ETHSWITCH

Ethswitch Share Company

ANNUAL REPORT

2019|20

ethioPay
Anytime, Anywhere.

CERTIFIED!

PAYMENT CARD INDUSTRY DATA SECURITY STANDARD

ETHSWITCH is pleased to announce that it has been certified to Comply with PCI DSS (Payment Card Industry - Data Security Standard) v3.2.1.

Congratulations to all Member Banks, National Bank of Ethiopia, Ethiopian Bankers Association, Staff and Management of Ethswitch.

PCI-DSS is an payments industry standard issued 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.

WELCOME to Ethswitch S.C 2019/20 Annual Report

Ethswitch is the National Payment Switch Established by all Commercial Banks and National Bank of Ethiopia to Provide:

1. Interoperability among all Payment Systems
2. Shared Infrastructure
3. Establish & institute Domestic Card Scheme

Mission

To Make Payments Simple and Affordable

Vision

To be the Best in Class Payment Network in Africa

Core Values

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

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;

Strategic Aspirations

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

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Board of Directors

Tiruneh Mitafa
Chairman

Abe Sano
Board Director

Addisu Haba
Board Director

Awash Bank
(Rep. Tsehay Shiferaw)
Board Director

Bunna Bank
(Rep. Mulugeta Alemayehu)
Board Director

Commercial Bank of Ethiopia
(Rep. Yohannes Milion)
Board Director

Dashen Bank
(Rep. Asfaw Alemu)
Board Director

Development Bank of Ethiopia
(Rep. H/Yesus Bekele)
Board Director

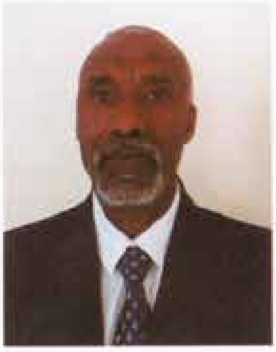
Hibret Bank
(Rep. Melaku Kebede)
Board Director

Lion International Bank
(Rep. Getachew Solomon)
Board Director

Nib International Bank
(Rep. Gennene Ruga)
Board Director

Management

Yilebes Addis
CEO



Getahun Nana
Advisor

Yosef Melka
Chief Corporate Services Officer

Nebiyu Mengistu
Chief Operations Officer

Anteneh Tsegaw
Director, Payment Applications

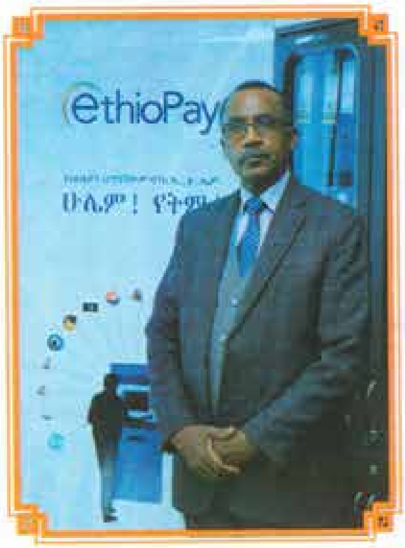
Solomon Mohammed
Director, IT Infrastructure

Abel Tadelle
Director, Project Management Office

Fikru Woldetensie
Director, Marketing & Innovations

Statement of the Chairman of the Board of Directors

I



Globally, COVID-19 pandemic posed both challenges and opportunities in payments industry in the year 2019/20. The COVID-19 pandemic is a global health crisis. The payments market is intrinsically linked to the performance of the underlying economy and economic structures. The pandemic resulted in the decline of the overall economic activity, job losses, and disruption to household incomes and businesses and thus overall contraction in payments transactions and revenue thereof around the world. On the other hand, the crisis has had a potential to change the way people live and work, consume, and pay. While consumer spending has declined around the world, how and where consumers choose to spend their money has been shifting, with people gravitating towards digital channels, products, and services. Thus worldwide, it is expected that there will be a move away from cash to contactless and digital payments.

Ethiopia has taken several measures to enhance digital payments and fundamentally change payments eco-system during 2019/20. Entry to payment services industry which mainly was reserved only to banks and microfinance institutions was opened to other market actors. To this end, in financial year 2019/20, apart from promulgation of E-Transaction Proclamation, the National Bank of Ethiopia issued directives on Agency Banking, Payment Instrument Issuers, Payment System Operators and Transformation of a micro-finance institution to a bank. Furthermore, cash withdrawals from banks by bank customers were capped and cash holding limits were set for non-bank economic agents. More recently, birr notes which were in circulation for over two decades were replaced by new ones. A new Bank note of Birr 200 has also been issued. All of the above regulatory and currency changes are expected to drive fast financial inclusion and digitization of payments giving unique opportunity to EthSwitch to expand its business as Payment Technology Company mandated to ensure payment interoperability, provide shared retail electronic payments infrastructure, and own and operate domestic electronic payment card scheme. Additionally, the Government's commitment to modernize national retail payments through the implementation of the recently approved "National Digital Payment Strategy Development" and the ongoing revision of "National Financial Inclusion Strategy" help EthSwitch to anchor its business strategy on solid ground.

The year 2019/20, was the most profitable year since its establishment for EthSwitch. Its net profit after tax surged by 93% to birr 24.3 million compared to last year because of increase in gross revenue from birr 56.9 million to birr 94.5 million which is up by 66%, and cautious expenditure policies and practices. As a result, return on capital stood at 10% against 6% same period last year. The Company managed to generate 83% of its revenue from operations while the balance (17%) was obtained from interest on time deposits. Assets of the Company grew from birr 221 million to birr 273 million which was up by 23%, while paid up capital augmented to birr 234 million from birr 216 million, an increase of 8% in the year under review. Total liabilities of the Company also increased from birr 18.8 in financial year 2018/19 to birr 27.8 in 2019/20, which is up by 48%.

EthSwitch interoperability system has continued providing services 24/7. ATM transaction volumes processed by EthSwitch continued unabated growth. A total of 27,062,074 interbank transactions were processed, out of which 15,044,699 were succesful cash withdrawals. Compared to the previous fiscal year's volume of 23,031,552, an increase of 17.5% is registered. Key Account Managers have been assigned during the year to all member banks to ensure efficient customer service provision. These key account managers cater direct link to track & follow each member bank's issues/requests and help respond timely with appropriate solutions.

With respect to card and PIN Personalization, the achievement for the financial year 2019/20 was 102% of the planned target. Compared to last year, the service increased by 141%. Several efforts and initiatives were undertaken to enhance the service. First, duplication of efforts has been streamlined by cutting out unnecessary steps and fully automating the system. Second, manual data generation process for card personalization has been entirely automated to boost efficiency significantly. Third, data fetching/searching mechanism was further enhanced to ease the data generation process in personalizing cards. Fourth, a unique pre-personalized card printing service, which enables banks to issue debit cards to their customers instantly upon account opening, has been launched. This service is currently in use by three banks (Lion, Oromia International Bank and Debub Global Bank). Apart from hosted banks, several other banks (including Commercial Bank of Ethiopia, Dashen Bank, Zemen Bank and Wegagen Bank) too are joining EthioPay card scheme, a domestic card scheme owned and operated by EthSwitch.

One of significant achievements of EthSwitch during the year under review was introduction of POS transactions interoperability. Accordingly, interoperability of POS transactions across member banks has been tested, successfully piloted and by the end of the financial year it was ready for commercial operation. Currently, 13 of 17 commercial banks that provide retail payment services are using POS interoperability service of EthSwitch. In addition to the ATM & POS interoperability services, which has been provided and ready to be catered to the public respectively, EthSwitch S.C. has finalized its preparation to enable person to person (P2P) transfer involving all the commercial banks. To realize this, EthSwitch has finalized integrating a new platform by the name "SV web gate services" to enable non-card based interbank transfers. All possible P2P transfer use cases, i.e., Account to Account, Account to Wallet, Wallet to Account, and Wallet to Wallet will be supported by the P2P transfer system. Moreover, integrations to handle payments with Ethio Telecom, Ethiopian Single Window Services, Ministry of Innovation and Technology, Ministry of Trade and Industry, Ministry of Revenue, Addis Ababa Water and Sewerage Authority, Federal Transport Authority, and NSA, are well in progress. Eight banks are already participating in the pilot program.

One more notable success during the fiscal year under review was EthSwitch's PCI DSS (Payment Card Industry Data Security Standard) Certification. PCI DSS is an industry standard that is mandatory in the contemporary global payments environment, enacted to ensure that customer data is protected for safe payments worldwide.

Timely dispute resolution is critical for EthSwitch's business. There were 183,368 disputed transactions which were efficiently and swiftly processed through the National Switch during the year under review. In collaboration with member banks, EthSwitch has been attempting to promptly resolve disputes by continuous awareness creation, putting in place planned ATM monitoring tool, strictly enforcing applicable dispute resolution rules and introducing proposed direct (automatic) chargeback option at expiry of set dispute resolution date. During the year, 98% of the ATM transactions have been cleared and settled on T+1 basis among participating Banks. In addition, reconciliation of net settlement instruction with the settlement report of member banks has been conducted 100% successfully.

