page 7 to 36 are an integral part of these financial statements.

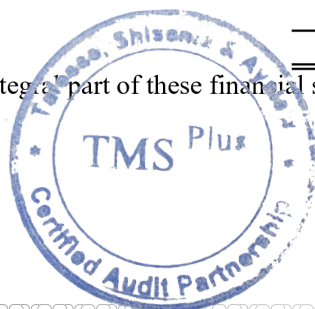


ETHSWITCH SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

	30-Jun-23	30-Jun-22
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	534,534,327	196,837,953
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Interest Expense	80,855	284,800
Depreciation of Property, Plant and Equipment	17,522,911	14,234,705
Amortization of intangible assets	2,027,590	5,849,755
Amortization of Right of use assets and Lease improvement	1,527,674	3,056,271
Prior period adjustment	275,996	1,056,192
Board remuneration	(1,616,667)	(57,070,563)
	554,352,686	164,249,113
Interest paid	(80,855)	(284,800)
Withholding tax paid	(2,257)	-
Income tax paid	(42,993,626)	(18,351,066)
Operating cash flow before working capital changes	511,275,948	145,613,248
Movements in working capital		
Increase /Decrease/in Trade and other receivables	(36,852,286)	(4,067,562)
Increase /Decrease/in Advance and prepayments	(53,907,212)	(8,667,266)
Increase /Decrease/in Lease liability	-	90,738
Increase /Decrease/in Trade and other payables	(5,002,869)	196,605,708
Increase /Decrease/in Other tax and obligations	3,961,213	1,102,738
Increase /Decrease/ in Accruals	42,657,516	8,768,879
Increase /Decrease/ in Termination Benefits	528,871	1,597,467
	(48,614,767)	195,430,701
Net cash flows from operating activities	462,661,181	341,043,949
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(72,093,112)	(29,342,821)
Work in progress	(38,456,547)	4,499,776
Intangible Asset - Software	(2,284,176)	(1,115,486)
Office lease Improvement	(1,112,132)	(64,398)
Net cash flows used in investing activities	(113,945,967)	(26,022,929)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,612,894)	(2,494,293)
Short term investment	(184,458,000)	(235,000,000)
Additional investment in capital	171,330,895	156,675,000
Net cash flows from/(used in) financing activities	(14,739,999)	(80,819,293)
Net Increase/ (Decrease) in cash and cash equivalents	333,975,214	234,201,727
Cash and cash equivalents at the beginning of the year	366,516,890	132,315,162
Cash and cash equivalents at the end of the year	700,492,104	366,516,890
Components of cash and cash equivalents		
Cash at bank and in hand	700,492,104	366,516,890
	700,492,104	366,516,890

The notes on page 7 to 36 are an integral part of these financial statements



**ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. Company information

EthSwitch share company was established on June 29 2011 under a commercial code of Ethiopia of 1960 with subscribed and paid up capital of Birr 80,496,000 at par value of birr 1000 per share. The initial capital is contributed by all local Banks (16 banks which were operational at the time of Eth Switch establishment) operating in Ethiopia with equal shareholding of 5030 each. The CEOs/Presidents of all these banks including NBE were authorized to have only one share each are required to release their shareholding. But it was amended by 2nd extraordinary meeting conducted on Meskerem 10, 2007 Ethiopian Calendar. According to the amendment CEO's are not required to relinquish their shareholding when they leave their positions. They are buying additional shares from additional equity raised.

When Construction and Business bank acquired by Commercial Bank of Ethiopia (CBE), its share have been equally distributed between all other banks. So far seven micro finance institutions (MFI) admitted as share holder of EthSwitch. More over, new banks and MFI may join Eth Switch as share holders subject to the availability of shares for sale and approval of the existing shareholders.

Shareholders of EthSwitch S.C at their sixth extraordinary meeting held on March 16, 2023, decide to increase the capital of the company by Birr 2.2 billion. Accordingly the paid up capital has grown to Birr 941,552,000.00 as of June 30, 2023. The objective of this addition in capital contribution was to improve the existing operation and to introduce new service products.

EthSwitch strives to establish the national interbank electronic retail payment infrastructure which includes:

- ∞ The national Electronic Fund Transfer (EFT) switch and clearing system for interbank transactions conducted through Card, Mobile and Internet
- ∞ ATM/POS monitoring and management system
- ∞ Card personalization and management system
- ∞ Dispute management and fraud monitoring services
- ∞ Bulk clearing service for salary and others
- ∞ Services for tax and customs collections
- ∞ Direct debit services for bill payment, subscription, insurance premiums etc.
- ∞ International gateway services
- ∞ Information and statistic service
- ∞ Training, Research and Advisory services

Which include Payment System Operators (PSO) directive No. ONPS/02/2020 stated under article 9.



**ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

2. Significant accounting Policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Company operates on a going concern basis.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Ethiopian Birr ("ETB") which is the Company's functional currency.

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements:

2.2.1 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The outcome of the transaction can be measured reliably when all the following conditions are satisfied:

- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company and
- when the service delivered at the balance sheet date can be measured reliably



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

The company recognizes revenue when it satisfies a performance obligation by delivering agreed service to its customer.

To determine whether to recognize revenue, the company follows a 5-step process

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised services to its customers.

Revenue from Interbank ATM Cash withdrawal charge:

One birr is charged for 100 birr cash withdrawal through interbank ATM facilities and this service charge is covered by the card issuer bank and the customer (who withdrew the cash) 0.45 cents each. Then from this 1 birr charge EthSwitch earns 0.55 cents. Though this transaction is completed and all stakeholders' accounts are debited/credited automatically, EthSwitch is recognizing revenue from this source on monthly basis when the company gets bank statement for the month from both internal sources and the company's bank.

ATM Balance Inquiry (on us/off us)

The total fee amount from each transaction is 0.50 cents per transaction in which all the charge will be collected from the card holder, The proration will be 0.30 cents and 0.20 cents per transaction for EthSwitch and for the acquirer bank respectively.

