



EthSwitch
Share Company

**ANNUAL
REPORT
2021/22**



WELCOME TO THE WORLD OF PAYMENTS INTEROPERABILITY & SHARED SERVICES



OPEN FOR MEMBERSHIP & PARTICIPATION TO



Interoperability

- Transaction Routing
- Authentication
- Authorization
- Clearing & Settlement
- Balance Inquiry
- ATM Cash Withdrawal
- Mini Statement
- Fund Transfer
- POS Purchase
- P2P, P2G, P2B, G2P
- Mobile Top Up

Shared Infrastructure

- Card Personalization
- PIN Printing
- Card Management
- ATM Management
- POS Management
- Instant Card Issuance
- International Card Acquiring

Shared Platforms

- Fraud Monitoring
- Dispute Management
- Payment Gateway
- Shared Wallet
- Channel Monitoring
- Reconciliation Solution
- Directory Services
- Shared SOC



**MAKING PAYMENTS SIMPLE
& AFFORDABLE**

JOIN TODAY!

Established by All Banks & the NBE in 2011 to provide Channel Interoperability, Shared Services and Institute Domestic Card Scheme- ethiopay. It envisions to be the Best-in-Class Payment Network in Africa by 2035.

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Kazanchis, Addis Ababa
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info@ethswitch.com
www.ethswitch.com



ANNUAL REPORT 2021 / 22

Welcome to **EthSwitch** Share Company

EthSwitch is the National Switch owned by all Commercial Banks, MFIs, the National Bank of Ethiopia, PLLs, and PSOs to provide:

1. Interoperability among all Payment Systems.
2. Develop & institute Domestic Scheme.
3. Shared Infrastructure/Platforms.

Mission Vision Core Values



To Make Payments Simple and Affordable.



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



1. Partnership
2. Trustworthiness
3. Innovativeness
4. Agility
5. Customer Focused
6. Integrity
7. Employee Focused



Strategic Aspirations

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

Strategic Goals – Vision 2025

Goal 1:

Provide complete channel interoperability

Goal 2:

Develop & Institute Domestic Payment Scheme.

Goal 3:

Enable all financial use cases.

Goal 4:

Ensure service excellence and provide a secure, reliable, seamless service.

Goal 5:

Capture digital retail transaction volumes to create financial service efficiency.

Goal 6:

Build Institutional Capacity.

Goal 7:

Ensure Positive Financial Performance.

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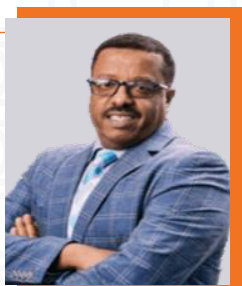
No.	Abbreviation/ Terms	Long Form
1	A2A Transfer	Account To Account Transfer
2	A2W Transfer	Account To Wallet Transfer
3	ADIB	Addis International Bank
4	ATL	Above The Line
5	ATM	Automatic Teller Machine
6	B2B	Business To Business
7	B2G	Business To Government
8	B2P	Business To Person
9	BI	Balance Inquiry
10	BB	Bunna Bank
11	BOA	Bank Of Abyssinia
12	BMGF	Bill and Melinda Gates Foundation
13	BODs	Board Of Directors
14	BOQ	Bill Of Quantity
15	BPC	Banking Production Centre
16	BrB	Berhan Bank
17	BTL	Below The Line
18	CW	Cash Withdrawal
19	CBE	Commercial Bank of Ethiopia
20	CBO	Cooperative Bank of Oromia
21	CBS	Core Banking System
22	CISM	Certified Information Security Manager
23	CPA Card	Common Payment Application (Smart Chip Card Industry)
24	DFI	Digital Frontiers Institute
25	DFSP	Digital Financial Service Players
26	EMV	Europay, Mastercard and VISA
27	EFT	Electronic Fund Transfer
28	ETS	EthSwitch S.C.
29	F/SRS	Functional/Software Requirement Specification
30	FY	Fiscal Year
31	G2B	Government To Business
32	G2G	Government To Government
33	G2P	Government To Person

34	HR	Human Resource
35	IFRS	International Financial Reporting System
36	LIB	Lion International Bank
37	MFI	Microfinance Institution
38	NBE	National Bank of Ethiopia
39	NIB	Nib International Bank
40	NOC	Network Operations Centre
41	OB	Oromia Bank
42	P2B	Person To Business
43	P2G	Person To Government
44	P2P	Person To Person
45	PCI	Payment Card Industry
46	PCI-DSS	Payment Card Industry Data Security Standard
47	PCI-SSC	Payment Card Industry Security Standards Council
48	Perso.	Personalization
49	PG	Payment Gateway
50	PIN	Personal Identification Number
51	POS	Point Of Sale
52	PSP	Payment Service Providers
53	Rep.	Representation or Represented or Representative
54	RTP	Real-Time Payment
55	RTGS	Real-Time Gross Settlement
56	SAN	Storage Area Network
57	SLA	Service Level Agreement
58	SOC	Security Operation Centre
59	SV	Smart Vista
60	UAT	User Acceptance Test
61	W2A Transfer	Wallet To Account Transfer
62	W2W Transfer	Wallet To Wallet Transfer
63	UAT	User Acceptance Test
64	W2A Transfer	Wallet To Account Transfer
65	W2W Transfer	Wallet To Wallet Transfer

Board of Directors



H.E Ato Solomon Desta
National Bank of Ethiopia Rep.
Chairman



Ato Melaku Kebede
Hibret Bank Rep.
Deputy Chairman



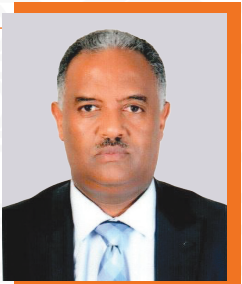
Ato Yehuala Gessese
Abay Bank Rep.



Ato Girum Tsegaye
Berhan Bank Rep.



Ato Abie Sano
Commercial Bank of
Ethiopia Rep.



Ato Asfaw Alemu
Dashen Bank Rep.



Ato Daniel Tekesete
Lion International Bank Rep.



Ato Teferi Mekonnen
Oromia Bank Rep.



Ato Dereje Zebene
Zemen Bank Rep.

Management Team



Yilebes Addis
Chief Executive Officer



Yosef Melka
Chief Corporate Services
Officer



Nebiyu Mengistu
Chief Operations
Officer



Solomon Mohammed
Acting, Chief
Information Officer



Abel Tadelle
Director, Program
Management Office



FikruWoldetensie
Director, Marketing &
Innovations



Beza Mamo
Director, Payment
Application



Abeneazer Wondwossen
Director, Strategy &
Change Management

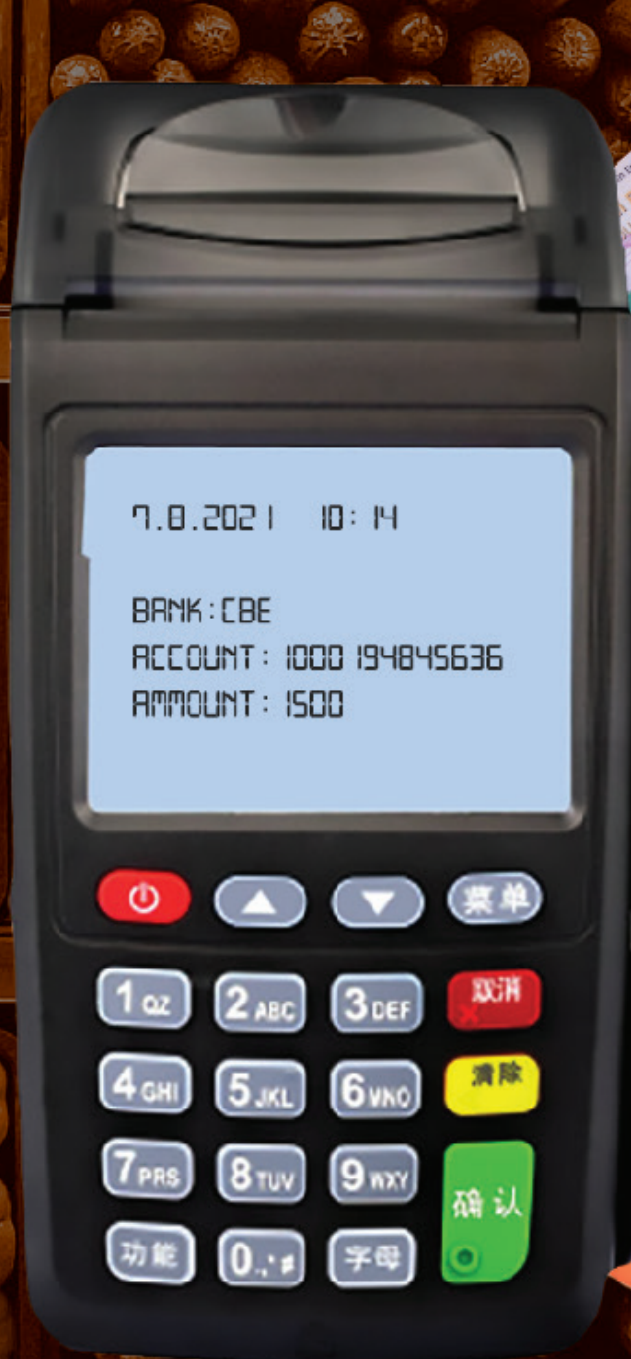


ONE POS EVERY CARD ONE CARD EVERY POS

NO FEE NO LIMIT
NO CASH NO WORRIES



Enjoy cashless
transactions **24/7**



GREAT NEWS FOR BANK CARD HOLDERS

Now your card is accepted on every banks' POS
Terminals at all merchant locations; supermarkets,
restaurants, shops, etc.



I. STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

It is my great pleasure to present EthSwitch's Annual Report for the Financial Year 2021/22, a challenging year both at the global and national level. EthSwitch concluded a very successful FY 2021/22 in the face of challenging economic circumstances caused by a lot of security challenges with in the country and abroad.

Digital Ethiopia strategy 2025 is one of the key developments for the digital payment sector of the country. The main goal of the strategy is to bring technology to the people of Ethiopia as well

as to its industries and focuses on e-commerce and the ability to digitize services. Such strategy plays key role in payment modernization of the country and create conducive environment for the implementation of EthSwitch's Five-year Strategy. National Digital Payments Strategy for 2021-2024 is also a central component of nationwide digital transformation. This strategy developed by the NBE, has a vision to build a secure, competitive, efficient, innovative and responsible payment ecosystem to support a cash-lite and financially inclusive ecosystem. This vision highly aligns with EthSwitch's mission and creates conducive

environment for realization of the same. Developing a reliable, inclusive, and interoperable infrastructure, Championing adaption of digital payments and creating enabling environment for innovation are among the main strategic pillars, and Ethswitch's business purpose highly affiliates with the mentioned pillars. Moreover, National Financial Inclusion Strategy introduced with a vision of achieving universal access to and use of range of affordable and high quality financial products and services in Ethiopia by 2025 is also in line with the vision and mission of EthSwitch.

In light with the above payments modernization efforts with in the country, EthSwitch S.C. commenced implementation of its first five-year strategy in July 2020. In fiscal year 2021/22, overall performance was impressive in policy areas, revenue generation and operational activities, progressing well being guided by the strategy.

To enhance the performance of EthSwitch, the Board of directors reviewed and approved various policies and procedures which are crucial for the proper functioning of the organization. Profit before taxes of the Company in the fiscal year under consideration increased by 153% to the previous year. This is due to significant increase in revenue and prudent expense management. Overall operational and administrative expenses of the company have shown increment from last year by 44%. These indicate the Company has been efficient in revenue generation and cautious in expenses. The shares of revenue from line business operations and other incomes (bank interest and other incomes) were 75% and 25%, respectively. During the fiscal year under review EthSwitch's total asset registers a growth of 81%. The increases in asset were financed mainly by new share sales (new capital injection) and revenue. Paid up capital

has increased from previous year's same period by 34%, while retained earnings grew by 172%.

In the fiscal year under consideration, interoperable ATM transactions offered by EthSwitch S.C (ETS) has increased by 110% from the same period of the previous year. Regarding POS transactions, interoperable transactions offered by ETS has increased by 230% from the same period of the previous year. All member banks are now participating as both acquirer and issuer in the POS interoperability service. This service is growing with high potential.

Card and PIN Personalization services catered by ETS in the fiscal year under consideration is up by 7% compared to last year same period. This service too is expected to grow fast as new banks, being licensed by the NBE, join EthSwitch as hosted members. The Interoperable Person-to-Person (P2P) service has also recorded a very huge transaction volume in the fiscal year. This is also the other service which is growing with a very high potential. Dispute transactions processed through the National Switch during the year under consideration accounted only for 0.3% of the total transactions.

From the International Card Acquiring perspective, Ethswitch is currently collaborating with a number of payment alliances, including MasterCard, Visa and UPI, in order to connect to worldwide payment networks. Hosted banks and other financial institutions that need to use the internationally linked network can use Ethswitch as a third-party payment processor.