In terms of strengthening institutional capacity, several measures have been taken during the year under review. EthSwitch shareholders, in their 4th extra-ordinary meeting conducted on Tahisas 16, 2012 Ethiopian calendar, decided to increase capital of the Company by birr 600 million to be paid within two years effective the date of the meeting. Accordingly, the Board of directors has issued guidelines for subscription and collection of the capital. In addition, during the year under review, the Company put in place new organizational structure, salary scale and staff benefits and several new/revised policies. It has also introduced new Company logo and website. More importantly, a five- year strategy to be implemented between 2020 and 2025 was developed and approved by the Board of Directors in the financial year under review. With the mission of **MAKING PAYMENTS SIMPLE AND AFFORDABLE** and vision of becoming **BEST IN CLASS RETAIL PAYMENT NETWORK IN AFRICA**, the Strategy is structured under the following seven goals:

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 and 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.

As at June 30 2020, Ethswitch's total number of staff stood at 54 (an increase by 54%) of which, 30% occupy managerial posts. The Company continued training its staff to build internal capacity. Accordingly, 24 staff members participated in different training programs during the year.

Going forward, apart from ensuring continuous availability of payment processing, clearing, and settlement services, the Company will mainly engage in the following new or on-going initiatives in the financial year 2020/21.

- Operationalize on-going initiatives to create interoperability across mobile & Internet channels, and enable various use cases particularly all P2P cases;
- Deploy Real-Time Digital Retail Payment Platforms, shared digital channels and associated systems (including shared Wallet, QR);
- Continue promoting universal usage of ethioPay card as domestic card scheme;
- Develop and Implement cyber security risk management framework and Security Procedures;
- Implement shared SOC; and
- Issue Prepaid, Gift Cards, reloadable cards and contactless cards.

None of the above achievements would have been possible without dedication, commitment and hard work of the board, the management and the staff. Thus, I sincerely thank and congratulate all for their success. I also take this opportunity to thank member banks for their continued cooperation in modernizing the Country's national retail payments and assisting EthSwitch to meet its mission. Lastly, I would like to thank the National Bank of Ethiopia for giving regulatory and supervisory guidance as usual.

Tiruneh Mitafa

Board Chairman

ETHSWITCH

ENJOY ETHSWITCH'S CARD PERSONALIZATION SERVICE

- Fast
- Accurate
- Cost Effective
- High Quality

However you want it! Whenever you want it!

Enquire Today

CONTACT

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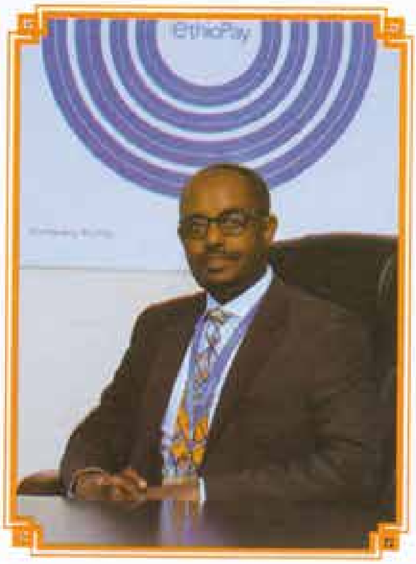
Chief Executive Officer's Message

II



Dear Shareholders,

I am pleased and honored to present the performance of EthSwitch S.C. for the fiscal year ended June 30, 2020. Over the last 12 months, EthSwitch has made remarkable progress in creating interoperability and enhancing digital payments. Even though COVID-19 pandemic posed challenges globally, EthSwitch has recorded outstanding financial and operational results. In this message, I would like to highlight the following key achievements of fiscal year 2020/21:

- PCI-DSS (Payment Card Industry Data Security Standard) Certification achieved;
- The Five Year Strategy and Implementation Plan has been developed;
- Interoperable POS Purchase Service Pilot completed successfully;
- Interbank Person to Person Transfer testing completed and made ready for pilot;
- Integration and testing of various Person to Government, Person to Business, and Utility Payment services were successfully completed;
- A Study and stakeholder engagement for the need of Real-Time Retail Payment, Local & International Payment Gateway, Shared Mobile Wallet and other related platforms have been performed. Accordingly, international suppliers for these systems were selected through EOI and the RFP has been prepared;
- 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;
  - Total number of interbank transactions increased by 17.5%;
  - The net profit after tax surged by 93%;
  - Card and PIN Personalization & Printing increased by 141%;

EthSwitch is the National Switch of Ethiopia striving to develop & Institute Domestic Payment Scheme, create Interoperability between financial and payment service providers, and provide Shared Infrastrúcture/Platforms to Financial Institutions. EthSwitch creates value to financial institutions, and enables Government and Private Companies to make payments simple. EthSwitch will, once again, continue to substantially contribute in the attainment of the National Digital Payments Strategy and National Financial Inclusion Strategy Objectives.

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, EthSwitch's Management & employees, the National Bank of Ethiopia, development partners, Ethio Telecom, Ministry of Innovation and Technology, Ministry of Trade and Industry, Federal Transport Authority, Ethiopian Single Window Services, Ethiopian Customs Commission, Information Network & Security Agency, MFIs, Participating Merchants, Bill Aggregators, and Customers.

Yilebes Addis

Chief Executive Officer

Key Figures as at June 30, 2020

17 Banks

3 MFIs

9,983 POS Terminals

5,817 ATM

16,629,096 Cardholders

27,062,074
Total No. of ATM Interbank Transactions

15,044,699
Total Volume of succesful Interbank ATM Transactions

256,086
Cards and PIN Personalization

Birr **272,937,443**
Total Asset

Birr **234,084,000.00**
Paid-up Capital

Birr **77,994,946.00**
Operational Income

Birr **28,015,111**
Profit Before Tax

54
Total Number of Staff

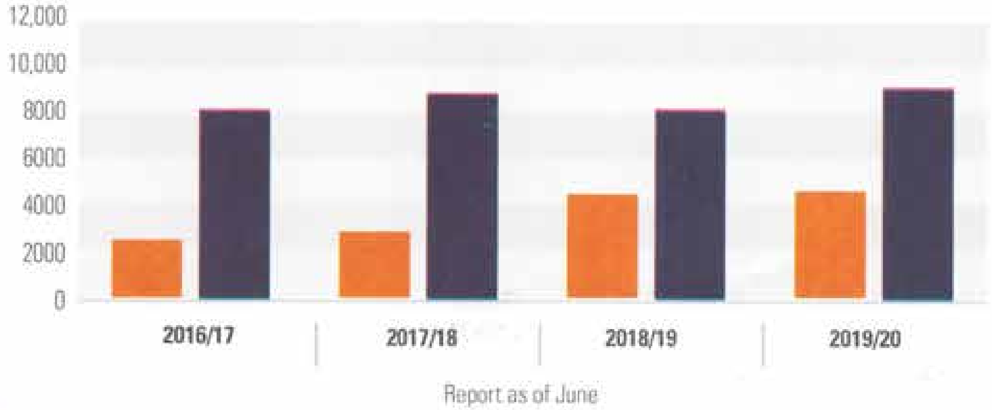
REPORT OF THE BOARD OF DIRECTORS

III

1. Digital Finance & Payments Landscape

The digital finance & payments landscape has seen a steady growth over the past three years in usage and diversity of channels as more people get access to alternative banking and payment systems. This is largely attributed to the effort exerted by banks as a result of increased investment in digital banking platforms and the growing sophistication of users.

According to data obtained from NBE, in 2019/20, there were a total of 5,059 ATMs deployed all over the country, while there has been 9,983 POS Terminals distributed to merchants. The total number of payment cards issued by commercial banks stood at over 15 million in 2020, indicating the huge potential for the growth of digital payments in Ethiopia.



	2016/17	2017/18	2018/19	2019/20
ATM	2,743	3,131	4,896	5,059
POS	8,895	9,689	8,936	9,983

Fig. 1. Growth of ATM & POS Terminals Deployment

The growth in the digital finance & payments arena has also been manifested in the increased number of subscribers and increased day to day usage of digital finance and payment options. In the past three years we have seen a significant rise in both transaction volume and value of transactions made in ATM, POS Purchase, mobile & Internet banking, as well as mobile wallets operated by commercial banks and licensed financial service providers. In 2019/20 there has been over 99.5 million ATM transactions worth over birr 87 billion showing a 4% year on year increase from 2018/19. The growth is even more staggering compared to the figure in 2017/18, which saw transaction volume of just birr 9.7 billion from about 52.5 million transactions showing a 76% jump in a period of two years. The development has also been similarly steady in the usage of both mobile & internet banking. In 2019/20 a total of 256,135 Internet banking transactions worth close to birr 15 billion have been made, with an average of birr 58,490.63 per transaction. Compared to 2018/19, where we saw a total of 107,548 transactions worth a little over 5 billion, the year on year increase is an astounding 191%. The corresponding 2017/18 figure was 60,927 transactions with a total value of just 1.8 billion. The area in the digital payments arena where we have seen significant increase in usage is POS Purchase. In 2019/20 purchases worth 5.3 billion were made in just about 2.3 million transactions, with an average of birr 2,366.7 per transaction. The year on year increase from 2018/19, during which we saw over 350,000 transactions worth a little over 300 million, is a staggering 1523%. The overall volume of transaction using mobile wallets has been reported to be over birr 850 million, from just 1.68 million transactions.