ATM Mini Statement (on us/off us)

The total fee charge is 0.80 cent per transaction in which the card holder will cover all the charges. Accordingly, EthSwitch and the acquirer bank will share the fee 0.30 cents and 0.50 cents respectively.

Fixed and Variable charges

Fixed Charges: There are two fixed charges

- *Clearing and Settlement service charge* is set for the quarterly services being given for all banks and the fee is Birr 75,000 for the period, and
- *Card Management and Authentication service* that includes reissuance of lost ATM cards for hosted banks, the charge is Birr 85,000 per quarter. These fixed charges are recognized as an income on quarterly basis after delivering the services during the quarter



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Variable Charge:

- ATM Management: the revenue from this service line is being charged based on the number of ATM machine that a given bank may have. The piece rate is set at a declining rate per number of ATM machines. The more ATM machines the hosted banks have the less the rate per machine will be.
- POS Management: the POS machine revenue is also set on the number of POS machines that the hosted banks have and this is also on quarterly basis. The rate declines as the number of POS machine increases.
- Card Personalization: Revenue from card issuing is charged Birr 10 per number of ATM cards.
- PIN printing: Only Birr 2 is charged per pin printed.

Revenue from the above services (ATM & POS Management, Card personalization and PIN printing) are categorized as variable charges and the company recognizes the income on monthly basis after services have been given.

Other Income (Interest Income from Short Term Deposit)

Other income category mainly comprises Interest Income from Short Term deposit that the company has with various banks. EthSwitch deposit cash in a number of banks for short period between three to twelve months. The interest obtained from these deposits are recognized on monthly basis by debiting Interest Receivable. When the interest cash is collected the receivable account is cleared against the particular bank.

2.2.2 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Ethiopian Birr ("ETB") which is the Company's functional currency

2.2.3 Taxes

Current income tax

The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted at the reporting date and generates taxable income. In the last and current year the company has earned an operating profit and it fully covers the accumulated loss.

Value Added Tax (VAT)

EthSwitch is exempted from VAT



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.2.4 Property, plant and equipment (PPE)

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. When the cost of a major inspection is included in the carrying amount of an item of PPE, the remaining carrying amount of the previous inspection is derecognized. All other repair and maintenance costs are recognized in the profit or loss as incurred.

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The useful lives of items of property, plant and equipment have been assessed as follows:

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets and their useful life is determined by management based on the pattern and the manner in which it has intended to use those assets.

<u>Type of PPE</u>	<u>Estimated Useful Life in Years</u>
Furniture & Fixture	10
Motor Vehicles	10
Lease Improvement	5
Computer & Accessories	7
Office Equipment	5
Computer Infrastructure	7
Card Machine	10
Network and data center	7
Generator	10

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized except for derecognized item of property, plant and equipment at opening IFRS Financial Position date which do not satisfy the capitalization criteria which is directly charged to equity.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.



**ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

2.2.5 Leases

Right-of-use asset - Office Building

The Company is party to lease arrangements over offices. The Company recognizes right-of-use assets and the related liabilities at the commencement date for all lease arrangements that are entered into that convey the right to control the use of identified assets for a period of time. The commencement date of the lease is the date when the lessor makes the asset available for use by the company.

The right-of-use assets are initially measured at the lower of the fair value of the property and the present value of the minimum lease payments, which comprises the following:

- The amount of the initial measurement of the liability;
- All lease payments made at or before the commencement date of the lease, less any lease incentives provided to the Company by the lessor;
- All initial direct costs incurred by the Company in respect of the lease;
- An estimate of the costs that will be incurred by the Company for dismantling and restoring the leased asset by the Company at the end of the lease term.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and are adjusted for any remeasurement of the lease liability.

Amortization is calculated on a straight-line method over the term of the lease or the useful life of the asset, whichever is the shorter. In the case of the leasehold land the cost is amortized over the lease period.

Lease liability

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date including fixed payments, less any incentive payments that will be receivable by the Company from the lessor;

The lease payments are discounted using the company's incremental borrowing rate. After initial recognition date, the Company accounts for the lease liabilities by reducing the carrying amount to reflect payments made on the lease; Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

<u>Type of Asset</u>	<u>Estimated Useful Life in Years</u>
Intangible assets	6

2.2.7 Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

I) Financial assets

Initial recognition and measurement

Financial assets of the Company are classified, at initial recognition, loans and receivables, and held-to-maturity investments based on the purpose for which the financial assets are acquired. All financial assets are recognized initially at fair value plus or minus transaction cost.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below :

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Trade receivables are amounts due from customers and agents for delivery of services. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of receivables is established when there is an objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit or loss.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 16.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or more, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at Bank and cash on hand.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of EthSwitch share company of similar financial assets) is

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of its continuing involvement in it. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that it has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Impairment of financial assets

Disclosures relating to impairment of financial assets are summarized in the following notes:

- Accounting policy disclosures
- Financial assets
- Trade receivables

Impairment of financial asset shall be based on expected credit losses, resulting in the recognition of a loss allowance before the credit loss is incurred. Under this approach, entities need to consider current conditions and reasonable and supportable forward- looking information that is available without undue cost or effort when estimating expected credit losses.

The company calculates Expected Credit Losses(ECL) by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it—from the moment of its origination or acquisition.

In cases where the information may not be readily available to effectively determine credit loss using the general approach as above, the company applies a simplified approach in accordance with practical experience where for trade receivables or contract assets that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL. As a practical experience, a provision matrix may be used to estimate ECL for these financial instruments. The matrix is to be set by management based on historical analysis and reasonable judgment.

A provision matrix is applying the relevant loss rates to the trade receivable balances outstanding (i.e. a trade receivable aged analysis). an entity would applies different loss rates depending on the number of days that a trade receivable is past due. Depending on the diversity of its customer base, the entity would use appropriate EthSwich share company's if its historical credit loss experience shows significantly different loss patterns for different customer segments.