With respect to Technical and Financial Assistance from development partners, it is to be recalled that USD 2.33 million is secured from the African

Development Bank in the last fiscal year through competitive and iterative defence process, which is being used to fund the RTP project. In addition to this, Ethswitch requested financial and technical assistance from Bill and Melinda Gates Foundation (BMGF), and was able to secure a total of USD 8.34 million grant and various technical assistance. These assistances are being used on new advancements that bring enabling environment for the operations under ETS.

In the 2022/23 FY of the strategic plan, the emphasis will be on building on past experiences, finishing ongoing projects, finalizing initiatives under the expansion phase of the strategy, reviewing the strategy, starting the ground works for Regional-to-Regional collaboration (Cross-Border Payments) and shaping the Company for the “Blue-sky phase” of the strategy.

All of the above achievements would have not been possible without the dedication, commitment and hard work of the board, the management and the overall EthSwitch staffs. Thus, I would like to give my appreciation and would like to say thank you and congratulations. I would also take this opportunity to give my gratitude for member banks and MFIs for their continued cooperation in modernizing Ethiopia’s national payments and assisting EthSwitch to meet its vision and mission. Lastly, I would like to thank the National Bank of Ethiopia, Bill and Melinda Gates Foundation and Africa Development Bank for providing all rounded support and guidance.

H.E. Solomon Desta
Board Chairman



II. CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Shareholders,

The fiscal year 2021/22 has been remarkable for EthSwitch, with an impressive overall performance in operational activities, technological areas, revenue generation, project management and international engagements.

As a National Switch, we have a critical role to play in making a way to make payments simple. I would like to highlight the following key achievements of the fiscal year 2021/22.

- Third year's PCI-DSS (Payment Card Industry Data Security Standard) re-certification is finalized;
- The second year of the Five-Year Strategy and Implementation Plan has progressed well;
- 39,894,113 eligible for fee interoperable ATM transactions have been conducted;
- Interoperable POS Purchase was successful in the fiscal year with 361,321 successful transactions recorded;
- The Person-to-Person (P2P) interoperable service has shown an immense success in the year with recording 2,063,534 total transactions that worth Birr 19,999,726,018;
- Real-Time Payment project has been split into three Lots and it is on the implementation phase after successful contract negotiations and signing. It consists Instant Payment

System, Payment Gateway, Shared Wallet & Digital Channels;

- MasterCard Acquiring project reaches 100% and is expected to pilot shortly;
- In order to strengthen internal control, various policies, procedures, and guidelines were developed and implemented;
- Continuous system performance improvements and upgrades have been performed;
- Compared to the last fiscal year, the following momentous improvements have been recorded;
 - o Total number of interbank transactions increased by 110%.
 - o Total Assets has been increased by 81%.
 - o The net profit before tax surged by 153%.

All of the aforementioned significant accomplishments of the year are results of hard work, dedication, commitment and support of all stakeholders. Thus, I would like to seize this opportune moment to sincerely thank Board of Directors, Member Banks, MFIs, EthSwitch's Management & employees, the National Bank of Ethiopia, development partners, Participating Merchants and Customers.

Yilebes Addis
Chief Executive Officer

Key Figures as at June 30, 2022



25 Shareholding Member Banks
10 Shareholding Member MFIs



11,760 POS Terminals (in 2021/22 FY)
6,902 ATMs (in 2021/22 FY)



171,068,129 Industry wide Total No. of ATM Transactions (in 2021/22 FY)
2,339,255 Industry wide Total No. of POS Transactions (in 2021/22 FY)



80,601,362 Total No. of Interoperable ATM Transactions (in 2021/22 FY)
361,321 Total No. of Interoperable POS Transactions (in 2021/22 FY)
301,293 Cards and PIN Personalization (in 2021/22 F Y)
2,063,534 Total No. of P2P transactions
Birr 1,088,752,804 Total Assets (in 2021/22 FY)
Birr 616,826,000 Paid-up Capitals (in 2021/22 FY)
Birr 265,419,077 Operational Incomes (in 2021/22 FY)
Birr 220,995,552 Profits before Tax (in 2021/22 FY)
84 Total Numbers of Staff (in 2021/22 FY)

III. REPORT OF THE BOARD OF DIRECTORS

1. Digital Finance & Payments Landscape

The Enabling Conditions in Ethiopia for digital Economy was at its early stages until recently, given very limited telecom infrastructure, very high costs of network access, and very low digital connectivity rates among the general population. Reforms enacted over the past few years have substantially altered the digital infrastructure and connectivity landscape: telecom coverage has enhanced significantly with mobile usage reaching 64.5 million subscribers and internet access is available to 26.1 million users, according to Ethio telecom data.

Looking ahead, the enabling environment for the digital economy is set to improve sharply across multiple additional dimensions. We can mention multiple reasons like; high-level policy/strategic initiatives, regulatory reforms, telecom market liberalization, enhanced competition, and measures addressing skills gaps. Moreover, general rapid economic growth, urbanization, and ease of doing business reforms are providing a further boost to the digital economy ecosystem.

According to data obtained from NBE, in 2021/22, there was a total of 6,902 numbers of ATMs deployed all over the country, while there has been 11,760 POS Terminals currently active and working on Merchants premises. ATM Transaction has reached 171,068,129 in the overall banking sector with corresponding cash withdrawal of Birr 197,542,000,000. POS Transaction has also reached 2,339,255 in the overall banking sector with corresponding purchase value of Birr 62,183,090,00

During 2021/22 EthSwitch has processed a total of 80,601,362 interbank ATM transactions, out of which 39,894,113 transactions have been successful and eligible for fee cash withdrawal transactions with the value of Birr 44,952,627,730. POS Transactions have also recorded high with successful transaction number of 361,321 having value of Birr 856,970,160. The Interoperable Person-to-Person (P2P) service has also recorded a very huge transaction volume in the fiscal year. During the year, 2,063,534 transactions recorded with a total value of Birr 19,999,726,018 between member banks and Micro finances registered in the interoperability ecosystem.