Fig. 2. Growth of POS Purchase Transaction Volume, 2017-2019

Fig. 3. Growth of POS Purchase Transaction Value, 2017-2019

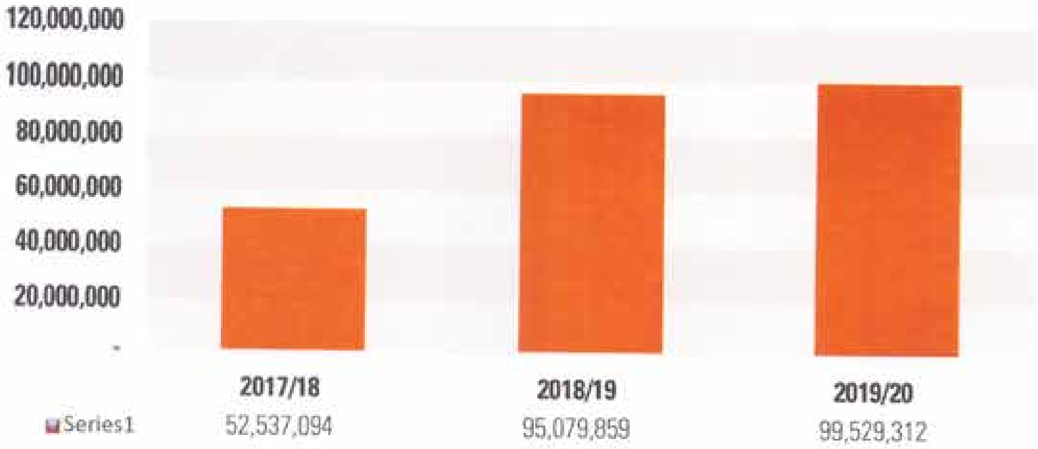


Fig. 4. Growth of Successful Interbank ATM cash withdrawals, 2017-2019

Fig. 5. Growth of Annual Interbank ATM Transaction Value, 2017-2019

Fig. 6. Growth of Internet Banking, Mobile Banking & Wallet Usage, 2017-2019

Fig. 7. Growth in Mobile Banking Transaction Value, 2017-2019

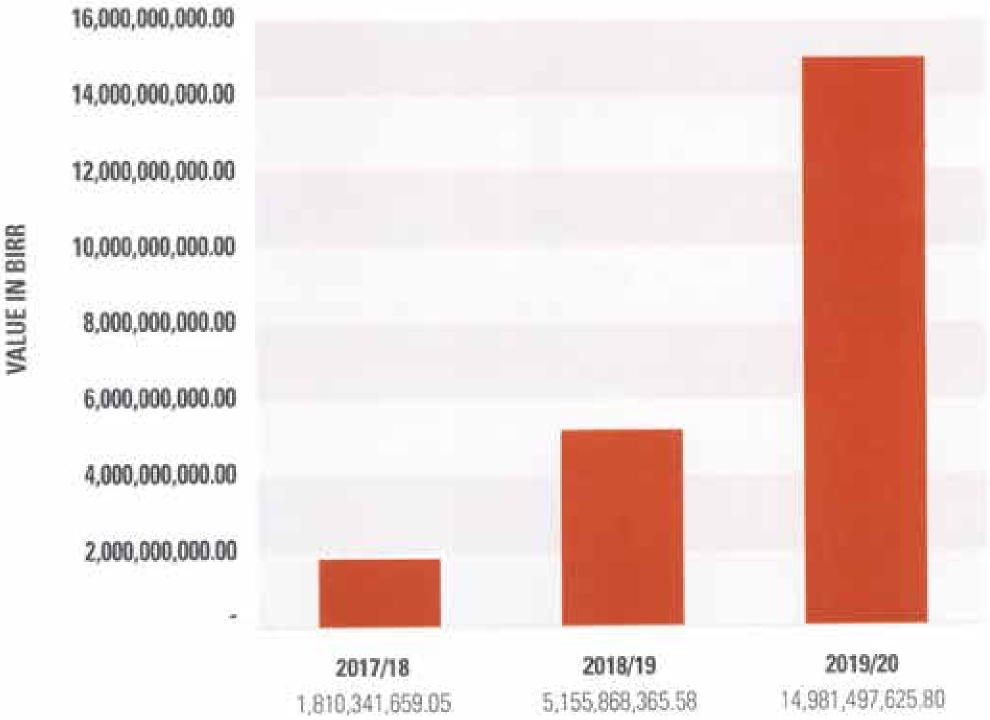


Fig. 8. Growth in Internet Banking Transaction Value, 2017-2019

2. Key Roles of Ethswitch- The National Switch

Ethswitch was established in 2011 as the National Switch bestowed with the responsibility of;

1. Making all independent payment systems interoperable,
2. Develop and Institute Domestic Card Scheme and,
3. Providing Shared Infrastructure and Security

Since its establishment, it has been successful in delivering results in its mandate. It has made ATMs and POS terminals operated by all commercial banks interoperable, while projects are underway to make P2P and P2G payments & transfer a reality through mobile banking interoperability. More projects are underway to help achieve the national payment system modernization and access to finance strategies.

As highlighted in the preceding section, the overall growth in the national digital finance and payments market has made Ethswitch's role significantly meaningful. Ethswitch has been playing its role of creating the platform whereby the investment by each financial service provider in financial & payments technologies is rewarded by turning them from cost centers to profit makers. This has enabled an efficient utilization of national resources through making them shared infrastructures.

With the significant expansion of Ethiopia's digital finance & payments market, Ethswitch's services and platforms as well as their positive impact has also increased. This can be clearly manifested in the ever increasing interbank transactions. In 2019, roughly 15% or 15,044,699 ATM transactions, out of the overall 99,529,312, has been successful interbank cash withdrawal transactions. This is largely attributable to the growing awareness of consumers with regards to ATM Interoperability. This trend will only grow even further, as the number of ATM deployment and card issuance continues to rise.

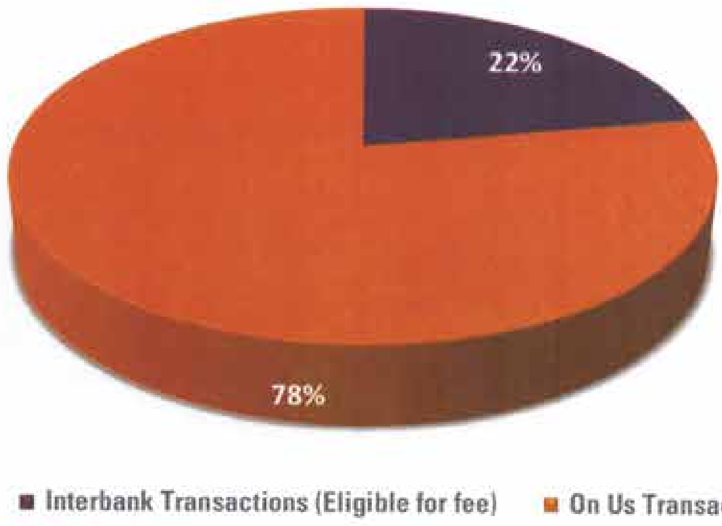


Fig. 9. Ratio of Value of Interbank Transactions out of Total ATM Transactions in 2019/20

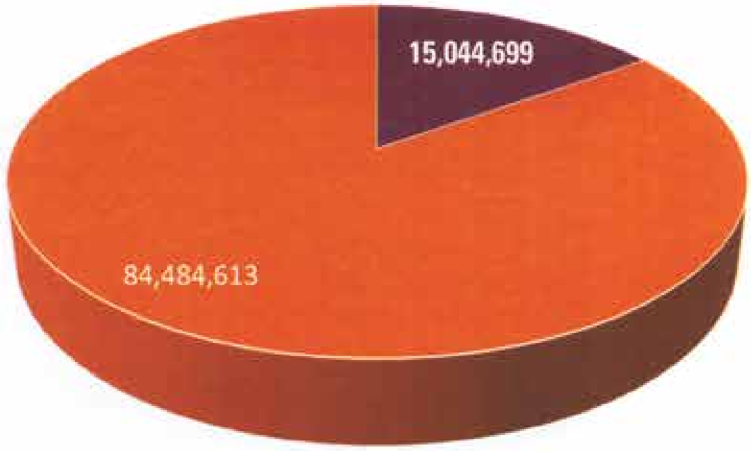


Fig. 10. Ratio of Volume of Interbank Transactions out of Total ATM Transactions in 2019/20

3. Operational Performance

year by establishing Task force with the intention of increasing the transaction success rate. The dedicated task force was set up in July 2019 comprised of operational counterparties from selected member banks (Commercial Bank of Ethiopia, Dashen Bank, Awash Bank, Oromia International Bank), Premier Switch Services (PSS) and EthSwitch. The task force has been tasked with identifying the root causes of transaction declines and proposing recommendations to minimize their occurrence through mutual sharing & technical investigation of decline reason codes involving technical personnel in member banks. The taskforce from the outset has been compiling the investigation reports with recommendations to decrease the volume of decline transactions and has been presenting to all member banks throughout the fiscal year.