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a EthSwich share company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Loans and borrowings and trade payables

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Effective interest method is a method of calculating the amortized cost of a financial liability and to allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discount) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.2.8 Borrowing cost

Where a loan is taken out specifically to finance the construction of an asset, the amount to be capitalized shall be the interest payable on that loan less income earned on the temporary investment of the borrowings. If construction of a qualifying asset is financed from the company's general borrowings, the borrowing costs eligible to be capitalized shall be determined by applying the weighted average general borrowings rate to the expenditure incurred on the asset.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.2.9 Inventories

Inventories shall be stated at the lower of cost and net realizable value.

Inventory shall be recognized when the title to goods passes to the company. Title to goods passes from the seller to the buyer in any manner and on any conditions explicitly agreed on by the parties. In the case of foreign purchased item, such term included FOB, CIF and C & F where the transfer of risk and rewards occurred at different point in time. If no conditions are explicitly agreed to by the parties, ownership of goods generally transfers from the seller to the buyer at the time and place at which the seller completes its performance with reference to the physical delivery of the goods.

Cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inbound freight costs should be included, but outbound freight should be excluded.

Inventories shall be stated at the lower of cost or net realizable value. Generally, the cost of inventories shall be stated using the weighted-average cost method. The write downs of inventory below cost shall be reversed to the extent that the conditions leading to the write-down no longer apply

2.2.10 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or EthSwitch share company's of assets. Where the carrying amount of an asset or Cash Generating Unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or Cash Generating Unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

2.2.11 Employee benefits

Short-term benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognized in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit-sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post employment benefit

Defined contribution plans are post-employment benefit plans under which the company pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The company pays fixed contributions (11 % of the employee's basic salary) into state managed private employee's state plan for individual employees. The company has no further legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services, are received. The company has no further payment obligations once the contributions have been paid.

The company is obliged by law to pay severance payment for eligible employees who served the company for more than 5 years when the employment is terminated. The amount payable is one month final salary for the first year of service and one third of the final salary for the remaining year of services. Accordingly the present value of post employment benefit obligation (severance) and the related current service cost were measured using the projected unit credit method.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Management estimates the termination benefit obligation annually with some basic actuarial assumption. This is based on employee turnover rates, salary growth rate, expected date of termination, identification of eligible employees and relevant discount rate. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Discount factors are determined close to each year-end by reference to current incremental borrowing rate.

The liability is computed using Projected Unit Method to determine the present value of its defined benefit obligations and the related current service cost and, interest expense. The liability is determined as a present value, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods

Current service cost which represents the increase in the present value of a defined benefit obligation resulting from employee service in the current period is included in employee benefits expense. Interest expense which represents the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement is included in Finance costs.

Any gain or loss on settlement which represent the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement; and The settlement price and any additional payments made directly by the entity in connection with the settlement is recognized in the profit or loss

Disclosures relating to measurement and recognition of Post employment benefit summarized in note 26 :

Termination benefit;

The company shall recognize the amount of post employee benefits expected to be paid in exchange for that service in the following ways: An entity recognizes redundancy benefits as a liability and an expense when the entity is demonstrably committed to either:

1. Terminate the employment of an employee of Etswich share company before the normal retirement date Or Provide termination benefits because of an offer made in order to encourage voluntary redundancy.
2. When the entity can no longer withdraw the offer of those benefits; and
3. When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits do not provide the company with future economic benefits and are recognized as an expense immediately.

2.2.12 Legal reserve

No less than one-twentieth of the annual net profit of the company shall be transferred to the legal reserve fund until such fund amounts to one-tenth of the capital of the company. It is utilized up on the decision of the supervising authority, to cover losses incurred by the company and to expand the activities of the Company.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2.2.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.2.14 Leave and Bonus accrual

A provision is made for the estimated liability for annual vacation as a result of services rendered by employees up to the end of the reporting period. Employee's entitlements to annual vacation are also charged to the profit or loss when they accrue to employees.

3. Related parties

A party is related to an entity if, inter alia

- (i) directly, or indirectly through one or more intermediaries, the party:
 - a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - b) has an interest in the entity that gives it significant influence over the entity; or
 - c) has joint control over the entity;
- (ii) the party is an associate of the entity.

The Company discloses the nature of relationships between the Company and its related parties irrespective of whether there have been transactions between them. An entity shall disclose the name of its shareholder.

The entity also discloses information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:-

- (a) the amount of the transactions;
- (b) the amount of outstanding balances,
- (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
- (ii) details of any guarantees given or received;
- (c) provisions for doubtful debts related to the amount of outstanding balances; and
- (d) the expense recognized during the period in respect of bad or doubtful debts due from related parties.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

4 REVENUE

The following are analysis of the company's revenue for the year:

		2022
ATM Interbank Transaction Fee	474,437,598	238,569,572
Card Issuance Fee	3,807,950	2,844,400
PIN Issuance Fee	771,376	556,064
POS Purchase fee	5,120,647	1,732,325
Variables fee	11,452,871	8,302,467
P2P	110,946,351	13,414,250
	606,536,792	265,419,077

4.1 Source of revenue

EthSwitch earn its revenue from various service charges that the company providing to all types of banks working in Ethiopia. The revenues mainly categorized into two as fixed and variable fees. The fixed revenue is the charge that the company collects fixed amount on quarterly basis for Clearing & Settlement, ATM Management, POS Management, Card Management services provided to the respective banks. The variable revenue depends on the type and level of services provided and it is calculated based on the unit price agreed with all banks for each type of services mostly called transaction fee. Currently, we collect transaction fee from cash withdrawal, Balance Inquiry, Mini Statement, POS Purchase. In addition, Eth Switch collect revenue from card and pin printing service from member banks.

4.2 Revenue by service type

Revenues from ATM inter bank transaction is the major source of income for the company.