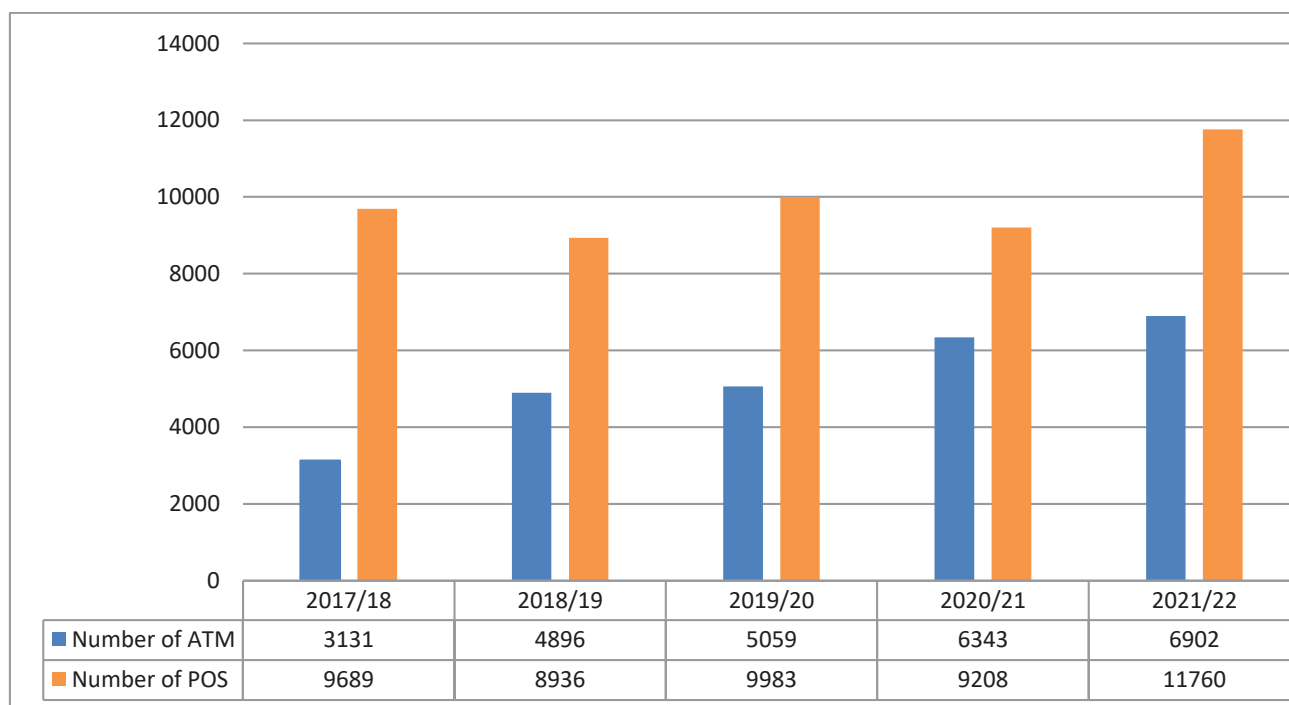


Fig. 1. Growth of Industry Wide ATM & POS Terminals Deployment 2017/18-2021/22

Source: National Bank of Ethiopia

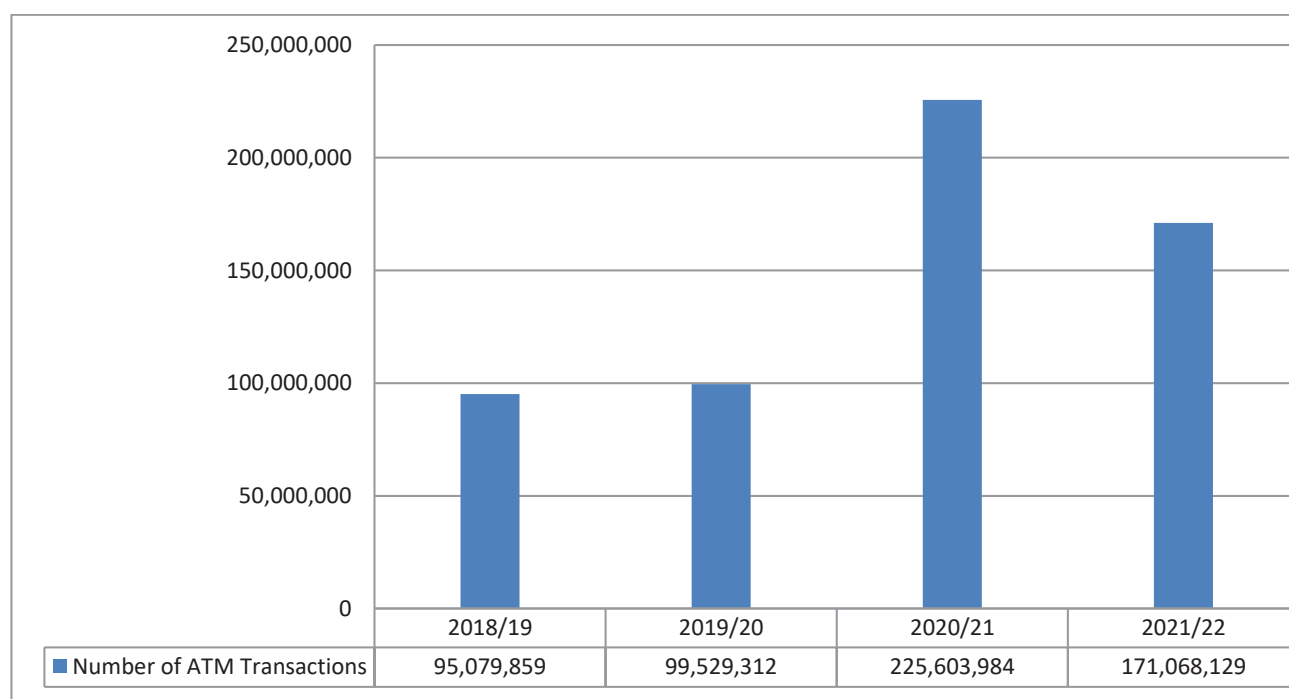


Fig. 2. Industry Wide ATM Transaction Volume, 2018/19-2021/22

Source: National Bank of Ethiopia

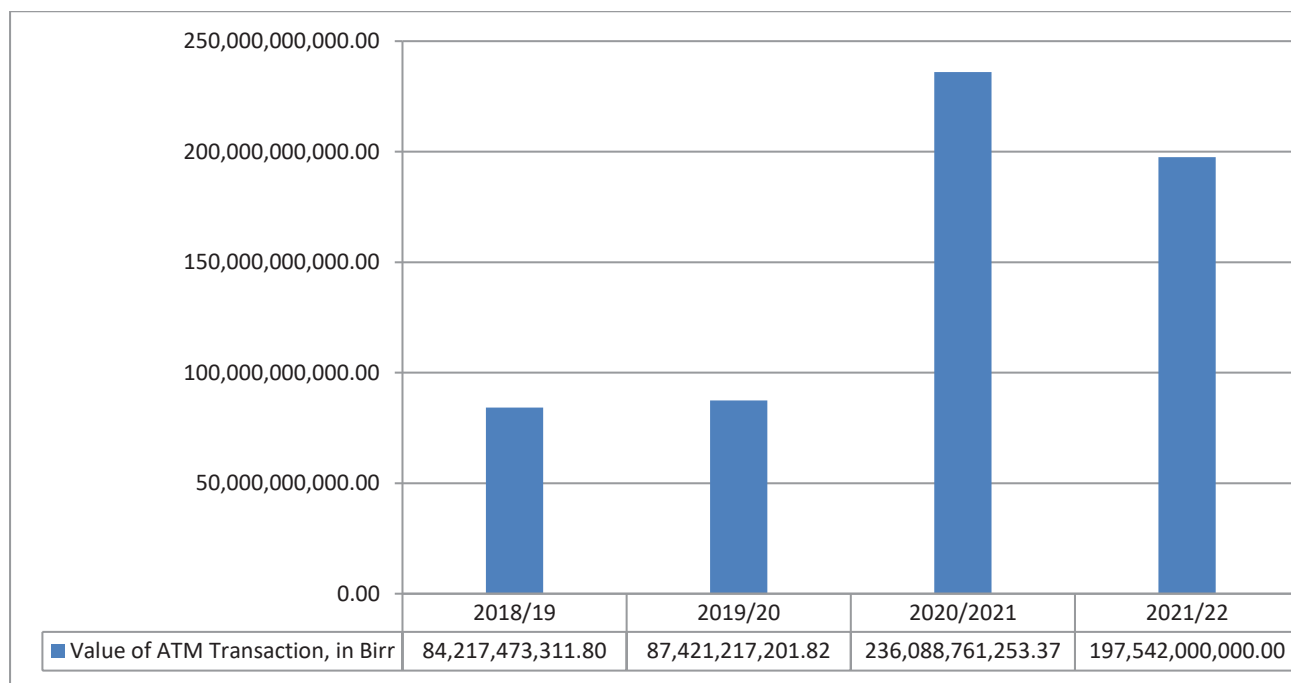


Fig. 3. Industry Wide ATM Transaction Value, 2018/19-2021/22

Source: National Bank of Ethiopia

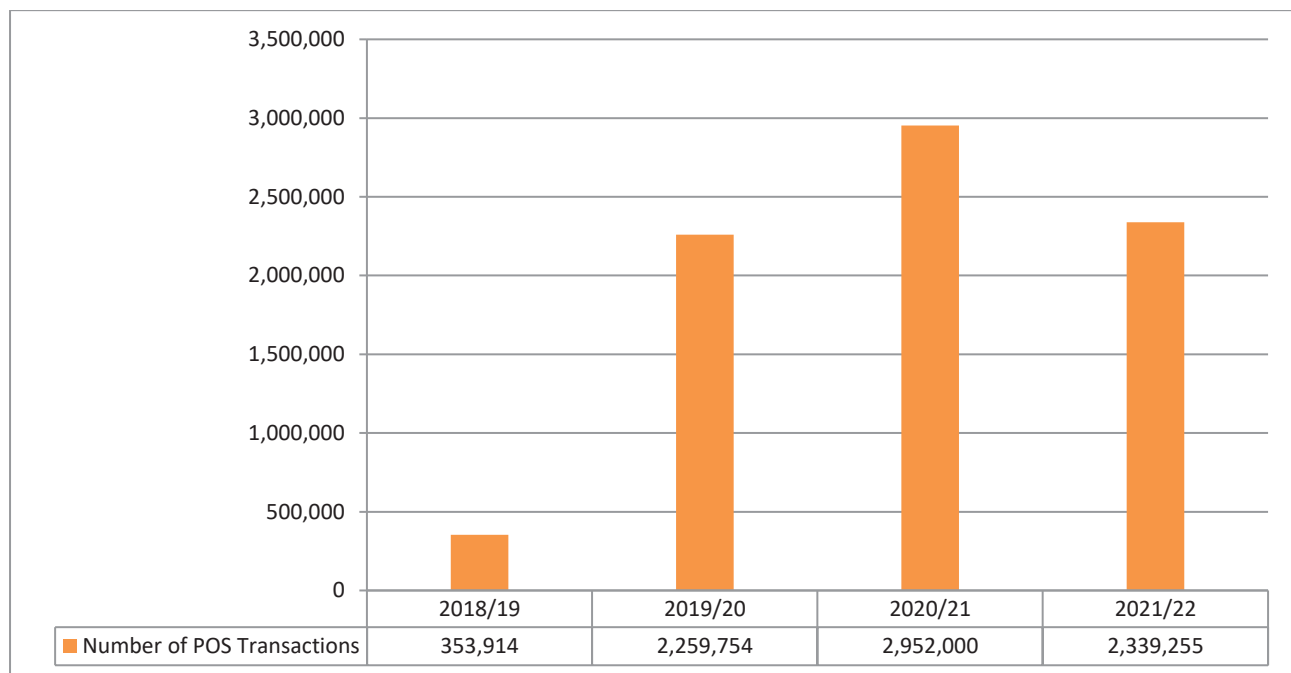


Fig. 4. Industry Wide POS Transaction Volume, 2018/19-2021/22

Source: National Bank of Ethiopia

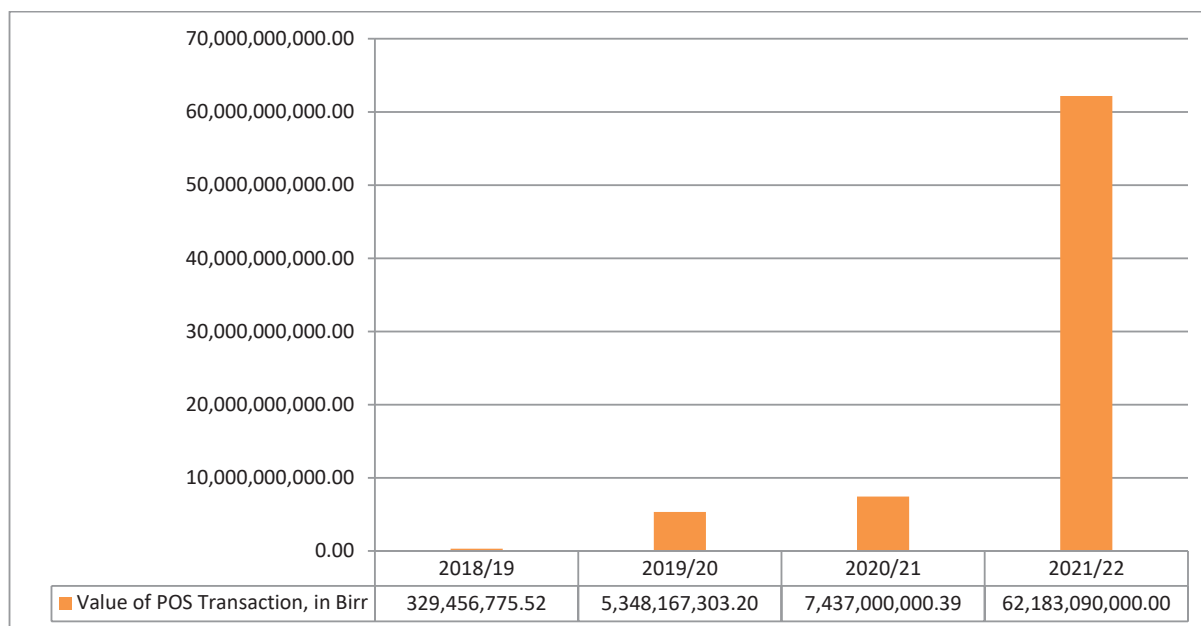


Fig. 5. Industry Wide POS Transaction Value, 2018/19-2021/22

Source: National Bank of Ethiopia

According to NBE, there is huge development on the usage of mobile banking, Internet banking and Mobile wallets in recent years. Taking 2021/22 as an example, a total of 88,012,896 number of transactions have been concluded on mobile banking having a value of birr 1,163,572,330,000. On Internet Banking, 1,094,038 transactions have also been recorded having a value of Birr

129,565,170,000. Mobile wallets are the third channels that have shown a tremendous growth with a transaction volume of 48,502,862 and value of Birr 24,359,610,000. Compared to transaction values of the previous year, all the three channels have shown a huge increase of 257%, 387% & 310%, respectively. This shows that the digital usage is showing growth from year to year.

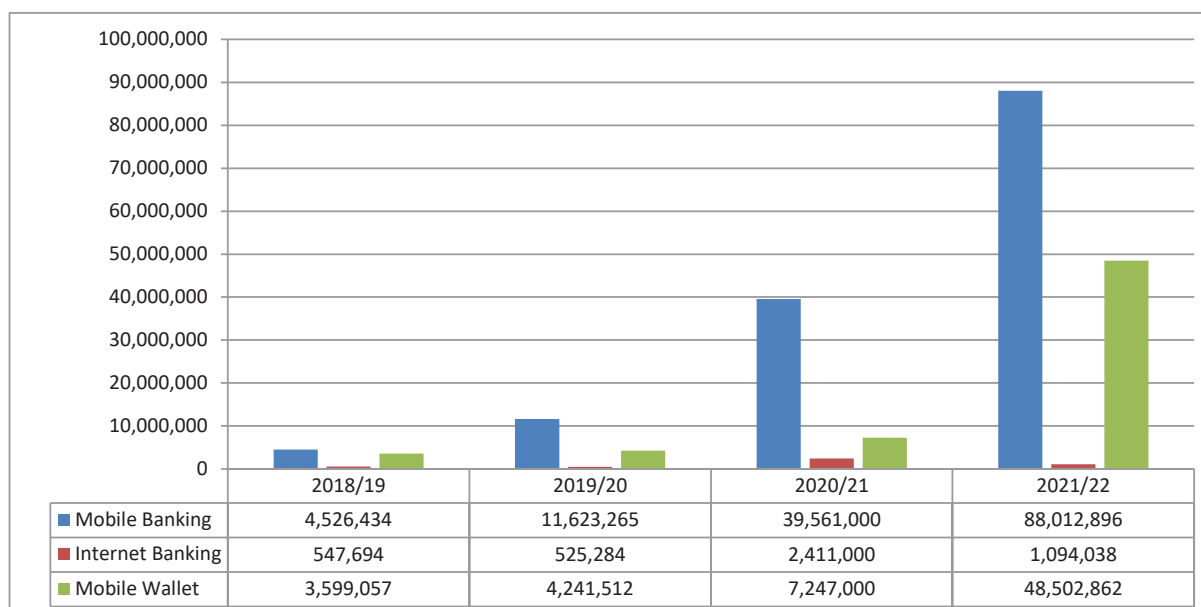


Fig. 6. Growth of Internet Banking, Mobile Banking & Wallet Usage in transaction volume, 2018/19-2021/22

Source: National Bank of Ethiopia

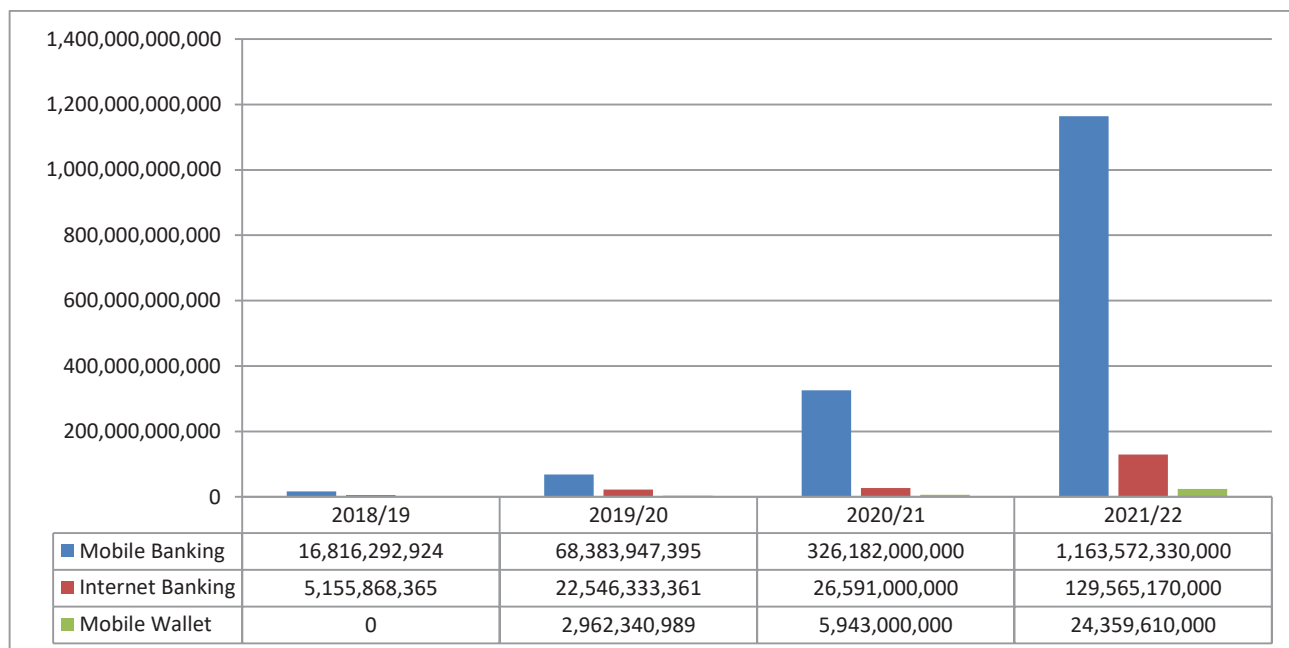


Fig. 7. Growth of Internet Banking, Mobile Banking & Wallet Usage in transaction value, 2018/19-2021/22

Source: National Bank of Ethiopia

2. EthSwitch- The National Switch

EthSwitch is a share company mainly owned by all banks operating in Ethiopia, the National Bank of Ethiopia, several MFIs, PILs, and PSOs. EthSwitch has been established mainly to achieve the following three broad goals in the financial and payment systems ecosystem:

- Provide interoperability for payment transactions.
- Develop and institute local payments schemes.
- Provide shared infrastructure/Platforms.