As part of the customer service improvement, Ethswitch has also assigned Key Account Managers to all member banks with the aim of providing direct link to track & follow each member bank's issues/requests and respond timely with appropriate solutions. The assigned account managers have been working mainly towards;

- Refining incoming support request and provide appropriate timely solution;
- Reducing the number of decline transactions as well as promotion of efficient resolution of disputed transactions;
- Increasing 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. Interbank Transaction

A total of 27,062,074 transactions have been processed during the fiscal year. Compared with the 2018/19 annual performance, the total number of transactions processed increased by 17.5%. Out of the total interbank transactions, 15,044,699 transactions were successful cash withdrawal transactions, which is 47% increment as compared to the 2018/19 fiscal year performance. The overall interbank ATM transactions have steadily increased over the past three years as depicted in the Figure 12 below.

A series of measures have been taken during the fiscal year to enhance ATM transaction volume & value. Among these measures is the establishment of Taskforce to monitor and alleviate technical factors that affect transactions and customer satisfaction. The task force has issued several recommendations to be implemented by member banks. Most member banks have applied these recommendations which in turn improved the overall success rate. Furthermore, regular monthly meeting has been held with member banks e-banking and clearing and settlement directors to resolve interbank transaction issues.

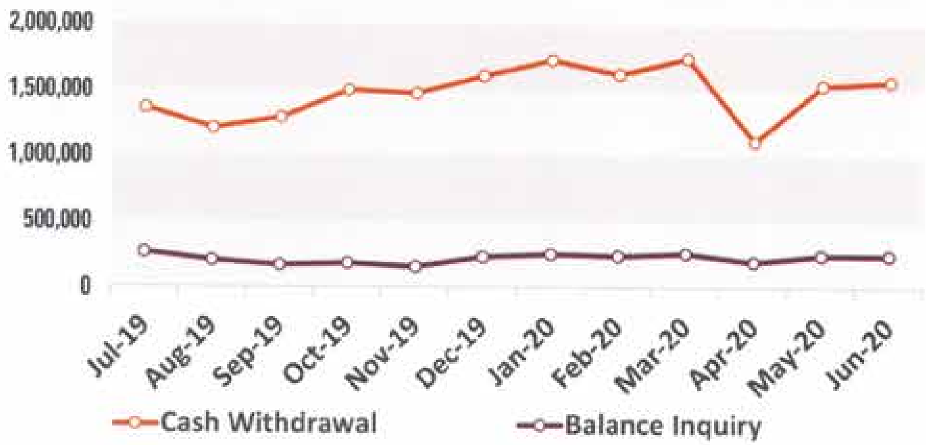
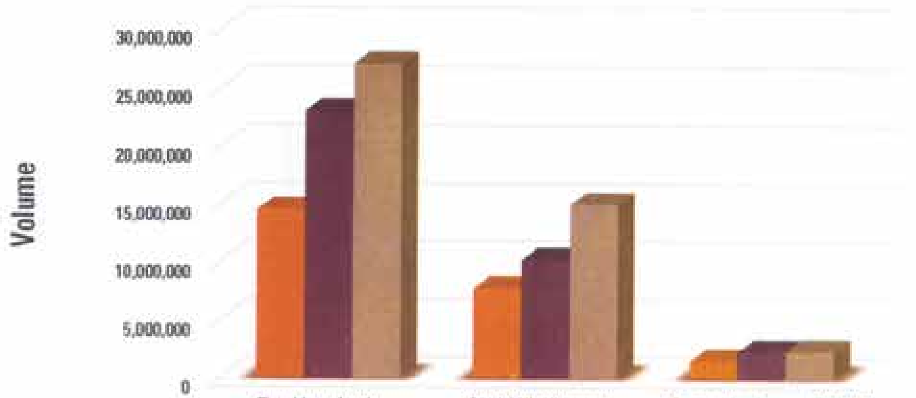


Fig. 11. Graph of Successful Cash Withdrawal and Balance Inquiry



	Total Interbank Transaction	Cash Withdrawal (Only Eligible for Fee)	Balance Inquiry and PIN Change (Including not- eligible for fee) [1]
2017/18 (July 17 –J une 18)1	4,567,131	7,780,683	1,542,835
2018/19 (July 18 –J une 19)2	3,025,883	10,202,995	2,265,609
2019/20 (July 19 –J une 20)2	7,062,074	15,044,699	2,337,300

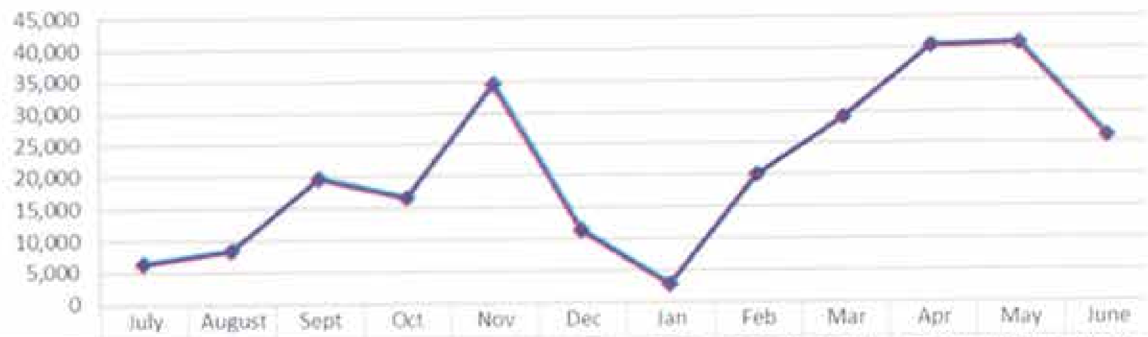
Fig. 12. Growth in ATM Interbank Transactions by Type

3.2. Card Personalization

Card and PIN Personalization plan for the FY 2019/20 was 250,000 and performed 256,086 with an achievement of 102%. During this year, different enhancements were applied internally in order to improve the card and PIN personalization process. Of these enhancements, duplicate effort upon card requisition and validation of the request on the EthSwitch side has been optimized after thoroughly analyzing the overall process. Accordingly, unnecessary processes like sending paper based card request detail to EthSwitch and validating the same against the system entry, which used to contribute quite a significant delay on the overall service delivery, has been omitted. Instead, a fully automated card personalization process is in place where the requests are submitted electronically to the card management system. In addition to that, the data generation process for card personalization is used to involve manual process to avail it on the card personalization system. In relation to this, automatic data pushing system has been implemented to avail the generated data on the system. Additional enhancements were also applied on the data fetching/ searching mechanism to ease the data generation process. All these process improvements have contributed to enhance the overall service delivery time.

During the Fiscal Year, a unique pre-personalized card printing service has been launched for three of our Hosted banks. The pre-personalized card product acts as instantly issued card which gives the flexibility to the bank to offer a debit card to the customer upon account opening. The product was initially introduced to Lion International bank with a name Fettan card. Debub Global bank and Oromia international bank have also started offering similar product called Global Leyu card and Oro-Instant card, respectively. Performance vs target summary is presented in the table below.

CARD PRODUCTION



	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Production	6,318	8,426	19,615	16,556	34,658	11,361	2,679	20,104	29,185	40,310	40,724	26,150

Fig. 13. Card and PIN Printing & Personalization Performance

3.3. Dispute Management

Out of the total interbank ATM transactions only a fraction, i.e. 0.68% were disputed transactions processed through the National Switch. Of the total disputed transactions only 1.2% were pending at the end of the fiscal year. The Major reasons for the disputed transactions are power interruption, incident on member banks CBS/switch; unfit notes causing dispenser error, ATM cash handler/ presenter fault, and delay in picking the dispensed cash causing forced cash retract. In order to correct such irregularities and minimize the repetition of causes, continuous awareness creation was conducted to the member banks authorized officials during this fiscal year. Besides, ATM monitoring tool is planned to be deployed in the next year so as take proactive measures towards minimizing the number of disputed transactions. Efforts have been made to improve the overall inter-bank transactions dispute process. EthSwitch has bench-marked ways of handling disputes from other countries.

3.4. Clearing and Settlement

Clearing and settlement processes were fully executed throughout the fiscal year 2019/20, during which, settlements were conducted on T+1 basis and all the necessary reporting for member banks have been done simultaneously. Regarding the very few unsettled transactions, EthSwitch management has engaged all banks having outstanding unsettled transactions (Hosed member banks) to identify the root cause and respond with their decision on the action to be taken for those response codes causing the settlement issue. After the banks have made their root cause analysis and provided their confirmation, the settlement of those transactions has been made automatically. At the end of the fiscal year, significant improvement has been shown on the number of unsettled transactions. Furthermore, EthSwitch has prepared guidelines for unsettled transactions handling with the intention of handling exceptions on the settlement process and minimize the chance of future occurrences.