5 OPERATING EXPENSE

Capacity Building (Perdiem & Travel)	14,142,547	5,701,626
Advertising & Promotion	24,975,624	6,466,764
Connectivity & Related Costs	536,724	502,679
Gas oil for Generator	136,624	74,120
Depreciation	17,522,911	14,234,705
Amortization	3,583,836	8,906,027
Operating Expense	1,168,720	945,402
Loss FCY - rate exchange d/cc	982,802	2,100,592
Office rent	1,475,660	
Recurrent Costs	25,087,024	27,459,749
	89,612,472	66,391,664

PERSONNEL EXPENSES

Salary & employees Benefit	114,967,300	55,870,832
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ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

6 OTHER INCOME		2022
Interest Income	118,658,017	61,537,041
Other income	91,658	70,557
Grant income	39,456,424	2,850,760
Realized gain FCY rate difference	4,129,918	105,367
	162,336,016	64,563,725

Other income mainly comprises of Interest Income from Shot Term deposit that the company have with various banks. EthSwitch deposit cash in a number of banks for short period between three to twelve months.

7 GENERAL AND ADMINISTRATION EXPENSES

Office rent expense	2,203,218	485,912
License Renewal & Other	37,317	34,613
Cleaning	236,152	93,345
Legal Support	-	237,125
Fuel	332,982	131,914
Utilities	69,718	54,667
Telephone & Fax	199,007.34	354,406.50
Stationery & Materials	690,059	170,680
Repair and maintenance	1,731,536	1,035,088
Travel Expense	4,650,821	880,881
Office supply	763,426	583,024
General Shareholders' Meeting Ceremony	1,692,483	1,714,904
Audit Fee	63,653	63,135
Board Fee	1,250,000	1,067,000
Consultancy Fee	3,932,592	-
Membership Fee	16,000	3,628
Insurance	348,110	167,935
Grants to the Government	7,750,589	500,000
Communication	10,751	10,090
Entertainment	491,856	161,469
Penalty	-	-
COVID related Expenses	-	2,557,773
Car rentals	2,301,324	-
Miscellaneous	128,130	158,219
	28,899,725	10,465,808



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

8 FINANCE COST

		<u>2022</u>
Bank charges	778,130	131,744
Interest Expense -Lease liability (8.1)	80,855	284,800
	<u>858,985</u>	<u>416,544</u>

- 8.1 Interest expense is related to the lease liability for the right use of office bearing interest at a rate 11.5% per annum.

9 TAXATION

(a) Income tax expense

Current income tax relating to items recognized directly in equity, if any, is recognized in equity and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Current taxation based on the taxable profit for the year at 30% (Note 9b)	124,310,231	42,993,626
Add: Deferred tax charge (Note 10.2)	4,928,319	(2,606,618)
Deferred tax credit (Note 10.1)	396	(5,607,560)
Current year profit tax expense	<u>129,238,947</u>	<u>34,779,448</u>



ETH SWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

(b) Tax expense computation		2022
Net profit before taxation	534,534,327	196,837,953
Less: Interest income (taxed at source)	(118,658,017)	(61,537,041)
	415,876,310	135,300,912
Add: Non allowable expenses		
Entertainment	491,856	161,469
Penalty	-	-
Amortization expense - Software	2,027,590	5,849,755
Amortization expense - Lease	1,081,285	2,723,022
Amortization expense - Lease improvement	474,961	333,250
Interest expense - Lease	80,855	284,800
Depreciation per IFRS	17,522,911	14,234,705
Severance provision	528,871	1,597,467
Annual leave	1,139,229	2,307,047
	<u>23,347,559</u>	<u>27,491,514</u>
Less:		
Rent expense	(1,501,123)	(2,689,018)
Depreciation per tax	(17,983,312)	(11,661,118)
Amortization expense - Lease improvement	(237,480)	(169,584)
Annual leave and severance paid in cash	(329,474)	(938)
Amortization expense per tax	(2,523,504)	(2,678,144)
Amortization expense - Preoperational expenditure	(2,281,538)	(2,281,538)
	<u>(24,856,431)</u>	<u>(19,480,339)</u>
Taxable income	414,367,438	143,312,087
Loss brought forward	-	-
	<u>414,367,438</u>	<u>143,312,087</u>
Income tax expense at 30%	124,310,231	42,993,626
Current tax expense	<u>124,310,231</u>	<u>42,993,626</u>
(c) Statement of financial position - Tax payable		
At the beginning of the year	42,993,626	18,493,334
Paid during the year	(42,993,626)	(18,493,334)
	<u>-</u>	<u>-</u>
Current year tax payable (Note 9b)	124,310,231	42,993,626
Less: Withholding tax	(2,257)	-
Income tax payable	<u>124,307,974</u>	<u>42,993,626</u>



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

10 Deferred tax

Deferred taxation is estimated on all temporary differences under the liability method using the tax rate of 30%.

10.1 Deferred tax liability

Change in depreciation method for tax purpose in 2017

The new income tax proclamation No.979/ 2016 has been issued on 2017 and become effective for the period ended July 7 ,2017 . The new proclamation revokes the pooling system and permits entities to separately calculate depreciation on each individual asset by applying the rate specified under regulation No. 410/2017 article 39 using either declining balance method or straight line methods.

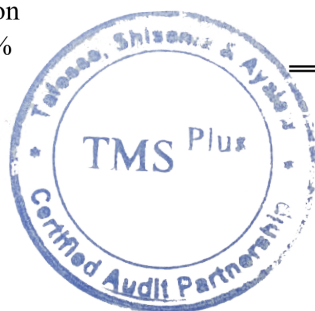
		2022
Tax base of the asset at 30 June,(Note 10.1.1 & 2)	124,378,551	69,809,673
Book value of the asset at 30 June,(Note 10.1.1 & 2)	128,484,832	73,914,632
Temporary deference	4,106,281	4,104,959
Deferred tax asset /liability on temporary differences at 30%	1,231,884	1,231,488
Movement in deferred tax liability	396	(5,607,560)

10.1.1 Property, Plant and Equipment

Written down value 01 July	151,886,961	32,114,614
Additions	72,514,816	49,356,176
Sub total	224,401,777	81,470,791
Tax law depreciation	(100,023,226)	(11,661,118)
Written down value 01 July	124,378,551	69,809,673
Book Value - IFRS	128,484,832	73,914,632
Temporary Difference	4,106,281	4,104,959
Deferred Tax Balance (30 %)	1,231,884	1,231,488