The company aims to provide simple, affordable, secured, and efficient e-payment infrastructure services, to retail payment service providers and through them to end users in Ethiopia, by deploying state-of-the-art technology along with highly skilled and motivated professionals. In line with the above objectives, EthSwitch strives to establish the National Interbank Electronic Retail Payment Infrastructure, which includes:

- The National EFT (Electronic Funds Transfer) Switch and Clearing System for interbank transactions conducted through Card, Mobile, Internet, and other payment channels.
- Central Card & PIN Printing and Personalization services.
- ATM/ POS monitoring and management systems.
- Card Management System (CMS) Services.
- Real-time payments clearing services.
- Settlement Service, which ensures management of net settlement of transactions and posting of settlement, batches in the RTGS system.
- Directory Services.
- Fraud management services.
- Dispute Management Services.
- International and local Gateway Services.
- Shared wallet platform and other channels.
- Information and Statistics Services.
- Training, Research, and Advisory Services.
- Real-Time digital payment products use cases as elaborated in the following diagram.

		RECEIVER		
		INDIVIDUALS	BUSINESSES	GOVERNMENTS
SENDER	INDIVIDUAL	P2Pe.g., domestic remittances, salary payments for home service providers,	P2B e.g., bill payments, retail merchant payments, e-commerce	P2G e.g., Utility bill payments, small & medium tax payments, customs, & fees/charges,
	BUSINESSES	B2P e.g., salaries, wages, dividend payments	B2B e.g., SME supplier payments, bill payments	B2G e.g., taxes, utility bill payments, fees for government services
	GOVERNMENT	G2P e.g., salaries, social security payments	G2B e.g., incentive payments	

Fig. 8: Real-Time Payment service use cases

Ethswitch, as the National Switch, brings the following benefits to the nation in general and its customers, in particular:

- a. Gains from economies of scale arise as fixed costs are shared across more transactions and technology that is more efficient is used.
- b. Easier access for new entrants to a particular payments stream, as access needs to be obtained only to the central switch rather than to every individual bank/MFI.
- c. Assured stability, reliability and security standards including disaster recovery standards and business continuity plans.
- d. Enabling easier adoption of innovation, sharing of costs and adoption of new standards.
- e. Enabling a network effect, resulting in the wider application and use of electronic retail payments in the country.
- f. Plays a significant role in enhancing Financial Inclusion and modernizing national payment systems.
- g. Enabling all stakeholders in payments ecosystem and contribute in the journey of creating Cash-Lite Society.

Current Ecosystem of EthSwitch is elaborated as follows.

Current Ecosystem of EthSwitch



Switched Services	Shared Infrastructure	Shared Platforms
Transaction Routing Authentication Authorization Clearing & Settlement Balance Inquiry ATM Cash Withdrawal Mini Statement Fund Transfer POS Purchase P2P, P2G, P2B, G2P Mobile Top Up	Card Personalization PIN Printing Card Management ATM Management POS Management Instant Card Issuance International Card Acquiring	Fraud Monitoring Dispute Management Payment Gateway Shared Wallet Channel Monitoring Reconciliation Solution Directory Services Shared SOC

Domestic Payment Scheme - EthioPay

Card Scheme
QR Scheme
Contactless Scheme

Third Party Services

Training Infrastructure Services Hosting	Disaster Recovery Card Perso CA
--	---------------------------------------

Enabled Products & Services

Bill Payment Remittances Cash-in and Cash out Tax Payment Financial Inclusion	Ticket Payment Purchase e-Commerce Bulk Payment E-Commerce
---	--



Banks
Micro-Finance Institutions
Insurance Companies
Third Party Service Providers
Business Organizations
Government Organizations
Non-Governmental Organizations
and more



ATM
POS
Mobile
Internet
Agents



Banks
Micro-Finance Institutions
Payment Instrument Issuers
Payment System Operators
Insurance Companies
Any Institution licensed by
National Bank of Ethiopia
and more

3. Operational Performance

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

To Achieve service excellence in all products, 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 DFSP) by assigning “Key Account managers”.

Key Account Managers have built and reinforced the relationship between EthSwitch and member banks by timely tracking and following each member banks’ issues/requests and responding timely with appropriate solutions.

Account Managers:

- handle Support Requests and Provide timely Solutions;
- play vital role for the success of transactions

and focus on solving disputed transactions; and

- Increase the awareness level of member banks on the upcoming products.

The aforementioned measures have 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.

3.1 Interoperable ATM Transactions

During 2021/22 EthSwitch has processed a total of 80,601,362 interbank ATM transactions. Compared with the 2020/21 annual performance, the total number of transactions processed increased by 110%. Out of the total interbank transactions, 39,894,113 transactions have been successful and eligible for fee cash withdrawal transactions with the value of Birr 44,952,627,730. The average transaction success rate for ATM over the year stands at 89%, achieving 96% of the target 93%.

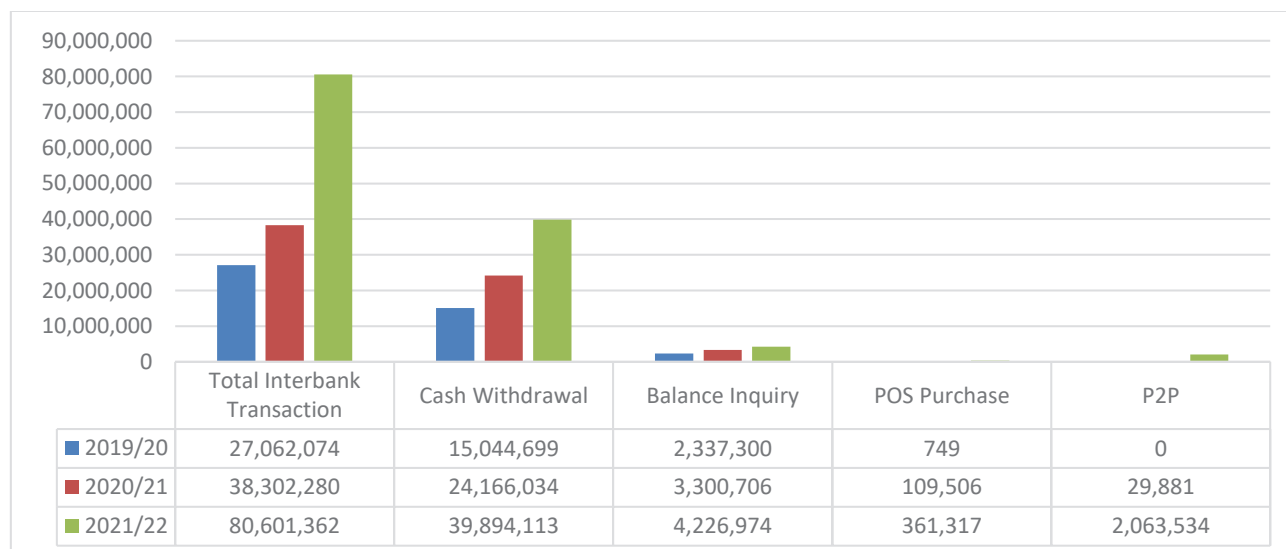


Fig. 10. Seasonal comparison of Successfully Processed Transactions

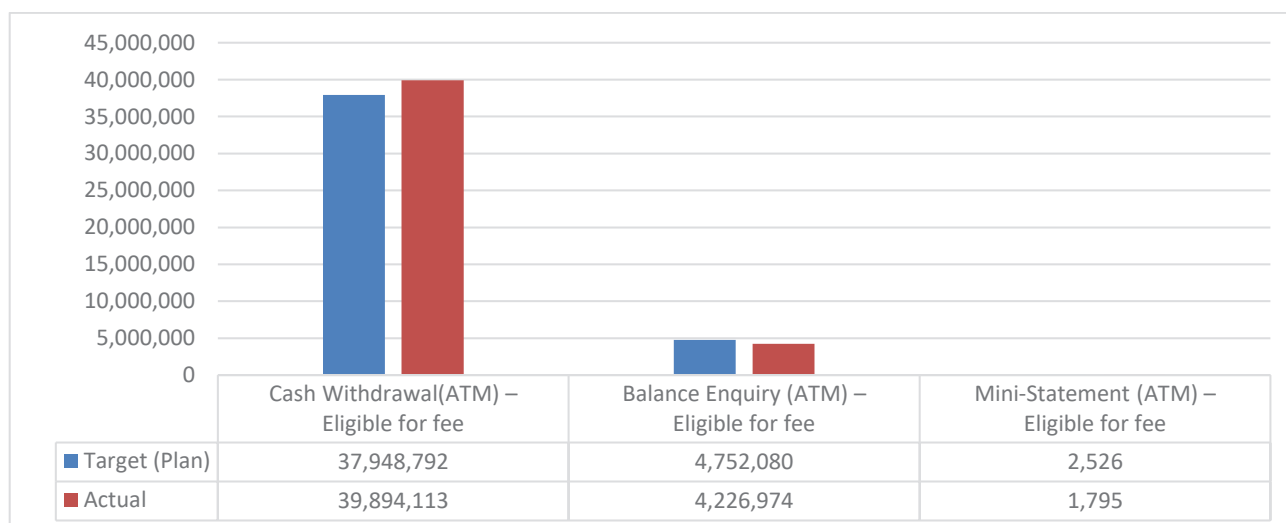


Fig. 11. ATM Interoperable Transactions Eligible for Fee by Type: Plan Vs Actual, 2021/22

3.2 Interoperable POS Transactions

During the overall operation period of the year, 361,321 POS interoperable transactions were recorded which worth birr 856,970,160. The average transaction success rate for POS over the year stands at 84%, achieving 99% of the target 85%. Almost all banks participate as both acquirer and issuer, except for a few that only played one function, yet; even though the number of transactions is increasing with time, the service needs a collaboration on devising strategies to increase usage.

The largest number and value of successful POS interoperable transactions were reported in the month of June 2022, recording 41,676 transactions worth of 107,393,602.23 birr. Furthermore, the daily transactions data demonstrates that the number of POS transactions is rising.

3.3 Card and PIN Personalization

Card and PIN Personalization plan for the FY 2021/22 was 341,111, and performed 301,293 with an achievement of 88%. The main reasons for the gap were that order level did not match with the target during the months of July, October, November, December, February, and April. In the 2nd quarter of the year (October, November, and December) card personalization machine was not in a good status. Moreover, from November to half of December Bunna Bank did not have blank card. As part of its product differentiation Ethswitch has started to issue pre-printed cards that can be used by the banks' customers instantly upon demand. The service is available to all hosted member banks to instantly issue cards to their esteemed customers upon demand.

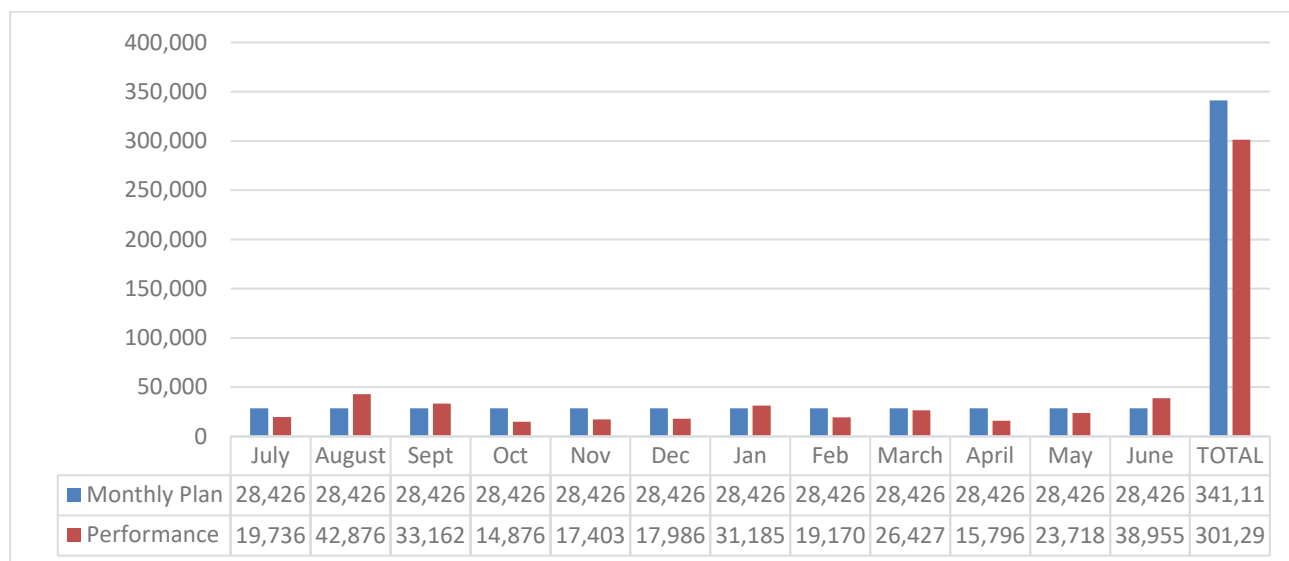


Fig. 12. Monthly Card and PIN Printing & Personalization Performance, Plan Vs Actual, 2021/22

3.4 Interoperable P2P Transactions

The Interoperable Person-to-Person (P2P) service has also recorded a very huge transaction volume in the fiscal year. During the year, 2,063,534 transactions recorded with a total value of Birr 19,999,726,018 between member banks and Micro finances registered in the interoperability ecosystem.