3.5. POS Interoperability service

One of the three mandates Ethswitch is established for is providing interoperability among payment systems in all channels operated by financial service providers. One of such channels is POS. Ethswitch sought to complete the interoperability of POS purchase in the concluded fiscal year. Accordingly, the system integration and user acceptance test has been conducted end to end including the transaction authorization along with clearing and settlement process. POS interoperability document describing the overall product and service benefit including, but not limited to, operational guideline and plan, infrastructure readiness along system design component, risk management, stakeholders involved, and summary of test result have been prepared to serve as a foundation for pilot commencement. Following the fulfillment of prerequisite to start POS interoperability service between member banks, EthSwitch has submitted Pilot Requesting Document to the National Bank of Ethiopia. Pilot authorization has been granted to EthSwitch during the month of February 2020.

The pilot period was open for two to three months, starting from February 16, 2020. Seven member banks that have completed their system integration testing have been participating in the pilot testing.

3.6. P2P Transfer Use case Activation

In addition to the ATM & POS interoperability services, which are card based, EthSwitch S.C. has finalized its preparation to enable person to person transfer involving all the commercial banks via mobile and internet banking platforms. EthSwitch has made ready an integration platform by the name "SV Webgate Services" to enable non-card based interbank transfers. All possible P2P (person to person) transfer use cases, i.e., A2A (Account to Account), A2W (Account to Wallet), W2A (Wallet to Account), and W2W (Wallet to Wallet) are supported in the P2P transfer. Once operationalized, this is set to revolutionize the way we conduct financial transfer and payments in our everyday lives.

All member banks were invited to participate on the P2P interoperability service, however those banks who have successfully completed their user acceptance testing and submitted the signoff will be participating on the pilot program to be started soon. Detail document consisting operational guidelines, benefit of the product, roles and responsibilities of participants, technical considerations, business rules, clearing & settlement, risk, fraud, and dispute management has been prepared and submitted to the National Bank of Ethiopia for pilot endorsement.

4. Financial Performance

4.1. Assets

During the fiscal year under review Ethswitch's total asset rose to Birr 272,937,443.00 from the previous year total of Birr 221,382,201.00, registering a growth rate of 23%. Out of the total assets, non-current assets constituted Birr 77,860,241.00 or 29%, while current assets accounted for 71% or Birr 195,077,202.00.

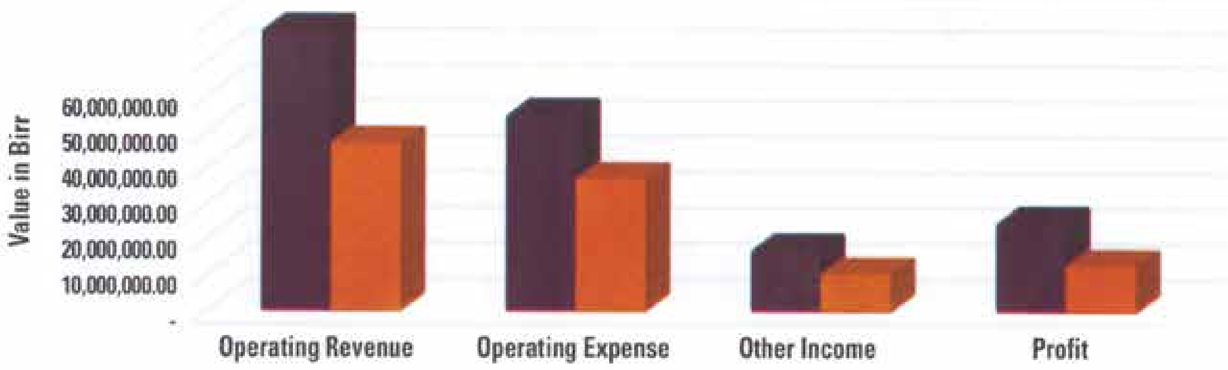
Fig. 14. Comparison of Total Assets

4.2. Capital

Ethswitch S.C. was established in 2011 by sixteen banks operating in Ethiopia with a paid up capital of Birr 80,496,000.00. Each bank held 5030 shares at a par value of Birr 1000.00. Additionally, the CEO's of each member banks and Vice Governor of the National Bank of Ethiopia were authorized to hold a single share. Following the Second 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. However, 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. The paid-up capital has also grown accordingly to 234,084,000 as at June 30, 2020.

4.3. Revenues & Expenses

During the fiscal year under review Ethswitch generated revenue of Birr 77,994,946.00 or 101% of its plan from operation services. An additional income of Birr 16,466,027.00 has also been generated from time deposit. Compared to the previous fiscal year, the financial performance of Ethswitch has shown a robust improvement, with a year on year increase of 67% in operational revenues. Operating expenses also rose by 48% from the previous fiscal year's Birr 36,733,383.00 to Birr 54,257,309.00. Accordingly, Ethswitch's profit after tax soared to Birr 24,332,865.00 showing a 93% increase from the previous fiscal year. The following graph depicts the key financial performance figures.



	Operating Revenue	Operating Expense	Other Income	Profit
2019/20	77,994,946.00	54,257,309.00	16,474,227.00	24,332,865.00
2018/19	46,647,235.00	36,733,383.00	10,253,296.00	12,626,334.00

Revenue Streams

Fig. 14. Comparison of Total Assets

In terms of revenue streams, Ethswitch's major incomes during the period under review came from ATM interbank transaction fees. A total of Birr 67,043,470.00 revenue generated from ATM interbank transactions, a 61% increase from previous fiscal year. The second biggest operational revenue came from Clearing, Settlement, Card Management & Administration services, in the amount of Birr 8,026,100.00, showing a 105% year on year growth.

Card & PIN issuance also generated a combined income of Birr 2,925,376.00.

Interbank ATM Transaction fee constitutes about 86% of the total operational income, making it the most important stream. However, this is expected to change, when POS Purchase interoperability and P2P transfer services will begin to be used extensively, in the next fiscal year.

Table 1. Composition of Revenues from Operation

REVENUE STREAMS	2019/20	2018/19	Growth
ATM Interbank Transaction Fee	67,043,470	41,672,858	61%
Card Issuance Fee	2,435,840	925,503	163%
PIN Issuance Fee	489,536	125,374	290%
Clearing & Settlement and Card Management & Authentication fee	8,026,100	3,923,500	105%
Total	**77,994,946**	**46,647,235**	**67%**

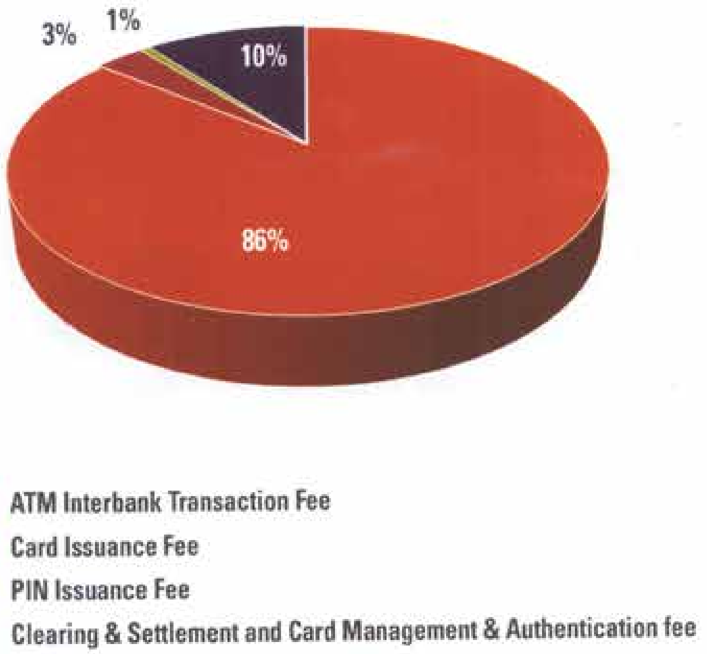


Fig. 16. Composition of Revenue Streams

5. Strategy & Organizational Capability Development

5.1. Strategy Development

Ethswitch continued to position itself as the agency that can actually address the gaps in the payments industry through development of five-year strategic plan and corresponding organizational capability. The strategy has been reviewed and approved by the BODs after continuous refinement by the Management based on the initial document presented by the international consulting firm named AGIS. The strategy outlined Ethswitch's Aspirations, Goals, Objectives and Initiatives to implement, while redefining its Mission & Vision. According to the strategy seven goals have been set with corresponding objectives and forty three initiatives to be implemented in the strategic plan period. The following seven goals have been set to address the gaps Ethswitch has designed to tackle;

Goal 1: Provide complete channel interoperability: EthSwitch will provide interoperability across all digital retail channels and technologies within the next five years.