10.1.2 Intangible assets - Software

Tax base of assets at 30 June	9,606,725	9,846,053
Book Value of asset at 30 June	3,035,950	2,779,364
Temporary Difference	(6,570,775)	(7,066,689)
Deferred tax asset /liability on temporary differences at 30%	(1,971,232)	(2,120,007)



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

10.2 Deferred tax asset

2022

Tax base of the asset (Note 10.2.1 & 10.1.2)	16,451,338	18,972,203
Book value of the asset ((Note 10.2.1 & 10.1.2)	(10,530,403)	3,376,463
Temporary difference	5,920,935	22,348,666
Deferred tax asset /liability on temporary differences at 30%	1,776,280	6,704,600
Movement in Deferred tax asset	(4,928,319)	2,606,618

10.2.1 Preoperational Expenditure

Under local GAAP, The company capitalized the pre-operation expenditure incurred before it had started full fledged operation in 2016 and amortized it on straight line basis over ten years as per the tax law. As such, this cost does not qualify for recognition as an asset as per the conceptual framework. Thus, the book value as at 30 June 2021 amounting ETB 11,407,687.40.

Tax base of assets at 30 June	6,844,613	9,126,150
Book Value of asset at 30 June	-	-
Temporary Difference	6,844,613	9,126,150
Deferred Tax asset on temporary differences at 30%	2,053,384	2,737,845

10.2.2 Severance pay and annual leave

Deferred tax asset arises on the temporary difference between carrying amount of

Tax base of assets at 30 June	-	-
Book Value of asset at 30 June (Severance and annual leave)	7,494,453	6,155,827
Temporary Difference	(7,494,453)	(6,155,827)
Deferred Tax asset on temporary differences at 30%	(2,248,336)	(1,846,748)



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

11. PROPERTY, PLANT AND EQUIPMENT

COST

	Furniture & Fixtures	Motor Vehicles	Computer and Accessories	Office Equipment	Computing Infrastructure	Card personalization Machine	Network and Data Center	Generator	Total
At 1 July 2022	1,897,986	18,861,074	5,218,416	1,201,460	34,358,632	25,043,240	57,594,306	7,673,308	151,848,423
Additions	2,548,690	19,913,271	9,524,869	603,858	38,356,001	-	1,146,423	-	72,093,112
Transfer	-	-	-	-	-	-	-	-	-
At 30 June 2023	4,446,676	38,774,345	14,743,285	1,805,318	72,714,633	25,043,240	58,740,729	7,673,308	223,941,535

DEPRECIATION

At 01 July 2022	672,755	4,516,276	2,246,733	727,124	13,160,880	5,942,116	49,469,982	1,197,923	77,933,791
Charge for the year	267,122	2,616,776	999,335	175,655	4,705,257	2,504,174	5,487,261	767,331	17,522,911
At 30 June 2023	939,877	7,133,052	3,246,068	902,779	17,866,137	8,446,290	54,957,243	1,965,254	95,456,702

NET BOOK VALUE

At 30 June 2022	1,225,231	14,344,798	2,971,684	474,336	21,197,752	19,101,123	8,124,324	6,475,385	73,914,632
At 30 June 2023	3,506,799	31,641,293	11,497,218	902,539	54,848,496	16,596,949	3,783,486	5,708,054	128,484,833



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

12 PROJECT IN PROGRESS

		2022
Balance beginning of the year	4,258,877	8,758,653
Additions (transfers)	38,456,547	(4,499,776)
Balance end of the year	42,715,425	4,258,877

WIP represents cost of generator received with some exceptions and payments made for SAP software.

13 INTANGIBLE ASSET-SOFTWARE

Cost	Software
As at July 01 2022	58,303,428
Addition	2,284,176
As at June 30 2023	60,587,603
Amortization	
As at July 01 2022	55,524,064
Charge for the year	2,027,590
As at June 30 2023	57,551,654
Net Book value 30 June 2022	2,779,364
Net Book value 30 June 2023	3,035,950

The company uses application software's such as SMART VISTA to perform its major operation. The software are acquired from different suppliers under license arrangement. The company also signed a service level agreement with the software provider in which it pays the supplier annual renewal fee in return for post implementation supports including maintenance. The amortization is done on straight line method .

14 CASH AND CASH EQUIVALENT

		2022
Cash at banks	700,492,104	366,516,890
	700,492,104	366,516,890

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash at banks earns interest at floating rates based on daily bank deposit rates.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

15 SHORT TERM DEPOSITS (CERTIFICATE OF DEPOSITS)

		2022
Wegagen Bank	-	20,000,000
United Bank	-	85,000,000
Enat Bank	45,000,000	45,000,000
Dashen Bank	113,800,000	75,000,000
NIB Bank	120,000,000	60,000,000
Debab Global Bank	30,000,000	-
Cooperative Bank of Oromia	130,000,000	-
Tsehay Bank	30,658,000	-
Oromia International Bank	308,000,000	308,000,000
	777,458,000	593,000,000

Short Term Deposit refers to an amount of money that Eth Switch deposited in different banks for short term between three to twelve months.

16 TRADE AND OTHER RECEIVABLES

Banks (Note 16.1)	4,567,239	3,056,657
Interest receivables(Note 16.2)	42,324,327	11,671,608
Withholding Receivable	27,032	24,775
Staff Debtors	17,450,978	12,769,025
Other Receivable	10,666	5,891
Sundries (stolen assets)	40,909	40,909
	64,421,151	27,568,864
Allowance for credit losses	(40,909)	(40,909)
	64,380,241	27,527,955

Trade and other receivables are non-derivatives financial assets carried at amortized cost which do not generate a fixed or variable interest income for the company. The carrying value may be affected by changes in the credit risk of the counterparties. The company has no any past due yet not impaired receivable. The carrying amount of cash, trade and other receivable is considered a reasonable approximation of fair value

16.1 Included in bank customers is receivables from different commercial banks such as Bunna International Bank, Lion International Bank, Debub Global Bank, Oromia International Bank, Enat Bank, Abay Bank, Addis International Bank, Awash Bank, Bank of Abyssinia, Birhan Bank, Commercial Bank of Ethiopia, Cooperative Bank of Oromia, Dashen Bank, Nib International Bank, United Bank, Wogagen Bank and Zemen Bank.