3.5 Dispute Management

Ethswitch has registered more than 80 million transactions in the budget year. Out of this only 0.3 percent of the total, i.e., 234,370, disputed transactions were recorded, and 97 percent of the disputed transactions were resolved. Ethswitch continued to endeavour to improve service excellence in the dispute resolution process by lowering the time it takes by holding monthly meetings with all member banks to discuss the monthly dispute management progress and plan to reduce the technological problems.

3.6 Clearing and Settlement

Clearing and settlement of transactions have been done on T+1 basis smoothly throughout the year for all Interoperable ATM transactions with

some exception few dates due to some system related interruptions. Regarding POS transaction settlement EthSwitch were working with member banks to maintain timely clearing files submission, hence, most member banks were able to maintain clearing files submission on T+1 basis. To ensure the smooth running of clearing & settlement process for POS transactions, EthSwitch have drafted a procedure for interoperable POS clearing file exchange. In addition, clearing & settlement process for P2P transactions were executed smoothly throughout the period on T+1 basis. Interoperable transactions fee was properly managed and settled in between respective participants & EthSwitch.

Daily Settlements were done as per NBE's and system rules requirements automated on RTGS system for all participants, and necessary clearing and settlement reports were provided to participants regularly to ensure the reconciliation process runs smoothly. Regarding unsettled transactions, the close monitoring of all outstanding unsettled issues has been continued and timely resolution has been provided to most of the issues. As a result, the number of unsettled transactions has been minimized from time to time. In addition, EthSwitch has been actively responding to member banks clearing, settlement

and reconciliation incidents rose throughout the period of the fiscal year.

EthSwitch has been facilitating the clearing of unclaimed transactions between participants throughout the year. Simultaneously EthSwitch has facilitated the clearing processes.

3.7 Development & Establishment of Domestic Payment Scheme

Ethswitch' s card scheme, EthioPay, mainly uses internationally recognized CPA/CCD specifications under EMVCO governing/certification body. Attaching EthioPay brand to these well-known industry players would help Ethswitch to promote the EthioPay Card scheme at the local as well as international level. By becoming an EMVCo member, Ethswitch will get a chance to get first-hand and insightful information from the governing body.

The following points were major achievement performed in relation to the domestic payment scheme enhancement: -

- o Contact scheme document preparations is completed;
- o Communicating EMVCo team, selecting membership type, registration process and activation of Ethswitch account is already completed, and Ethswitch can leverage its existing card specification to make EthioPay card scheme as a national standard by approving via Ethiopian Standard Agency (ESA).

3.8 Provide a secure, reliable, and seamless services

From Service Excellence/platform enhancement perspective the following major millstones are performed:

- Based on member bank request and in consideration of improving Dispute management system (DMS) system, EthSwitch deploy new DMS, which accommodate the scheme rule flows/ process whenever dispute arises among members. Test of the DMS functionality and UAT is conducted. Following UAT sign off document submission by the selected banks, Ethswitch live with enhanced DMS. Training about the new feature was provided for all member banks.
- In this budget year Ethswitch deploy CBS integration with hosted banks for card personalization. Accordingly, the card personalization activity can be driven from the core banking system directly. The required training was provided to the hosted member banks.
- EthSwitch payment infrastructure was available and offered required hosting and interoperable services like an online message, dispute management, Clearing & settlement, and card Personalization services in the course of this budget year.
- Incident response capability is improved and 24/7 technical and operational support is given to our member banks. This includes any technical glitch during off hours, weekends and holidays through secured network with proxy address connection.
- Our card holder data environment is valeted every three months (quarterly) by our contractor SISA Qualified Security Assessor (QSA) companies which is an independent security company that have been qualified by the PCI Security Standards Council to validate an entity's obedience continue to comply all to PCI

DSS standards. In addition to this, our internal security team operate deferent tools to monitor, administrate and supervise industry standard certification.

- EthSwitch has managed to be certified or recognized in two successive years for PCI-DSS standards. This year also all mandatory requirement has been completed and we will receive the third time accreditation documents with in the early months of the 2022/23 budget year.
- The storage system with in Ethswitch is replaced with latest up to date technology

that increases the capacity of the old storage system by 13 times. This is crucial to handle the rising number of transactions.

- The other initiative started is upgrading our current database version from Oracle 11g to 19C and upgrade the computing infrastructure operating system to recent version.
- The other achievement was the implementation of backup network with dynamic network failover configuration of all member banks.

4 Financial Performance

4.1 Assets

During the fiscal year under review EthSwitch's total asset rose to Birr 1,088,752,804 from the previous year of Birr 601,327,433, registering

a growth of 81%. Out of the total assets, non-current assets constituted Birr 88,891,746 or 8%, while current assets accounted for 92% or Birr 999,861,057. The increases in asset were financed mainly by share sales and revenue.

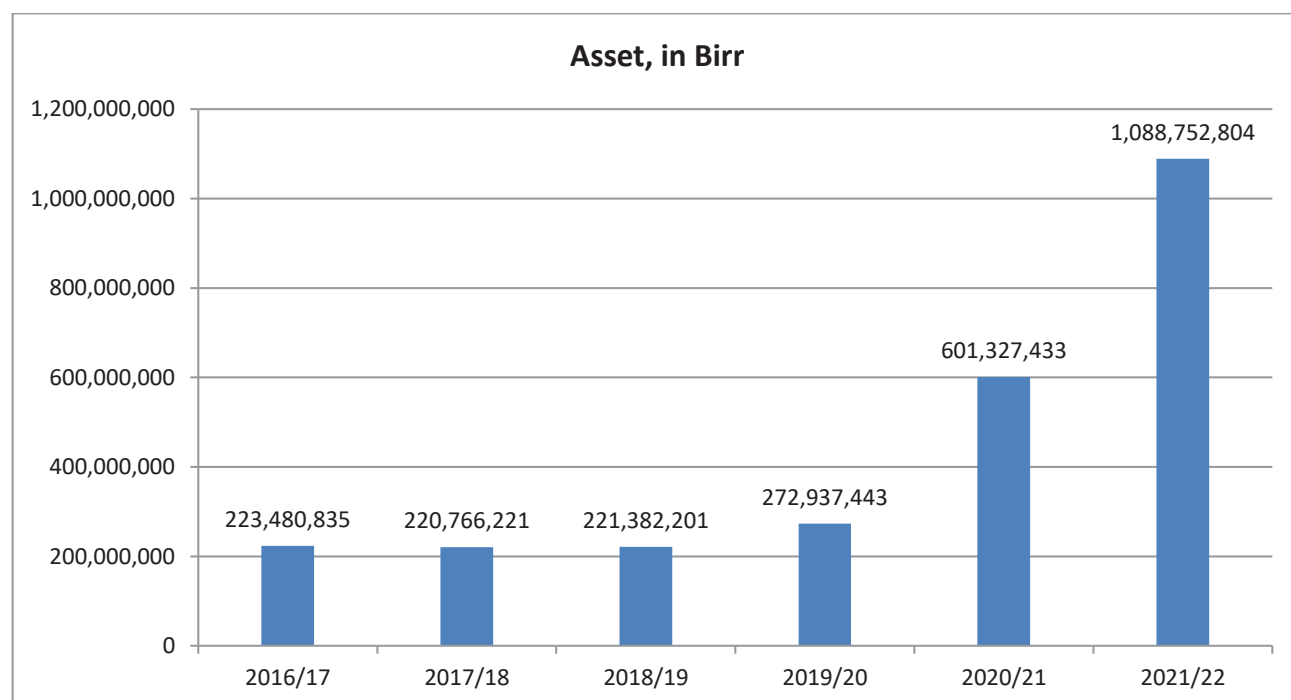


Fig. 13. Comparison of Total Assets in Birr

4.2 Capital

EthSwitch S.C. was established in 2011 with a paid-up capital of Birr 80,496,000.00. Following the Second extraordinary General Shareholders meeting held on 20th of September 2014, decision was made to increase the company's capital to Birr 300,000,000.00 to enable the Company invest in infrastructure and other capabilities. Furthermore, at the 4th Extraordinary Shareholders Meeting held on December 25, 2019, the Shareholders of EthSwitch have agreed to issue additional 600,000 shares to raise the capital of the Company by ETB 600,000,000.00. Paid up capital increased from previous year's 460,151,000 birr to 616,826,000 birr as at June 30, 2022 (by 34%).

4.3 Revenues & Expenses

During the fiscal year under review EthSwitch generated revenue of Birr 265,419,077, which is 105% of its plan. An additional income of Birr 88,721,322 (189% of the plan) has also been generated from other sources. The financial performance of EthSwitch has shown a robust improvement with achieving a total of 354,140,399 birr overall revenue, 118% of the plan, and compared to the previous fiscal year, year-on-year increase of 97% in overall revenues. Overall operational and administrative expense of the company is registered to be 133,144,848, a 44% increase from the previous fiscal year's overall expense of birr 92,229,226. Accordingly, EthSwitch's profit before tax ascended to Birr

220,995,552, showing a 153% increase from the previous fiscal year. The following graph depicts

the key financial performance figures.

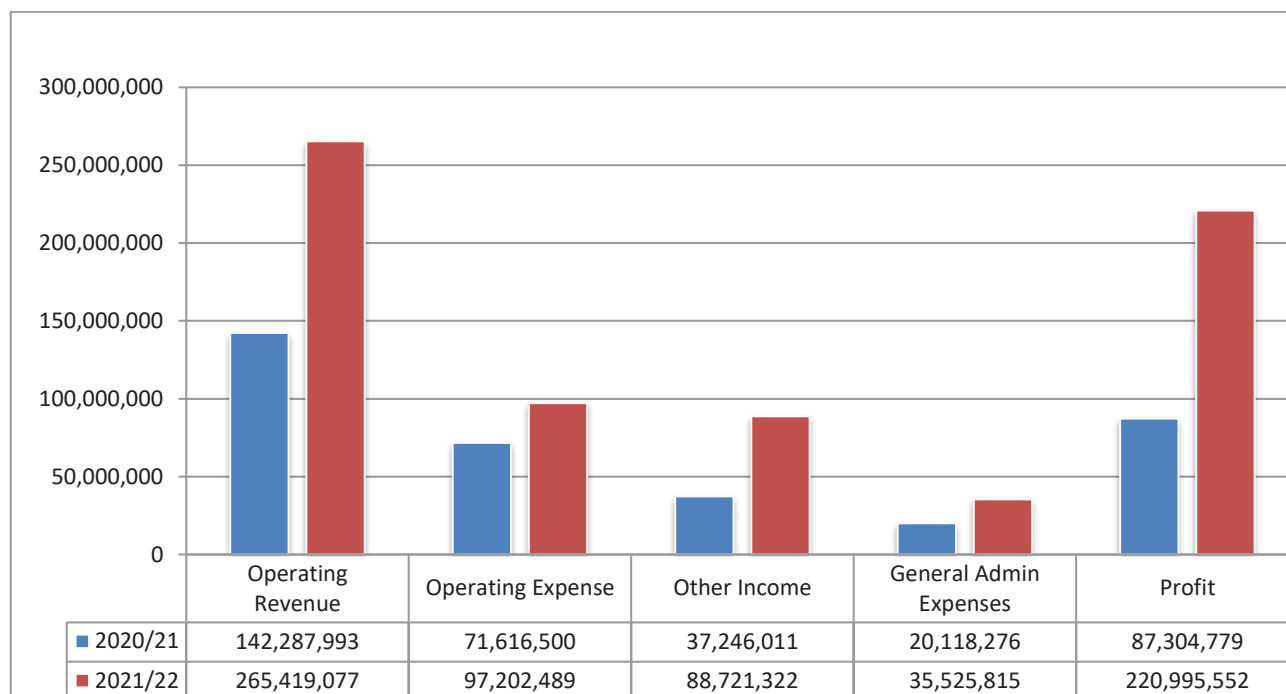


Fig. 14. Key Financial Performance Figures in Birr

In terms of revenue streams, EthSwitch's major incomes during the period under review came from ATM interoperable transaction fees. A total of Birr 238,569,572 revenue generated from ATM interoperable transactions, an 83% increase from previous fiscal year.

The second biggest operational revenue came from P2P service fee, in an amount of Birr 13,414,250

and an increase of 65% from the previous year. The third and the fourth revenues came from clearing & settlement and Card issuance fee, in the amount of Birr 8,302,467 and 2,844,400 respectively. POS purchase fee has registered a very high increase from the previous year, which is 232% increase, and registered a revenue of birr 1,732,325 over the year.