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 FSPs, 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 S LAs 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 next five years. 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 next five-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. Technological Capability Development

During the FY 2019/20, Ethswitch's primary areas of focus are: ensuring high availability of payment systems and infrastructures as well as bringing service excellence by providing technical support to the currently operational National Switch system and to testing and implementation of new projects. Additionally, it has also initiated development of new projects to expand its current business through provision of highly sought out capabilities that would bolster the provision of instant payment services by financial services providers.

Through the ongoing service provision, update and patches, daily health checks of member banks network and interface monitoring, back up and archives, incident management, and other related tasks, such as SLA monitoring for the major infrastructures like servers and storage, network and security equipment, and card personalization machine, have been provided with a great degree of success.

During the period under review, interface specification documents for further payment modalities, i.e., P2P, P2G, P2B, G2P, G2B, B2P, B2G, etc. services for hosted and switched banks and aggregators has been prepared. This generic aggregator interface specification helps EthSwitch to manage numerous aggregators in a single interface and minimize message conversation/reformatting complexity. Accordingly, integration activities with different billers and payment aggregators like Ethiotelecom, Ethiopian Single Window Services, Ministry of Innovation and Technology (e-government), Ministry of Trade and Industry, Ministry of Revenue, Addis Ababa Water and Sewerage Authority, Federal Transport Authority, INSA, etc. have been progressing well, with Interfacing with Ethiotelecom, INSA, MINT(e-government), MOTI, and two private companies already completed. Others were in user acceptance testing phase.

5.3. PCI DSS Certification

One notable success during the fiscal year under review was PCI DSS (Payment Card Industry Data Security Standard) Certification. PCI DSS is an industry standard that is mandatory in the contemporary global payments environment, enacted to ensure that customer data is protected for safe payments worldwide. Ethswitch started the process that took several months and achieved the highly coveted certification in the first attempt. Most companies (95%) fail to achieve PCI DSS in their first attempt. Ethswitch's PCI DSS Certification is of the latest version, v3.2.1, and is the first and only in Ethiopia.

5.4. RTRP- Real-Time Retail Payment Platform

During the fiscal year Ethswitch also established Program Management Office (PMO) to expand Etswitch's capability to enable all financial use cases through all financial service providers. Since its establishment, the PMO initiated the preliminary steps to implement RTRP (Real-Time Retail Payment) platform involving consultations with financial service providers and moved on to the requirement gathering & analysis as well as the publication of Expression of Interest and final Request for Proposal. Financing has also been solicited from development partners for the RTRP project which covers the technical support required for some components of the project including development of business requirement document and secondment during implementation. Request for proposal was finalized and published at the end of the fiscal year, the result of which will be known in the second half of FY 2020/21.

5.5. Human Resource Development

During the fiscal year under review Ethswitch developed & implemented measures aimed at structuring & refining its Human Capital so as to make it attractive for talents. Following the approval of a new organizational structure, development and implementation of guideline for staff placement and accordingly, completion of staff placement had been carried out. Other developments, including the development of procedures, guidelines, and performance planning & evaluation as well as job descriptions had been carried out throughout the fiscal year.

Ethswitch, being a national institution specialized in payment technology service, needs to be able to attract the best minds in each area of expertise. This requires corresponding competitiveness in all areas including providing the best working facilities, creating a conducive environment with culture of creativity, collaboration and customer focused service. As the result, we have continued to invest in staff capacity building through training and experience sharing platforms.

Ethswitch, with the support of some development partners, continued to hire international consultants to fill the gaps in expertise, in the areas that are difficult to find experts in the local market. These consultancy engagements have also been used as great learning platforms for the company's staff. This firm commitment will continue in the future.

5.6. Business Development

During the fiscal year under review Ethswitch's operations have significantly grown in size and accessibility, partly due to the maturity of the previously introduced services. However, efforts have also been exerted to promote the services offered in a bid to increase usage and drive revenues up. This can be manifested in the significant increase in the volume and value of transactions. This development has been partly brought about through advertisement of the service in prominent radio stations, which commenced earlier in the fiscal year with notable success in driving transactions upward.

Ethswitch has also developed & implemented new products and services in the area of POS purchase; POS balance inquiry, reversal, and void services. It has also been undertaking preparation & testing of additional services in the area of C2C, C2A & P2P transfer service for interoperability via mobile & internet banking channels which have been in their testing process.

Concerned

over the high investment cost of owning & running Switch

Become a hosted member of Ethswitch and save your Fortune.

Ethswitch offers reliable hosting service that is interoperable with all other switches operating in the Country.

JOIN TODAY.

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info@ethswitch, call us
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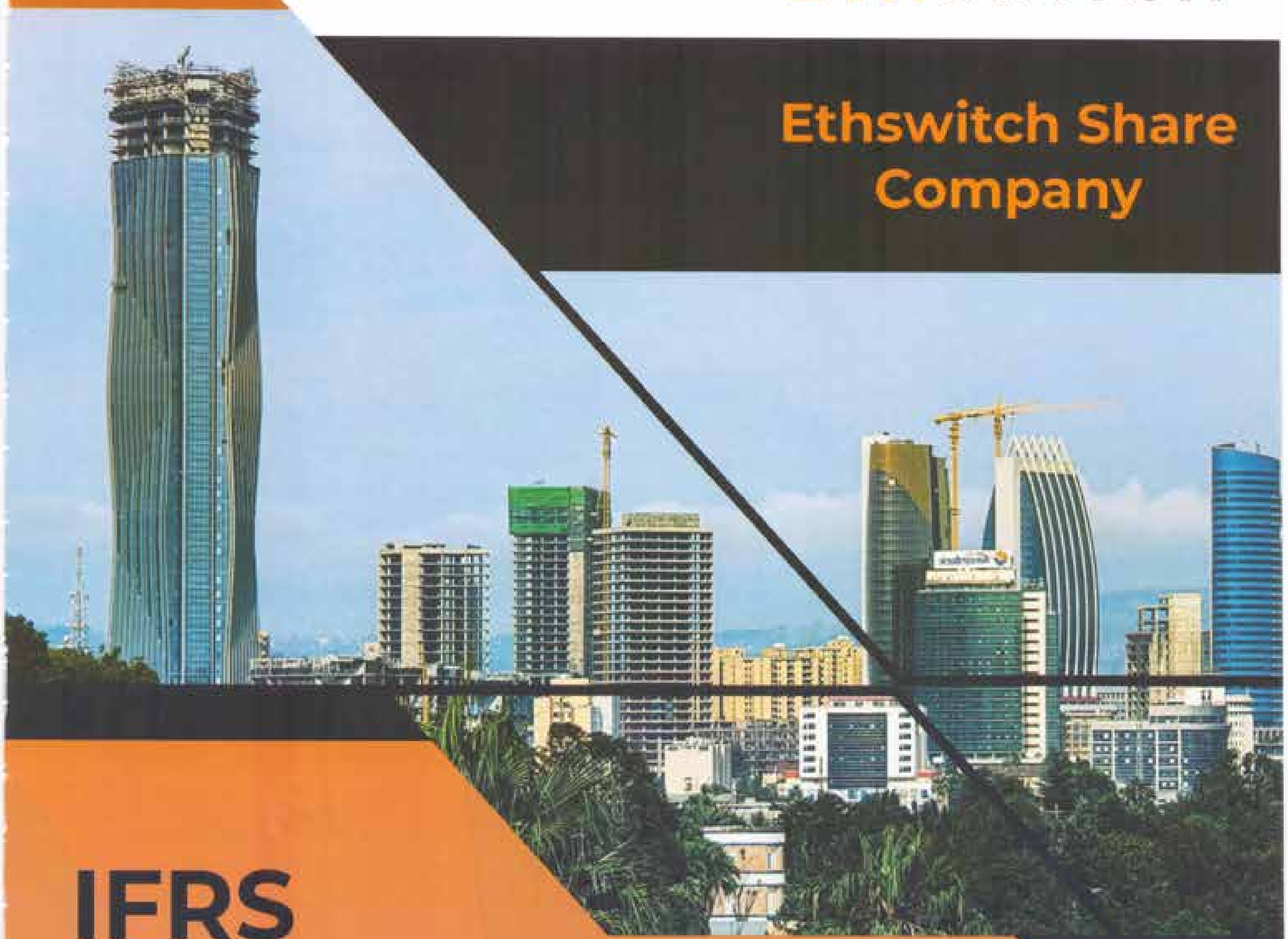
ETHSWITCH

Ethswitch Share Company



IFRS FINANCIAL STATEMENTS

FOR THE YEAR **2020**

Independent Auditors Report to the Shareholders of Ethswitch Share Company

IV

External Auditors Report

We have audited the accompanying financial statements of EthSwitch Share Company which comprise the statement of profit and loss and other comprehensive income for the year ended 30 June 2020, statement of financial position as at 30 June 2020, statement of changes in equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of EthSwitch Share Company as at 30 June 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted lastv year.

As required by the commercial code of Ethiopia, based on our audit we report as follows:

i. Pursuant to Article 375(1) of the Commercial Code of Ethiopia, 1960 and based on our reviews of the board of directors report, we have not noted any matter that we may wish to bring to your attention.

ii. Pursuant to article 375 (2) of the commercial code of Ethiopia we recommend the financial statements be approved.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

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; we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the company and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the companys ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the companys financial reporting process.