16.2 EthSwitch deposit cash in a number of banks for short period between three to twelve months. The interest obtained from these deposits are recognized on monthly basis by debiting Interest Receivable. When the interest cash is collected the receivable account is cleared against the particular bank.

16.3 Impairment of financial assets /Allowance for credit losses

All of the company's trade and other receivables with special focus on those balance that are more than 30 days due have been individually reviewed for indicators of impairment. No trade receivables were found to be impaired and no allowance for credit losses has been recognized in the current period..

17 ADVANCES AND PREPAYMENT

Deposit and prepayment	3,770,270	4,555,260
Advance payment	61,007,804	6,315,602
	64,778,074	10,870,862



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

18 VAT RECEIVABLE

Balance brought forward	1,945,350	1,945,350
Add :- Input VAT	-	-
	1,945,350	1,945,350
Less:- Output VAT	-	-
Closing VAT receivable	1,945,350	1,945,350

19 RIGHT-OF-USE ASSET

The Company's office building is held under a rental lease arrangement. The right use of asset as well as lease liability has been recognized in respect of office rents contracts.

As at July 01 2022	9,381,317
Addition	(15,916)
As at June 30 2023	9,365,401
Amortization	
As at July 01 2022	8,312,688
Charge for the year	1,052,713
As at June 30 2023	9,365,401
Net Book value June 2022	1,068,629
Net Book value June 2023	(0.00)

- 19.1 Lease I: The company has entered into a new five years agreement for total area of 549.13 m2 with a monthly rental price of 142,773.80 excluding VAT; 260 birr per m2 for five years commencing from April 1, 2010 E.C and expiring on April 01, 2015 E.C. Advance payment of six months' rent of birr 985, 139.22 has been paid in advance. The payment will be made every six months. The lease bears no interest. The company use the property for office purpose only and shall not sub-lease the property. The company had paid to the lessor 128,422.80 as a guarantee deposit in 2005 E.C when the first rental contract agreement made. The full amount of this deposit will not be refunded back until the company left the office and handed over the premises as it was.
- 19.2 LeaseII: The company has entered into a new agreement of the same total area of 52.4 m2 with a monthly rental price of 18,340 excluding VAT; 350 birr per m2 commencing from December 23, 2012 E.C and expiring on April 01, 2015 E.C. Advance payment of six months' rent of birr 126,546 has been paid in advance. The payment will be made every six months related with the previous rental agreement. The lease bears no interest. The company use the property for office purpose only and shall not sub-lease the property. The company had paid to the lessor 18,340 as a guarantee deposit in 2012 E.C when the rental contract agreement made. The full amount of this deposit will not be refunded back until the company left the office and handed over the premises as it was.
- 19.3 LeaseIII: The company has entered into a new agreement of the same total area of 22.8 m2 with a monthly rental price of 7,980 excluding VAT; 350 birr per m2 commencing from March 15, 2012 E.C and expiring on April 01, 2015 E.C. Advance payment of Three months' & Seven days rent of birr 29,672.30 has been paid in advance. The payment will be made every six months related with the previous original rental agreement. The lease bears no interest. The company use the property for office purpose only and shall not sub-lease the property. The company had paid to the lessor 7,980 as a guarantee deposit in 2012 E.C when the rental contract agreement made. The full amount of this deposit will not be refunded back until the company left the office and handed over the premises as it was.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

19.4 LeaseIV: The company has entered into a new agreement of the same total area of 23.55 m2 with a monthly rental price of 8,242.50 excluding VAT; 350 birr per m2 commencing from November 25, 2013 E.C and expiring on April 01, 2015 E.C. Advance payment of Six months' & Twenty Eight days rent of birr 65,434.81 has been paid in advance. The payment will be made every six months related with the previous original rental agreement. The lease bears no interest. The company use the property for office purpose only and shall not sub-lease the property. The company had paid to the lessor 8,242.50 as a guarantee deposit in 2013 E.C when the rental contract agreement made. The full amount of this deposit will not be refunded back until the company left the office and handed over the premises as it was.

19.5 LeaseV: The company has entered into a new agreement of the same total area of 49.92 m2 with a monthly rental price of Birr 17,472.00 excluding VAT Birr 350 per m2 commencing from May 6, 2013, E.C and expiring on April 01, 2015, E.C. Advance payment of one month & seventeen days rent of birr 31,478.72 has been paid in advance. The payment will be made every six months related to the previous original rental agreement. The lease bears no interest. The company use the property for office purpose only and shall not sub-lease the property. The company had paid to the lessor 17,472.00 as a guarantee deposit in 2013 E.C when the rental contract agreement made. The full amount of this deposit will not be refunded back until the company left the office and handed over the premises as it was.

20 LEASE IMPROVEMENT

This represents cost of modification work on rented premises less amortization at 20% on straight line basis. Current year amortization included adjustment of prior year estimate.

Cost		2022
Balance brought forward	1,695,836	1,631,438
Current year addition	1,112,132	64,398
As at 30 June	<u>2,807,968</u>	<u>1,695,836</u>
Amortization		
As at 01 July	1,530,192	1,196,942
Charge for the year	474,961	333,250
As at 30 June	<u>2,005,153</u>	<u>1,530,192</u>
Net Book Value	<u>802,815.85</u>	<u>165,644.59</u>

Lease improvement is the partition made to separate offices inside the rented premises of the company. The office lease improvement had been capitalized and being depreciated on straight line basis at a rate of 20% which indicates the term of the lease period.

21 LEASE LIABILITY

Office Building Lease

Lease obligation payable will be settled in every six months in advance for five years starting from April 2018. The outstanding liability is discounted at an interest rate of 11.5% per annum.