Table 1. Composition of Revenues from Operation, in Birr

REVENUE STREAMS	2020/21	2021/22	Growth
ATM Interoperable Transaction Fee	130,267,146	238,569,572	83%
Card Issuance Fee	2,823,930	2,844,400	1%
PIN Issuance Fee	559,026	556,064	-1%
POS Purchase fee	521,291	1,732,325	232%
Clearing & Settlement	-	8,302,467	-
P2P	8,116,600	13,414,250	65%
Total	142,287,993	265,419,077	87%

Interoperable ATM Transaction fee constitutes about 90% of the total operational income of the budget year, making it the most important stream. P2P service, which is commercialized only in this (2021/22) fiscal year after successful pilot period, has registered very optimistic income over the year with 5% contribution for the overall revenue. POS purchase fee has also registered a very high

increase from the previous year, which is 232% increase, though its contribution for the overall revenue remains very low, which is 1%. However, this is expected and believed to be changed, when POS Purchase interoperability and P2P transfer services begin to be used extensively and become the leading revenue generating streams in the coming years.

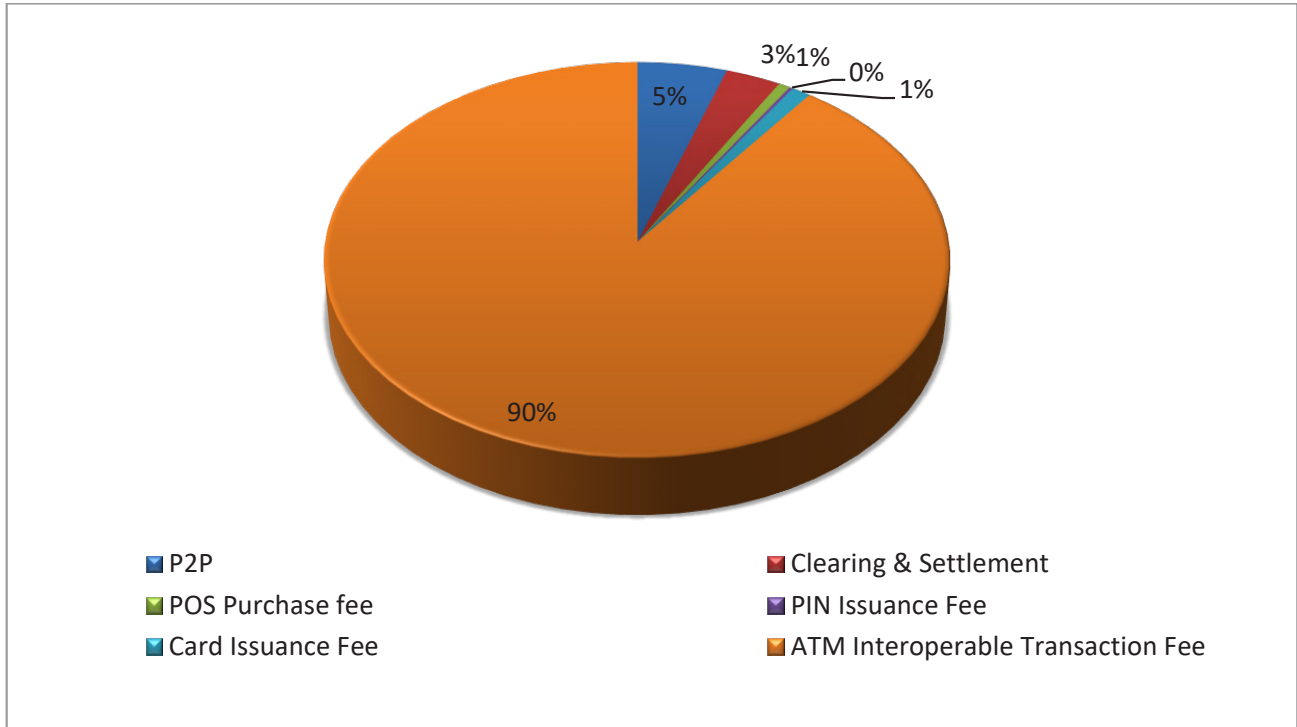


Fig.15 Percentage composition of Revenue Streams in FY 2021/22

5. Strategy & Organizational Development

5.1. Strategy Development

Seven Goals have been set to address the gaps EthSwitch has designed to tackle in the strategic period that range from 2020/21 - 2024/25.

Goal 1: Provide complete channel interoperability:

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

Goal 2: Develop & Institute Domestic 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: Enable all financial use cases:

EthSwitch will enable all digital financial use cases, through DFSPs, by creating access to EthSwitch services for all digital ecosystem participants. In addition to the other products and services that EthSwitch should offer in servicing all financial service providers, co-branding services are also a relevant consideration.

Goal 4: Ensure service excellence and provide a secure, reliable, seamless service:

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.

Goal 5: Capture digital retail transaction volumes to create financial service efficiency:

EthSwitch will drive the growth of digital retail transaction volumes, (and in particular, also its share of digital transactions), in the strategic year. Capturing an increased market share will rely on EthSwitch being and remaining the primary processor for digital transactions in Ethiopia and providing complete channel interoperability (see the first goal above). As a measurable output, EthSwitch can measure the share of digital transactions it processes as a share of total digital transactions in Ethiopia.

Goal 6: Build Institutional Capacity:

EthSwitch will build its institutional capacity in terms of human resource, 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 & systems, deployment of high calibre personnel, as well as establishment of conducive working facilities.

Goal 7: Ensure Positive Financial Performance:

EthSwitch will aim to become financially self-sufficient within the strategic years, whilst pricing as a utility. As a measurable outcome, EthSwitch should be cash flow neutral or positive after capital funding requirements (e.g., for new products) each year.

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," respectively.

5.2. Status of Strategy Implementation

EthSwitch's 5 Year Strategy is being implemented in three phases (Housekeeping, Expansion and Blue Sky) over five-year period 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 is also be "expansion phase," which will continue from the second-year strategy implementation and will also be the readiness year for the fourth-year strategy implementation (Blue-Sky) to begin after the completion of the "expansion phase". Emphasis for fiscal years 2022 and 2023 will be on finishing the

tasks transferred 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 "Complete Channel Interoperability," will be given due consideration (Goal I). 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 and EthSwitch S.C. in particular.

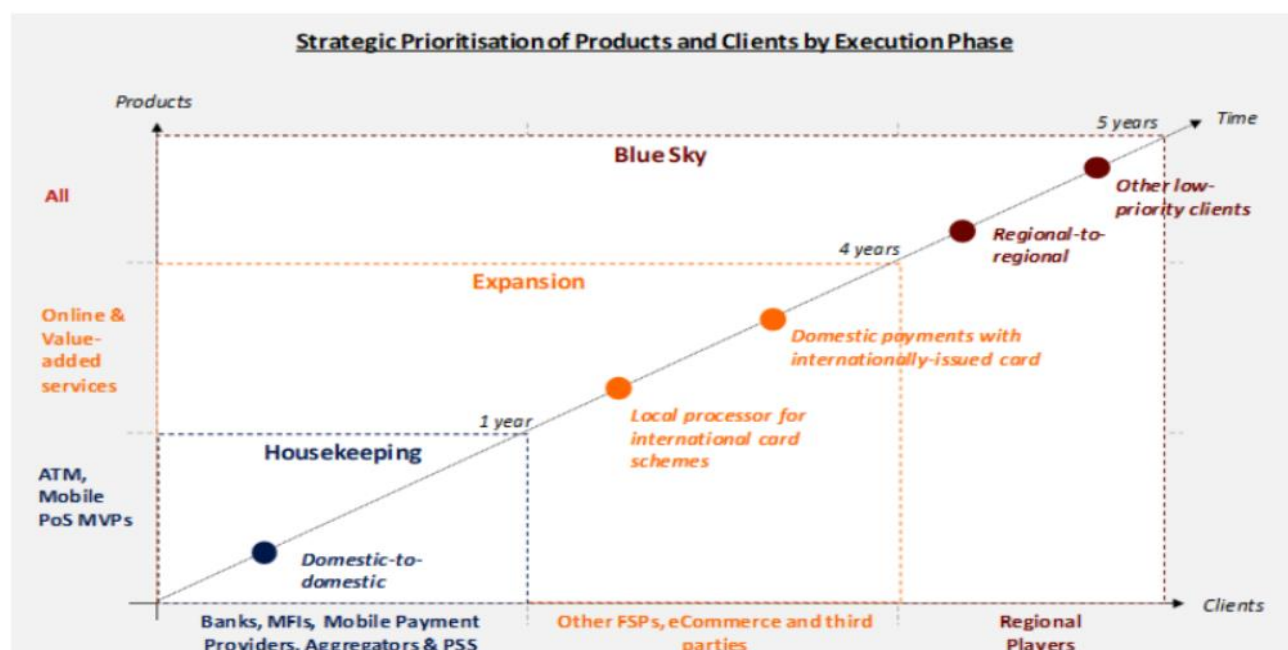


Figure 16: Strategy Prioritization

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 thus on Phase-1, House-Keeping. Most Key initiatives of this phase are completed.

- The focus in 2021/22 was building on experiences of previous year, completing already started projects and entering to expansion phase and further expand ETS product and services.
- In 2022/23, the emphasis will be on building on past experiences, finishing ongoing projects, and finalizing initiatives under the expansion phase, reviewing the strategy, starting the ground works for Regional-to-Regional collaboration (Cross-Border Payments) and shaping the company for the "Blue-sky phase".



Ethswitch Share Company

**FINANCIAL STATEMENTS AND
AUDIT REPORT**
FOR THE YEAR ENDED JUNE 30, 2022

**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 2022, 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 2022, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As described in note 25 and 25.5 there is unearned revenue amounting Birr 194,749,556.71 has arisen due to the grant received from the conditional contract with Bill and Milinda Gates Foundation (BMGF) and Africa Digital Financial Institution (ADFI), with grant received amount of USD 4,033,480 and USD 235,860 respectively during the current fiscal year. The Company should consider the future tax implication of these grants.



Responsibilities of Directors and Management 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 Board of director's report as it related to these financial statements and pursuant to Proclamation No. 1243/2021, we recommend approval of the mentioned financial statements.

Taf. Shi & Ay



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

Addis Ababa
26 August 2022

ETHSWITCH SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

Currency: Ethiopian Birr

	Notes	2022	2021
Assets			
Non-current assets			
Property, Plant and Equipment	11	73,914,632	58,806,516
Right-of-use asset	19	1,068,629	3,791,651
Lease Improvement	20	165,645	434,496
Intangible assets - Software	13	2,779,364	7,513,632
Project in progress	12	4,258,877	8,758,653
Deferred tax asset	10.2	6,704,600	4,097,982
		88,891,746	83,402,930
Current assets			
Trade and other receivables	16	27,527,955	23,460,394
VAT receivable	18	1,945,350	1,945,350
Advance and prepayments	17	10,870,862	2,203,596
Cash at Bank and in hand	14	366,516,890	132,315,162
Short-term deposits	15	593,000,000	358,000,000
		999,861,057	517,924,502
Total assets		1,088,752,804	601,327,433
Equity and Liabilities			
Equity			
Issued capital	22	616,826,000	460,151,000
Legal reserve	23	13,170,661	5,067,736
Retained earnings		155,011,772	57,070,563
Undistributable profit		24,157,598	-
Total Equity		809,166,031	522,289,299
Non-current liabilities			
Lease liabilities	21	1,626,120	1,696,180
Termination benefit liabilities	27	2,524,813	927,346
Deferred tax liabilities	10	1,231,488	6,839,048
		5,382,420	9,462,574
Current Liabilities			
Trade and other payables	25	210,795,159	38,347,049
Current tax payable	9c	42,993,626	18,351,066
Other tax and obligations	26	2,790,747	1,688,009
Current portion of lease liability	21	-	2,333,494
Accruals and other non financial liabilities	27	17,624,820	8,855,942
		274,204,352	69,575,560
Total Liabilities		279,586,773	79,038,134
Total Equity and Liabilities		1,088,752,804	601,327,433



The notes on page 7 to 39 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 2022

Currency: Ethiopian Birr

	Notes	2022	2021
Revenue	4	265,419,077	142,287,993
Operating expenses	5	(97,202,489)	(71,616,500)
Gross profit		168,216,588	70,671,493
Other income	6	88,721,322	37,246,011
General and administration expenses	7	(35,525,815)	(20,118,276)
Operating profit		221,412,096	87,799,229
Finance costs	8	(416,544)	(494,450)
Profit before tax		220,995,552	87,304,779
Income tax expense	9(a)	(34,779,448)	(25,928,261)
Profit for the year		186,216,103	61,376,518
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)		-	-
Total comprehensive income for the year net of tax .		186,216,103	61,376,518
EARNING PER SHARE	34	Birr 303.31	

The notes on page 7 to 39 are an integral part of these financial statements



ETHSWITCH SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

Note	Share Capital	Legal Reserve	Retained Earnings	Undistributable profit	Total
Balance at 01 July 2020	234,084,000	1,998,910	9,065,719	-	245,148,629
Comprehensive income for the year	-	-	61,376,518	-	61,376,518
Dividend paid/reinvested	-	-	(9,065,718)	-	(9,065,718)
Capital Enhancement	226,067,000	-	-	-	226,067,000
Profit tax paid	-	-	(1,557,246)	-	(1,557,246)
Prior year adjustment	-	-	320,115	-	320,115
Transfer to legal reserve	-	3,068,826	(3,068,826)	-	-
Balance at 30 June 2021	460,151,000	5,067,736	57,070,563	-	522,289,299
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

The notes on page 7 to 39 are an integral part of these financial statements.