Auditors Responsibility 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 auditors 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.

Degefa & Tewodros Audi Services Partnership
Chartered Certified Accountants

Addis Ababa
December 24,2019

Ethswitch Share Company

Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 june 2020

	Notes	2020 ETB	2019 ETB
Revenue	4	**77,994,946**	**46,647,235**
Operating expense	5	(54,257,309)	(36,733,383)
Gross profit		**23,737,637**	**9,913,852**
Other Income	6	16,474,227	10,253,296
General and administration expense	7	(11,244,460)	(6,109,572)
Operating profit		**28,967,404**	**14,057,576**
Finance costs/charges	8	(952,293)	(399,188)
Net Operating profit		**28,015,111**	**13,658,388**
Income tax expense	9	**(3,682,246)**	**(1,032,054)**
Profit		24,332,865	12,626,334
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 .		**24,332,865**	**12,626,334**

EthSwitch Share Company

Statement of Financial Position

As at 30 june 2020

ASSETS	Notes	2020 ETB	2019 ETB
Non-current assets			
Property, plant and equipment	11	46,140,913	48,249,117
Right use of asset-Office Lease	18	5,110,603	5,809,210
Lease improvement	19	695,445	580,517
Intangible Asset-software	12	16,939,939	26,438,452
Deferred tax asset	10	8,973,339	14,603,012
		77,860,241	**95,680,308**
Current assets			
Trade and other receivables	15	11,014,971	10,678,047
VAT receivable	17	1,945,350	1,945,350
Advance and Prepayment	16	742,272	220,539
Cash and cash equivalent	13	33,374,609	27,857,957
Short Term deposit	14	148,000,000	85,000,000
		195,077,202	**125,701,893**
Total assets		**272,937,443**	**221,382,201**
Equity and liabilities			
Equity			
Issued capital	21	234,084,000	216,067,000
Legal reserve	22	1,998,910	782,267
Retained earning		9,065,719	(14,228,702)
Total equity		245,148,629	202,620,565
Non-current liabilities			
Lease liability - office building	20	5,329,713	5,863,687
Deferred tax liabilities	10	4,279,479	6,226,905
		9,609,192	12,090,592
Current liabilities			
Trade and other payables	24	13,074,667	3,699,821
Other tax and obligations	25	497,931	229,283
Accruals and other non financial liabilities	26	4,607,025	2,741,940
		18,179,622	**6,671,044**
Total liabilities		**27,788,814**	**18,761,636**
Total equity and liabilities		**272,937,443**	**221,382,201**

EthSwitch Share Company

Statement of Cash Flow

For the year ended on 30 june 2020

	Notes	2020 ETB	2019 ETB
Operating activities			
Profit before tax		28,015,111	13,658,388
Non-cash adjustment to reconcile profit before tax to net cash flows			
Interest expense		601,147	
Depreciation of property, plant and equipment	11	12,119,379	11,538,224
Amortization of Right to use of Asset		11,377,830	1,549,125
Working capital adjustments:			
Decrease in trade and other receivables and prepayments	14,16	(858,658)	(3,989,230)
Decrease in Lease liability		(533,974)	(1,389,358)
Decrease in trade and other payables	27,28 & 30	11,508,578	(9,459,438)
		62,229,414	**11,907,710**
Interest paid	-	(601,147.31)	-
Income tax paid		-	-
Net cash flows from operating activities		**61,628,267**	**11,907,710**
Investing activities			
Purchase of property, plant and equipment	**11**	**(9,832,977)**	**(1,830,402)**
Intangible Asset -Software	18	(15,473)	9,359,768
Right use of asset - Office		(991,375)	-
Right use of asset - Office Lease Improvement	17	(288,790)	145,129
Net cash flows used in investing activities		**(11,128,615)**	**7,674,495**
Financing activities			
Prior period adjustment		-	14,458
Additional investment in capital	21	18,017,000	2,000
Net cash flows from/(used in) financing activities		18,017,000	16,458
Net increase/ (decrease) in cash and cash equivalents		**68,516,652**	**19,598,663**
Cash and cash equivalents at 1 July,2019		112,857,957	93,259,294
Cash and cash equivalents at 30 June 2020		**181,374,609**	**112,857,957**

1 .GENERAL INFORMATION

EthSwitch share company was established on June 29 2011 under a commercial code of Ethiopia of 1996 with an authorized 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) then operating in Ethiopia with equal shareholding of 5030 each. The CEOs or presidents of all banks are authorized to have only one share each and proportion thereof, when new shares are issued. Newly coming presidents may purchase shares of EthSwitch if the shares are available for sale. Only one share is allotted for National Bank Ethiopia (NBE) the main supervisory and regulatory body of the financial sector in the Country. When Construction and Business bank was acquired by Commercial Bank of Ethiopia (CBE), its shares have been equally distributed among all other banks. So far three MFI have been admitted as shareholders of EthSwitch. Moreover, new banks and Micro Finance Institutions may join EthSwitch as shareholders subject to availability of shares for sale and approval of the existing shareholders. Shareholders of EthSwitch at their second and fourth extraordinary meetings held on 20th of September 2014, and 26 Dec. 2019 decided to raise capital of the Company by birr 300 million and birr 600 million, respectively. Accordingly, the paid up capital has grown to 234,084,000 as of June 30 2020. The objective of additions in capital contribution was to improve the existing operation and to introduce new service products.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation and Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).Therefore, these is the companys first financial statements prepared in accordance with IFRSs and IFRS first time adoption requirements have been applied. 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 Companys 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
- 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 this1birr charge EthSwitch earns 0.55 cents. Though this transaction is completed and all stakeholders accounts are debited/credited automatically, EthSwitch is recognizing revenue from this source on monthly basis when the company gets bank statement for the month from both internal sources and the companys bank.

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

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 peace 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 2 birr is charged per pin printed

Revenues 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 Shot Term deposit that the company have with various banks. EthSwitch deposit cash in a number of banks for short period between three to six 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 Companys 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. Income tax has not been paid since the inception of the operation in 2016 as the company is operating at loss for the last three years. In the last and current year the company has an operating profit for the year 2019 and 2020 it cover the accumulated loss.

Value Added Tax (VAT)

EthSwitch is exempted from VAT.

2.2.4. Property, plant and equipment

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.

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 the pattern and the manner in which it has intended to use those assets.

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

Item:	**Average useful life:**
Furniture and fixture	10 years
Motor vehicle	10 years
Lease improvement	5 years
Computer and accessories	7 years
Office Equipment	5 years
Computing Infrustructure	7 years
Card Machine	10 years
Net Work and data center	7 years
Generator	10 years

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.

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 companys 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.

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.

i) Financial assets

Initial recognition and measurement

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

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 a 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 a Etswich share company of similar financial assets) is derecognized when:

- 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.

Impairment of financial assets

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

- Accounting policy disclosures **Note 2.3.15 (below)**
- Financial assets **Note 13**
- Trade receivables **Note 13.1**

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 companyings 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.

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 assets 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 assets 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 Companys financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

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

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 companys 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.

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.

The following stock obsolescence provision calculation methods apply:

1. Damaged inventory having no further usage or no market value is provisioned at 100%

2. Slow moving, obsolete inventory and items with a shelf life approaching expiration are provisioned by market and sales entities or factories and supported by adequate rationale. The rationale should reflect the situation or a set of circumstances (not covered by point 1) that require full or partial provisioning. Reference to their resale value shall be made when determining the amount of provision.

2.2.10 Non-current assets classified as held for sale

2.2.10.1. 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 assets recoverable amount. An assets recoverable amount is the higher of an assets or Cash Generating Units 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 companys 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.

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 assets or Cash Generating Units recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the assets 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-termbenefits

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 employees basic salary) into state managed private employees 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.

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 25 :

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.

2.2.13. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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 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. Employees 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;

   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.

3 NEW OR REVISED STANDARDS OR INTERPRETATIONS

Standard	Description	Effective date	Impact
IAS 1 — Presentation of Financial Statements	IAS 1 Presentation of Financial Statements sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows	The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted.	The company has opted not adopt early. No significant impact is expected.
IAS 8, accounting policies, changes in accounting estimates and errors	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.	The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.	The company planned to adopt this standard by next year.

Standard	Description	Effective date	Impact
IAS 16, Property plant and equipment	IAS 16 Property, Plant and Equipment outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The company opted to adopt the amendments when due. But no significant change is expected.
IAS 17, Provision, contingent liabilities and contingent assets	IAS 37 Provisions, Contingent Liabilities and Contingent Assets outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The company opted to apply the amendments when due.
IAS 41 Agriculture	IAS 41 Agriculture sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The standard is not relevant for the company's reporting purpose.
IFRS 3, Business combination	IFRS 3 Business Combinations outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	The standard is not relevant for the company's reporting purpose as of now. The amendments shall be considered when the company gets involved in a transaction that involve business combination

Standard	Description	Effective date	Impact
IFRS (, Financial Instruments	The final version of IFRS 9 Financial Instruments issued in July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The company shall apply the amendments when due. The amendments are expected to have an impact on the company's financial statements.
IFRS 16, Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	Annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, if IFRS 15, Revenue from Contracts with Customers, has also been applied. The amendments with regard to covid-19 are effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020.	The standard doesn't have any impact on the company's financial statements as it doesn't have any lease contract either as a lease or a lessor.