Balance at 01 July	1,626,120	4,029,674
Addition	-	90,738
Prior period adjustment on lease liability	(13,226)	
Less: Repayments	<u>(1,612,894)</u>	<u>(2,494,293)</u>
Balance at 30 June	<u>-</u>	<u>1,626,120</u>
Current	-	1,626,120
Non current	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,626,120</u>



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

22 CAPITAL

The company has subscribed capital of ETB 941,552,000 with a paid up capital of 941,552,000 as at 30 June 2023. Each share has a par value of ETB 1,000. All shares of the company shall be of one class and shall be ordinary shares of the same par value, registered in the name of shareholders .

		2022
Subscribed:		
941,552 ordinary shares of ETB each	941,552,000	738,908,000
Issued and fully paid:		
shares of ETB 1,000 each	941,552,000	616,826,000
Movements in paid up capital		
Balance beginning of the year	616,826,000	460,151,000
Paid/reinvested during the year	324,726,000	156,675,000
Balance end of the year	941,552,000	616,826,000

23 LEGAL RESERVE

The legal reserve is a statutory reserve to which not less than one twentieth (5%) of the net profits for the year shall be transferred each year to this reserve until it amounts to 10% of the capital.

24 Financial liabilities at amortized cost:

Trade and other payables	15,804,197	13,292,782
	15,804,197	13,292,782

25 TRADE AND OTHER PAYABLES

Trade payables (Note 24 above)	15,804,197	13,292,782
Dividend Payable	11,539,804	13,764
Unearned Revenue	171,414,679	194,749,557
Unrealized gain - FCY exchange rate difference	31,066,848	24,157,598
Staff	22,121	36,406
Cost Sharing	1,844	11,511
Unclaimed salary	100,395	-
Sundry Payable	-	2,691,140
	229,949,887.91	234,952,756.94

25.1) Trade payables are non-interest bearing and are normally settled on 60-day terms and Interest payable is calculated on long term office lease and is normally settled throughout the financial year. The carrying values of trade and other short-term payables are considered to be a reasonable approximation of fair value.

25.2) Unearned revenue of Birr 171,414,678.88 arose due to EthSwitch's conditional contract with Bill and Milinda Gates Foundation (BMGF) for a total grant amount of USD 8,342,794 and Africa Digital Financial Institution (ADFI) for a total grant amount of 2,330,000, and received a grant amount of USD 4,033,480 and USD 235,860 respectively. The equivalent Ethiopian birr amount of the total grant received from the above-stated donors is recognized as a liability as Unearned revenue. Subsequently, the amount will be recognised as grant income as and when it is incurred for the project purposes.

26 OTHER TAX AND OBLIGATIONS

Employment income tax	3,455,307	1,825,643
Withholding tax payable	2,291,392	162,536
Pension contribution payable	1,005,261	802,568
	6,751,960	2,790,747



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

The Pension payable is defined contribution plan where Employees are included in a statutory pension scheme to which the Company and these employees contribute 11% and 7% of the individual monthly salaries, respectively.

27 NON FINANCIAL LIABILITY

		2022
Accrued Leave	4,440,769	3,631,014
Accrued payables	44,180,124	-
Others	11,661,443	13,993,806
	60,282,336	17,624,820
Accrued severance pay	3,053,684	2,524,813

27.1 ACCRUAL

Included in accrual is cumulative annual leave , utility , unclaimed salary and others accruals at the reporting date. Each employee is entitled to an annual leave of 16 days for employees & management members 20 days for the first year of employment and keeps on increasing one day per additional year of service until it reaches the maximum amount allowed per year . However , the leave can only carried forward for one more year.

28 RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The company's principal financial liabilities, comprise loans and borrowings, trade and other payables . The main purpose of these financial liabilities is to finance the company's operations . The company's principal financial assets include trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized. The main business risks faced by the company in respect of its principal non-derivative financial instruments are market risk including interest rate risk, credit risk and liquidity risk. The directors review and determine policies for managing these risks. The most significant financial risks to which EthSwitch share company is exposed are described below.

(a) Market Risk

The company maintains a conservative policy regarding currency and interest rate risks and does not engage in speculation in the markets. In addition, the company does not speculate or trade in derivative financial instruments.

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. At 30 June 2021, the company is not exposed to changes in market interest rates through bank borrowings at variable interest rates. .

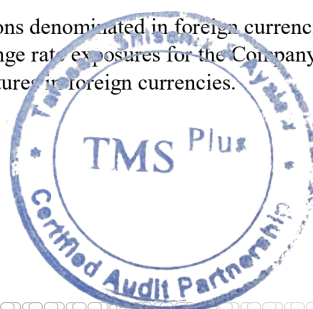
The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The following table shows the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2017: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

(ii) Price risk

The company does not hold investments that would be subject to price risk; hence this risk not relevant.

(iii) Foreign exchange risk

The company undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures for the Company mainly relate to purchases of software and capital expenditures in foreign currencies.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

(b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from deposits with banks, as well as trade receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory authority

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2021 and 2022 is made up as follows

	<u>Fully performing</u>	<u>Impaired</u>	<u>Impaired</u>
30-Jun-23			
Trade and other receivables	131,144,574	40,909	40,909
Cash and cash equivalents	700,492,104	-	-
Short Term Investments	777,458,000		
	1,609,094,679	40,909	40,909

	<u>Fully performing</u>	<u>Past due</u>	<u>Past due</u>
30-Jun-22			
Trade receivables	27,650,248	40,909	40,909
Cash and cash equivalents	132,315,162	-	-
Short Term Investments	358,000,000		
	517,965,410	40,909	40,909

Bank balances are fully performing. Trade receivables under the fully performing category are expected to be recovered in full as the debtors are paying their debts as they continue trading. Trade receivables in the past due category are balance which have been past due yet not impaired.

(c) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The company manages this risk by maintaining adequate cash balances in the bank, banking facilities and by continuously monitoring forecast and actual cash flows.