ETHSWITCH SHARE COMPANY**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2022

Currency: Ethiopian Birr

30-Jun-21

CASH FLOW FROM OPERATING ACTIVITIES

Profit before tax	220,995,552	87,304,779
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Interest Expense	284,800	486,043
Depreciation of Property, Plant and Equipment	14,234,705	13,117,017
Amortization of intangible assets	5,849,755	9,520,540
Amortization of Right of use assets and Lease improvement	3,056,271	2,369,655
Prior period adjustment	1,056,192	320,115
Dividend paid	(57,070,563)	(9,065,718)

188,406,712 104,052,432

Interest paid	(284,800)	(486,043)
Income tax paid	(18,351,066)	(1,557,246)

169,770,846 102,009,144**Operating cash flow before working capital changes****Movements in working capital**

Increase /Decrease/in Trade and other receivables	(4,067,562)	(12,587,690)
Increase /Decrease/in Advance and prepayments	(8,667,266)	(1,461,324)
Increase /Decrease/in Lease liability	90,738	1,033,455
Increase /Decrease/in Trade and other payables	172,448,110	25,272,382
Increase /Decrease/in Taxes and other payables	1,102,738	1,190,078
Increase /Decrease/ in Accruals	8,768,879	4,618,641
Increase /Decrease/ in Severance	1,597,467	557,623

171,273,103 18,623,165**341,043,949 120,632,308****Net cash flows from operating activities****CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of Property, Plant and Equipment	(29,342,821)	(25,782,620)
Work in progress	4,499,776	(8,758,653)
Intangible Asset - Software	(1,115,486)	(94,233)
Right of use Asset - Office lease	-	(644,326)
Office lease Improvement	(64,398)	(145,428)
Net cash flows used in investing activities	(26,022,929)	(35,425,260)

CASH FLOW FROM FINANCING ACTIVITIES

Payment of lease liabilities	(2,494,293)	(2,333,494)
Short term investment	(235,000,000)	(210,000,000)
Additional investment in capital	156,675,000	226,067,000

(80,819,293) 13,733,506**Net cash flows from/(used in) financing activities**

Net Increase/ (Decrease) in cash and cash equivalents	234,201,728	98,940,554
Cash and cash equivalents at the beginning of the year	132,315,162	33,374,609

366,516,890 132,315,162**Cash and cash equivalents at the end of the year****Components of cash and cash equivalents**

Cash at bank and in hand	366,516,890	132,315,162
	366,516,890	132,315,162



The notes on page 7 to 39 are an integral part of these financial statements

ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. Company information

Eth Switch 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 Eth Switch. 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 Eth Switch at their forth extraordinary meeting held on 26th of December 2019, decided to increase the capital of the company to Birr 600,000,000. Accordingly the paid up capital has grown to 616,826,000 as of June 30 2022. The objective of this addition in capital contribution was to improve the existing operation and to introduce new service products.

Eth Switch 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 getaway 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 2022

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 2022

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) 0.50 cents each. Then from this 1 birr charge Eth Switch earns 0.55 cents. Though this transaction is completed and all stakeholders' accounts are debited/credited automatically, Eth Switch 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 Eth Switch and for the acquirer bank respectively.

ATM Instatement (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, Eth Switch 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 85,000 per quarter. These fixed charges are recognized as an income on quarterly basis after delivering the services during the quarter



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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 10 birr per number of ATM cards.
- PIN printing: Only 2birr 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 of Interest Income from Short Term deposit that the company have with various banks. Eth Switch deposit cash in a number of banks for short period between three to one 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 substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. In the last and current year the company has earned an operating profit and it fully cover the accumulated loss.

Value Added Tax (VAT)

EthSwitch is exempted from VAT



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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.

Type of PPE	Useful life
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.



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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 lease hold 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.



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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.

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.

1) 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 transition 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.



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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 15.

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 cash flows, cash and cash equivalents consist of cash.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of an Etswich 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.



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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 general approach as above, the company apply simplified approach in accordance with practical expedient 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 expedient, 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 apply 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 Etswich share companying'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.



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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 Etswich 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:



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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 and 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 an 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.



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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

2.3.10.1 Impairment of non-financial assets

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

Accounting policy disclosures	Note 2.3.12 (par 1-3)
Disclosures for significant assumptions (if any)	Note 11
Property, plant and equipment	Note 11

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 Etswich 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.



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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.



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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 or Etswich share company of employees 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-fifth 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.



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2.2.13 Provisions

t 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.

2.2. 15 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."



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3. NEW OR REVISED STANDARDS OR INTERPRETATIONS
IFRS 13 Fair Value Measurement

The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.

As the company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the company's financial statements.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognized in the company's financial statements.

IFRS 9 Financial Instruments
Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognized financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortized cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.
- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

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IFRS 9 also contains requirements for the classification and measurement of financial liabilities and De recognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For more prescriptive guidance has been introduced by the new revenue Standard:

Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.



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Whether the transaction price allocated to each performance obligation should be recognized as revenue over time or at a point in time. Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognized over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'

When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognized. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognized as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

When costs incurred to obtain a contract and costs to fulfil a contract can be recognized as an asset.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the company's financial statements

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability.

- IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact,
- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease.
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices

assessing current disclosures for finance leases and operating leases as these are likely to form basis of the amounts to be capitalized as right-of-use assets.

- determining which optional accounting simplifications are available and whether to apply them



ETHSWITCH SHARE COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2022

- considering the IT system requirements and whether a new leasing system is needed. This is being considered in line with implementing IFRS 9 so the Ethswitch share company only have to undergo one set of system changes
- assessing the additional disclosures that will be required.

Amendments to IAS 1 (Disclosure Initiative)

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss;

Application of the amendments need not be disclosed. The directors of the company anticipate that the application of IAS 1 in the future may not have a significant impact on amounts reported in respect of the company's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the company uses the straight-line method for depreciation and amortization for its property and equipment, and intangible assets respectively.



ETHSWITCH SHARE COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2022

4. REVENUE**Currency: Ethiopian Birr**

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

	2022	2021
ATM Interbank Transaction Fee	238,569,572	130,267,146
Card Issuance Fee	2,844,400	2,823,930
PIN Issuance Fee	556,064	559,026
POS Purchase fee	1,732,325	521,291
Clearing & Settlement	8,302,467	-
Card Management & Authentication fee	13,414,250	8,116,600
	265,419,077	142,287,993

4.1 Source of revenue

Eth Switch 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

Salary and employee benefits	30,810,826	12,698,207
Capacity Building (Perdiem & Travel)	5,701,626	3,687,513
Advertising & Promotion	6,466,764	3,485,278
Connectivity & Related Costs	502,679	561,428
Gas oil for Generator	74,120	54,374
Depreciation	14,234,705	13,117,017
Amortization	8,906,027	11,890,195
Operating Expense	945,402	589,424
Loss FCY - rate exchange d/ce	2,100,592	-
Recurrent Costs	27,459,749	25,533,062
	97,202,489	71,616,500



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

6 OTHER INCOME

Interest Income	61,537,041	36,703,811
Other income	70,557	542,200
Grant income	2,850,760	-
Realized gain FCY rate d/ce	105,367	-
Unrealized gain FCY rate d/ce	24,157,598	-
	88,721,322	37,246,011

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

7 GENERAL AND ADMINISTRATION EXPENSES

Currency: Ethiopian Birr

		2021
Salary & employees Benefit	25,060,006	13,653,316
Office rent expense	485,912	-
License Renewal & Other	34,613	19,640
Cleaning	93,345	77,425
Legal Support	237,125	281,904
Fuel	131,914	46,919
Utilities	54,667	48,945
Telephone & Fax	354,407	80,897
Stationery & Materials	170,680	121,053
Repair and maintenance	1,035,088	289,499
Travel Expense	880,881	-
Office supply	583,024	54,280
General Shareholders' Meeting Ceremony	1,714,904	137,501
Audit Fee	63,135	60,950
Board Fee	1,067,000	2,213,000
Consultancy Fee	-	434,125
Membership Fee	3,628	3,628
Insurance	167,935	112,292
Grants to the Government	500,000	-
Communication	10,090	-
Entertainment	161,469	122,417
Penalty	-	15,845
COVID related Expenses	2,557,773	2,310,411
Miscellaneous	158,219	34,228
	35,525,815	20,118,276



ETHSWITCH SHARE COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2022

8 FINANCE COST

Bank charges	131,744	8,407
Interest Expense -Lease liability (8.1)	284,800	486,043
	416,544	494,450

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.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

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.

Currency: Ethiopian Birr

2021

Current taxation based on the taxable profit for the year at 30% (Note 9b)

Add: Deferred tax charge (Note 10.2)

Deferred tax credit (Note 10.1)

Current year profit tax expense

42,993,626	18,493,334
(2,606,618)	4,875,358
(5,607,560)	2,559,569
34,779,448	25,928,262

(b) Tax expense computation

Net profit before taxation

Less: Interest income (taxed at source)

Unrealized gain FCY rate d/ce

220,995,552	87,304,779
(61,537,041)	(36,703,811)
(24,157,598)	-
135,300,913	50,600,968

Add: Non allowable expenses

Entertainment

Penalty

Amortization expense - Software

Amortization expense - Lease

Amortization expense - Lease improvement

Interest expense - Lease

Depreciation per IFRS

Severance provision

Annual leave

161,469	122,417
-	15,845
5,849,755	9,520,540
2,723,022	1,963,278
333,250	406,377
284,800	486,043
14,234,705	13,117,017
1,597,467	599,271
2,307,047	843,858
27,491,514	27,074,647

Less:

Rent expense

Depreciation per tax

Amortization expense - Lease improvement

Annual leave and severance paid in cash

Amortization expense per Tax

Amortization expense - Preoperational expenditure

(2,689,018)	(2,430,408)
(11,661,118)	(7,659,428)
(169,584)	(163,124)
(938)	-
(2,678,144)	(3,496,671)
(2,281,538)	(2,281,538)
(19,480,339)	(16,031,169)

Taxable income

Loss brought forward

143,312,088	61,644,446
-	-

Income tax expense at 30%

Current tax expense

143,312,088	61,644,446
42,993,626	18,493,334
42,993,626	18,493,334

(c) Statement of financial position - Tax payable

Current year tax payable (Note 9c)

Less: Withholding tax

Income tax payable

42,993,626	18,493,334
-	(142,268)
42,993,626	18,351,066



ETHSWITCH SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2022

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.

Currency: Ethiopian Birr

	2022	2021
Tax base of the asset at 30 June, (Note 10.1.1 & 2)	69,809,673	43,523,325
Book value of the asset at 30 June, (Note 10.1.1 & 2)	73,914,632	66,320,150
Temporary deference	4,104,959	22,796,825
Deferred tax asset /liability on temporary differences at 30%	1,231,488	6,839,048
Movement in deferred tax liability	(5,607,560)	

10.1.1 Property, Plant and Equipment

Written down value 01 July	32,114,614	34,004,776
Additions	49,356,176	5,769,264
Sub total	81,470,791	39,774,040
Tax law depreciation	(11,661,118)	(7,659,426)
Written down value 01 July	69,809,673	32,114,614
Book Value - IFRS	73,914,632	58,806,516
Temporary Difference	4,104,959	26,691,902
Deferred Tax Balance (30 %)	1,231,488	8,007,571



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

10.1.2 Intangible assets - Software

Tax base of assets at 30 June	9,846,053	11,408,711
Book Value of asset at 30 June	2,779,364	7,513,633
Temporary Difference	(7,066,689)	(3,895,077)
Deferred tax asset /liability on temporary differences at 30%	(2,120,007)	(1,168,523)

10.2 Deferred tax asset
Currency: Ethiopian Birr

Tax base of the asset (Note 10.2.1 - 10.2.3 & 10.1.2)	18,972,203	11,407,687
Book value of the asset ((Note 10.2.1 - 10.2.3 & 10.1.2))	3,376,463	(2,252,251)
Temporary difference	22,348,666	13,659,939
Deferred tax asset /liability on temporary differences at 30%	6,704,600	4,097,982
Movement in Deferred tax asset	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	9,126,150	11,407,687
Book Value of asset at 30 June	-	-
Temporary Difference	9,126,150	11,407,687
Deferred Tax asset on temporary differences at 30%	2,737,845	3,422,306

10.2.2 Unused tax losses and unused tax credits

A deferred tax assets shall be recognized for the carried forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. deferred tax asset will only be calculated for the carried forward losses if and only if there will be future profits to absorb the losses otherwise there will not be any deferred tax asset for carried forward losses.



ETHSWITCH SHARE COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2022

Management has already asserts that profit and the transactions are well above the forecasted level, which indicates the carry forward losses will be absorbed in the future.