29 CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while

		<u>2022</u>
Share capital	941,552,000	616,826,000
Legal reserve	33,435,430	13,170,661
Retained earnings	385,301,660	155,011,772
Equity	1,360,289,090	785,008,433
Total liability	425,579,984	303,744,370
Less: current liability	(421,294,416)	(298,361,950)
Net debt	4,285,568	5,382,420
Gearing	0.2%	0.5%



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

30 RELATED PARTY DISCLOSURE

Compensation of key management personnel of the Company

Key management of the Company are the chief executive officer, directors as well as members of the board of directors. Key management personnel remuneration includes the following expenses

		2022
Gross annual salary of CEO	3,000,000	1,945,200
Gross annual salary of C-Levels	5,429,595	-
Short term employee benefit	9,037,031	10,975,894
Post-employment benefit (pension)	1,712,638	917,606
Board fee	1,250,000	1,067,000
Bonus payment	4,261,572	3,895,188
	24,690,836	18,800,888

The amounts disclosed above are the amounts recognized as an expense during the respective reporting period related to key management personnel. The Company allows its employees to take up limited short-term loans to fund their personal finance needs based on the company's staff loan policy. This facility is also available to the EthSwitch share company's key management personnel.

31 EVENTS AFTER REPORTING PERIOD

No adjusting or significant non-adjusting events have occurred between the June 30 reporting date and the date of authorization of the financial statements.

32 CONTINGENT LIABILITIES AND COMMITMENTS

Some legal claims were brought against the company during the year. Management considers these claims to be unjustified and the probability that they will require settlement at the company's expense to be remote. This situation is consistent with external independent legal advice.

33 GOING CONCERN ASSUMPTION

Management of the Company has concluded on the appropriateness of the use of the going concern basis of accounting based on the assessment made on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Management's conclusions are based on the assessment made up to the foreseeable future.

Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

34 EARNING PER SHARE

		2022
Profit before tax	534,534,327	186,216,103
Deduct: Unrealized foreign exchange gain	-	(24,157,598)
	534,534,327	162,058,505
Weighted average number of capital	742,841,038	534,293,159
Earning per share	719.93	303.31

35 COMPARATIVE FIGURES

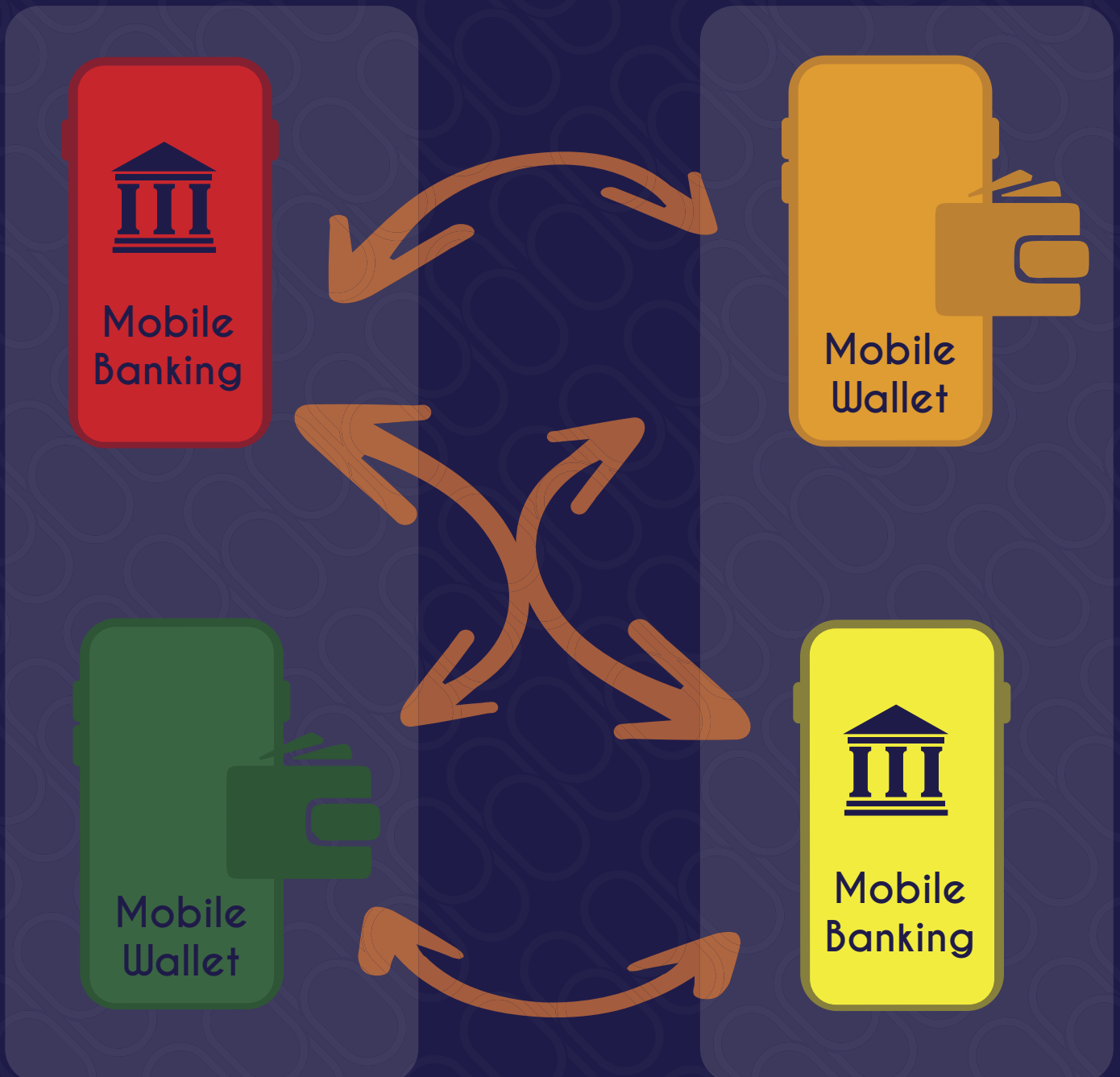
Some comparative figures are rearranged to facilitate comparison.



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FROM MY MOBILE

To Yours



2022



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