Tax base of assets at 30 June	-	-
Book Value of asset at 30 June	-	-
Temporary Difference	-	-
Deferred Tax asset on temporary differences at 30%	-	-

10.2.3 Severance pay and annual leave

Deferred tax asset arises on the temporary difference between carrying amount of termination benefit obligation and its tax base. Under Ethiopian tax law, severance payment is deductible when the employee actually terminates and the obligation is settled in cash where as IFRS requires recognition of termination benefit obligation as the employee becomes entitled for the benefit of the service rendered during the period regardless of the payment. This gives rise to deductible temporary difference between tax base and carrying amount of employee benefit obligation at the reporting date.

Currency: Ethiopian Birr

	2022	2021
Tax base of assets at 30 June	-	-
Book Value of asset at 30 June (Severance and annual leave)	6,155,827	2,252,251
Temporary Difference	(6,155,827)	(2,252,251)
Deferred Tax asset on temporary differences at 30%	(1,846,748)	(675,675)



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

11. PROPERTY, PLANT AND EQUIPMENT

Currency: Ethiopian Birr

	Furniture & Fixtures	Motor Vehicles	Computer and Accessories	Office Equipment	Computing Infrastructure	Card personalization Machine	Network and Data Center	Generator	Total
COST									
At 1 July 2020	1,068,589	9,985,897	2,696,467	685,652	13,945,388	9,330,924	57,098,369	1,911,696	96,722,982
Additions	148,853	3,786,420	562,942	374,684	20,013,355	218,238	495,938	182,190	25,782,620
At 30 June 2021	1,217,442	13,772,317	3,259,409	1,060,335	33,958,743	9,549,162	57,594,306	2,093,886	122,505,602
At 1 July 2021	1,217,442	13,772,317	3,259,409	1,060,335	33,958,743	9,549,162	57,594,306	2,093,886	122,505,602
Additions	680,544	5,088,757	1,959,007	141,125	950,223	15,494,077	-	5,579,422	29,893,156
Transfer	-	-	-	-	(550,335)	-	-	-	(550,335)
At 30 June 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
DEPRECIATION									
At 1 July 2020	406,833	1,652,047	1,340,928	603,226	8,956,705	4,052,464	33,034,807	535,059	50,582,068
Charge for the year	116,030	1,236,511	398,959	32,609	1,992,198	934,886	8,207,417	198,407	13,117,017
At 30 June 2021	522,863	2,888,558	1,739,887	635,835	10,948,903	4,987,350	41,242,224	733,466	63,699,086
At 01 July 2021	522,863	2,888,558	1,739,887	635,835	10,948,903	4,987,350	41,242,224	733,466	63,699,086
Charge for the year	149,893	1,627,718	506,846	91,289	2,211,977	954,766	8,227,758	464,458	14,234,705
At 30 June 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
NET BOOK VALUE									
At 30 June 2021	694,579	10,883,759	1,519,523	424,500	23,009,840	4,561,812	16,352,082	1,360,420	58,806,515
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



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

12. PROJECT IN PROGRESS

Currency: Ethiopian Birr

	2022	2021
Balance beginning of the year	8,758,653	-
Additions (transfers)	(4,499,776)	8,758,653
Balance end of the year	4,258,877	8,758,653

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 2020	57,093,708
Addition	94,233
As at June 30 2021	57,187,941
As at July 01 2021	57,187,941
Addition	1,115,486
As at June 30 2022	58,303,428
Amortization	
As at July 01 2020	40,153,769
Charge for the year	9,520,540
As at June 30 2021	49,674,309
As at July 01 2021	49,674,309
Charge for the year	5,849,755
As at June 30 2022	55,524,064
Net Book value 30 June 2021	7,513,632
Net Book value 30 June 2022	2,779,364

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 .



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

14. CASH AND CASH EQUIVALENT

Currency: Ethiopian Birr

2021

Cash at banks	366,516,890	132,315,162
	366,516,890	132,315,162

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.

15. SHORT TERM DEPOSITS (CERTIFICATE OF DEPOSITS)

Currency: Ethiopian Birr

2021

Wegagen Bank	20,000,000	-
United Bank	85,000,000	-
Enat Bank	45,000,000	95,000,000
Dashen Bank	75,000,000	83,000,000
NIB Bank	60,000,000	-
Oromia International Bank	308,000,000	180,000,000
	593,000,000	358,000,000

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

Currency: Ethiopian Birr

2022

2021

Banks (Note 16.1)	3,056,657	3,134,962
Interest receivables(Note 16.2)	11,671,608	18,717,529
Withholding Receivable	24,775	24,774
Staff Debtors	12,769,025	1,570,602
Other Receivable	5,891	12,527
Sundries (stolen assets)	40,909	40,909
	27,568,864	23,501,303
Allowance for credit losses	(40,909)	(40,909)
	27,527,955	23,460,395



ETHSWITCH SHARE COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2022

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 Eth Switch 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**Currency: Ethiopian Birr**

Deposit and prepayment	4,555,260	256,493
Advance payment	6,315,602	1,947,103
	10,870,862	2,203,596

18. VAT RECEIVABLE

Balance brought forward	1,945,350	1,945,350
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ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

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.

Cost

As at July 01 2020	8,736,991
Addition	644,326
As at June 30 2021	9,381,317
As at July 01 2021	9,381,317
Addition	-
As at June 30 2022	9,381,317

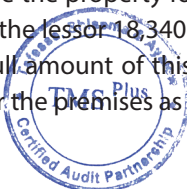
Amortization

As at July 01 2020	3,626,388
Charge for the year	1,963,278
As at June 30 2021	5,589,666
As at July 01 2021	5,589,666
Charge for the year	2,723,022
As at June 30 2022	8,312,688

Net Book value June 2021 **3,791,650**

Net Book value June 2022 **1,068,629**

- 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 **Lease II:** 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.



ETHSWITCH SHARE COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2022

- 19.3 **Lease III:** 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.
- 19.4 **Lease IV:** 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 **Lease V:** The company has entered into a new agreement of the same total area of 49.92 m2 with a monthly rental price of 17,472.00 excluding VAT; 350 birr 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 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 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.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

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	Currency: Ethiopian Birr	
	2022	2021
Balance brought forward	1,631,438	1,486,011
Current year addition	64,398	145,428
As at 30 June	1,695,836	1,631,438
Amortization		
As at 01 July	1,196,942	790,565
Charge for the year	333,250	406,377
As at 30 June	1,530,192	1,196,942
Net Book Value	165,644.59	434,496

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	4,029,674	5,329,713
Addition	90,738	1,033,455
Less: Repayments	(2,494,293)	(2,333,494)
Balance at 30 June	1,626,120	4,029,674
Current	1,626,120	2,333,494
Non current	-	1,696,180
	1,626,120	4,029,674



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

22. CAPITAL

The company has subscribed capital of ETB 460,675,000 with a paid up capital of 460,151,000 as at 30, June 2021. 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.

Currency: Ethiopian Birr

2022 2021

Subscribed:

738,908 ordinary shares of ETB each

738,908,000	460,675,000
-------------	-------------

Issued and fully paid:

460,151 (234,084 in 2020) ordinary shares of ETB 1,000 each

616,826,000	460,151,000
-------------	-------------

Movements in paid up capital

Balance beginning of the year

460,151,000	234,084,000
-------------	-------------

Paid/reinvested during the year

156,675,000	226,067,000
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Balance end of the year

616,826,000	460,151,000
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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:

Currency: Ethiopian Birr

Trade and other payables

13,292,782	37,651,259
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Other tax and obligations

-	-
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13,292,782	37,651,259
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25. TRADE AND OTHER PAYABLES

Currency: Ethiopian Birr

Trade payables (Note 24 above)

13,292,782	37,651,259
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Dividend Payable

13,764	5,319
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Unearned Revenue

194,749,557	-
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Staff

36,406	65,809
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Cost Sharing

11,511	10,373
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Sundry Payable

2,691,140	614,289
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210,795,159	38,347,049
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ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

- 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 194,749,557 arrived due to Eth Switch's conditional contract with Bill and Milinda Gates Foundation (BMGF) and Africa Digital Financial Institution (ADFI), and received a grant amount of USD 4,033,480 and USD 235,860 respectively during the current fiscal year. The equivalent Ethiopian birr amount of the total grant received from the above stated donors are recognized as a liability as Unearned revenue.

26. OTHER TAX AND OBLIGATIONS

Employment income tax
 Withholding tax payable
 Pension contribution payable

Currency: Ethiopian Birr

1,825,643	788,106
162,536	507,422
802,568	392,481
2,790,747	1,688,009

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

Accrued Leave
 Others

Currency: Ethiopian Birr
2022 **2021**

3,631,014	1,324,905
13,993,806	7,531,038
17,624,820	8,855,942
2,524,813	927,346

Accrued severance pay

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.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 Eth switch 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.

(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



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

	Currency: Ethiopian Birr			
	Fully performing	Past due	Impaired	Total
30-Jun-22				
Trade and other receivables	40,385,076	-	40,909	40,344,167
Cash and cash equivalents	366,516,890	-	-	366,516,890
Short Term Investments	593,000,000			593,000,000
	999,901,966	-	40,909	999,861,057
30-Jun-21				
Trade receivables	27,650,248	-	40,909	27,609,339
Cash and cash equivalents	132,315,162	-	-	132,315,162
Short Term Investments	358,000,000			358,000,000
	517,965,410	-	40,909	517,924,501

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 maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the company consists of equity attributable to equity holders comprising issued capital and retained earnings. The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liability less current liability. Information on the company's capital and borrowings as at 30, 2021 and 2022 is provided below:



ETHSWITCH SHARE COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2022

Currency: Ethiopian Birr

	2022	2021
Share capital	616,826,000	460,151,000
Legal reserve	13,170,661	5,067,736
Retained earnings	155,011,772	57,070,563
Equity	785,008,433	522,289,298
Total liability	279,586,773	79,038,134
Less: current liability	(274,204,352)	(69,575,560)
Net debt	5,382,420	9,462,574
Gearing	1%	2%

30. RELATED PARTY DISCLOSURE

The company's management is of the opinion that there is no significant related party transactions over the years under consideration.

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

Currency: Ethiopian Birr

	2022	2021
Gross annual salary of CEO	1,945,200	-
Short term employee benefit	10,975,894	8,191,016
Post-employment benefit (pension)	917,606	520,886
Board fee	1,067,000	2,213,000
Bonus payment	3,895,188	1,657,500
	18,800,888	12,582,401

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 Eth Switch 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.



ETHSWITCH SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

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 Branch'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 after tax	186,216,103
Deduct: unrealized foreign exchange gain	(24,157,598)
	162,058,505
Wighted average number of capital	534,293,159
Earning per share	303.31

35. COMPARATIVE FIGURES

Comparative figures are rearranged to facilitate comparison.





Payment Card Industry DATA SECURITY

EthSwitch is pleased to
announce that it has been
certified to comply with

PCI DSS

(Payment Card Industry - Data Security
Standard) v3.2.1.

For the 3rd year Running

CERTIFICATE OF COMPLIANCE

THIS IS TO CERTIFY THAT
EthSwitch S.C.

HAS BEEN ASSESSED BY
SISA

for their payment card related services and was found to be compliant with
PAYMENT CARD INDUSTRY DATA SECURITY STANDARD v3.2.1

SCOPE OF ASSESSMENT: **EthSwitch S.C.**
Issuing, Acquiring and Authorization Services

Corporate Office and DR Site:
EthSwitch S.C., 4th Floor, Nega City Mall,
Joseph Tito Street, Kazanchis Area
(across Zemen Bank), Addis Ababa - 9714, Ethiopia.

Data Centre:
National Bank of Ethiopia, Ras Abebe Aregay Street,
Addis Ababa, Ethiopia.

CATEGORY: SERVICE PROVIDER
COMPLIANCE DATE: JULY 22nd, 2022
VALID TILL: JULY 21st, 2023
CERTIFICATE NUMBER: PCI/COC/ETHS18422

CERTIFICATE OF ISSUANCE

SISA Information Security Standards (certifies that the aforementioned company is compliant to the requirements for PCI DSS version 3.2.1 as per the scope defined in the SOC Report of Compliance). Such compliance is based on evidence, artifacts and documents made available to SISA Information Security Standards as part of PAYMENT CARD INDUSTRY DATA SECURITY STANDARD v3.2.1 validation methodology as of date of assessment. Affirmation of compliance is subject to continuous audit down by PAYMENT CARD INDUSTRY SECURITY STANDARDS COUNCIL (PCI SSC).

SISA Information Security Standards does not represent or warrant on the business activities or operations of the said company nor shall be liable and/or provide guarantee in any form.

SISA
PCI DSS Certified



[Signature]
AUTHORIZED SIGNATORY

Congratulations!

To National Bank of Ethiopia, All
Member Banks & MFIs, Ethiopian
Bankers' Association, Board of
Directors, Managers & Staff of
EthSwitch.

PCI-DSS is payments industry standard
issued by the PCI Security Standards
Council (PCI SSC) applicable to entities
providing payments card processing
service involving data management &
usage. The latest version of this global
standard is v3.2.1, which EthSwitch is
certified to comply with.

Making Payments Simple & Affordable



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