4. REVENUE

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

	2020 ETB	2019 ETB
ATM Interbank Transaction Fee	67,043,469.71	41,672,858
Card Issuance Fee	2,435,840	925,503
PIN Issuance Fee	489,536	125,374
Card Management & Authentication fee	8,026,100	3,923,500
	77,994,946	**46,647,235**

4.1. Source of Revenue

EthSwitch earns its revenue from various service charges that the company providing to all types of banks working in Ethiopia. The revenues mainly categorized it to two as fixed and variable fees. The fixed revenue is the charge that the company collects fixed amount on quarterly basis for Clearing & Settlement and Card Management & Authentication services provided to the respective banks irrespective of the level of services given the quarterly charge is a pre agreed amount. 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. Apart from these the company has no other major source of income.

4.2. Revenue by service type

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

5. OPERATING EXPENSE

OPERATING EXPENSE	2020 ETB	2019 ETB
Salary and employee benefits	7,152,177	4,338,409
Capacity Building (Perdiem & Travel)	1,175,717	924,980
Advertising & Promotion	869,245	805,358
Connectivity & Related Costs	497,517	769,313
Gas oil for Generator	56,063	59,862
Depreciation	12,119,379	11,538,224
Amortization(5.1)	11,377,829	11,186,276
Operating Expense	225,653	
Recurrent Costs (Software license)	20,783,729	7,110,962
	54,257,309	**36,733,383**

6. OTHER INCOME

OTHER INCOME	2020 ETB	2019 ETB
Interest Income	16,466,027	9,378,262
Other Revenue	8,200	20,592
	16,474,227	**9,398,854**

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

7. GENERAL AND ADMINSTRATIVE EXPENSES

	2020 ETB	2019 ETB
Salary & employees Benefit	8,874,855	4,010,004
Office Rent	-	-
License Renewal & Other	9,884	8,214
Cleaning	72,168	51,924
Legal Support	165,000	34,375
Car Rental	-	-
Fuel	33,092	46,023
Utilities	47,307	3,395
Telephone & Fax	71,495	86,487
Electricity		21,606
Stationery & Materials	161,511	101,441
Repair and maintenance	276,038	208,699
Travel Expense	131,420	
Office supply	70,264	20,469
General Shareholders' Meeting Ceremony	236,551	72,794
Audit Fee	115,000	57,500
Board Fee	558,500	466,000
Consultancy Fee	60,000	825,012
Membership Fee	3,628	3,628
Insurance	44,888	26,586
Grants to the Government	100,000	
Entertainment	172,298	53,226
Penality	10,800	
Miscellaneous	29,760	12,189
	11,244,460	**6,109,572**

8. FINANCE COST

Bank charges	**351,145**	**2,233**
Interest Expense -Lease liability (8.1)	601,147	372,395
	952,293	**374,628**

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

9. TAXATION

a. Income tax expense

Current income tax relating to items recognized directly in equity, if any, is recognized in equity and not in the statement of profit or loss.Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Current taxation based on the taxable profit for the year at 30%	2020 ETB	2019 ETB
Current year profit tax expense	-	-
ADD: deferred tax charge (Note 10)	(5,629,673)	(1,178,014)
LESS; deferred tax credit (Note 10)	1,947,426	2,210,068
	(3,682,246)	**1,032,054**

b. Current year profit tax expense

Tax expense computation		
Net profit before taxation	28,015,111	13,658,387
Entertainment	172,298	53,226
Penality	10,800	0
IFRS Adjustment		
Interest income(taxed at source)	(16,466,027)	(10,230,832)
Depreciation	3,097,850	1,525,410
Amortization expense-software	3,571,770	2,401,304
Amortization expense-pre operational expenditure	(2,281,538)	(2,281,538)
Amortization expense-lease	1,863,843.68	1,549,123
Interest expense-lease	601,147	372,395
Rent expense	(2,126,497)	(1,970,278)
Amortization expense-lease improvement	25,280	8,159
Taxable profit	**16,484,038**	**5,085,356**
Loss carry forward*	(16,484,038)	(5,085,355.94)
Income tax at 30%	-	-

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

10.1) Change in depreciation method for tax purpose in 2017

The new income tax proclamation No.979/ 2017 has been issued on 2017 and become effective for the period ended 07 July, 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.

Deferred tax asset (liability)	2020 ETB	2019 ETB
Tax base of the asset at 30 June, (Note 10.1)	34,004,776	33,193,328
Book value of the asset at 30 June, (Note 10.1)	46,140,913	48,249,117
Temporary deference	**12,136,138**	**15,055,789**
Deferred tax asset /liability on temporary differences at 30%	**3,640,841**	**4,516,737**

10.1.1. Deferred tax calculation

Particulars	2020 ETB	2019 ETB
Written down value 30 June	33,193,328	41,375,740
Addition	9,832,977	1,830,402
Sub total	43,026,305	43,206,142
Tax law depreciation	(9,021,529)	(10,012,815)
Written down value 01 July	34,004,776	33,193,328
Book value-IFRS	46,140,913	48,249,117
Temporary difference	12,136,138	15,055,789
Deferred tax (30 %)	**3,640,841**	**4,516,737**

10.1.2. Intangible assets-Software

(10.1.2) Change of useful econmoc life in 2017

Deferred tax asset (liability)	2020 ETB	2019 ETB
Tax base of the asset at 30 June, (Note 10.1)	14,811,149	20,737,892
Book value of the asset at 30 June, (Note 10.1)	16,939,939	26,438,452
Temporary deference	2,128,790.75	5,700,560.35
Deferred tax asset /liability on temporary differences at 30%	**638,637.22**	**1,710,168.11**

10.1.3. 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 2017 amounting ETB 20,533,838 has been derecognized against retained earnings.

	2020 ETB	2019 ETB
Tax base of the provision at 30, June	13,689,224	15,970,762
Book value of the provision at 30, June	-00	-00
Temporary difference	13,689,224	15,970,762
Deferred tax asset on temporary differences at 30%	**4,106,767**	**4,791,229**

10.1.4 Unused tax losses and unused tax credits

A deferred tax asset shall be recognised for the carryforward 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 utilised.Differed tax asset will only be calculated for the carry forward losses if and only if there will be future profits to absorb the losses otherwise there will not be any differed tax asset for the carry forward losses.

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

	2020 ETB	2019 ETB
Tax base of operating loss at 30, June	16,221,907	32,705,945
Book value of the provision at 30, June	-00	-00
Temporary difference	16,221,907	32,705,945
Deferred tax asset on temporary differences at 30%	**4,866,572**	**9,811,784**

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixture	Motor vehicles	Computer and accessories	Office Equipment	Computing infastructure	Card machine	Network and Data Center	Generator	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Cost									
At 1 July 2019	608,693	2,464,904	1,894,748	639,634	13,945,388	9,330,924	56,905,289	1,100,425	**86,890,005**
Additions	459,896	7,520,993	801,719	46,018			193,080	811,271	**9,832,976.95**
Transfer	-	-	-	-	-	-	-	-	-
At 30 June 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**
Depreciation									
At 1 July 2019	310,132	1,221,057	1,023,697	534,147	7,114,062	3,119,372	24,933,725	384,697	**38,640,889**
Adjustment	7,801		(281)	10,141	(149,555)		(46,306)		(178,200)
Charge for the Year	88,899	430,990	317,512	58,938	1,992,198	933,092	8,147,388	150,362	**12,119,379**
At 30 June 2020	**406,832**	**1,652,047**	**1,340,928**	**603,226**	**8,956,705**	**4,052,464**	**33,034,807**	**535,059**	**50,582,069**
NET BOOK VALUE									
At 30 June 2020	**661,757**	**8,333,850**	**1,355,539**	**82,426**	**4,988,683**	**5,278,460**	**24,063,562**	**1,376,637**	**46,140,913**

12. INTANGIBLE ASSET-SOFTWARE

	Software	Total
	ETB	ETB
Cost		
At 1 July 2019	57,078,235	57,078,235
Additions	**15,473**	**15,473**
		-
Transfer	-	-
At 30 June 2020	**57,093,708**	**57,093,708**
Depreciation		
At 1 July 2019	30,639,783	**30,639,783**
Charge for the Year	9,513,986	**9,513,986**
At 30 June 2020	**40,153,769**	**40,153,769**
NET BOOK VALUE		
At 30 June 2020	16,939,939	16,939,939

The company uses application softwares such as SMART VISTA to perform its major operation. The soft wera are quired from different suppliers under liscence arrangement. The comnay also signed a service level agreement with the software provider in which it pays the supplier annual renewal fee in return for post imlementation supports including maintainance.The amortization has also been re-calculated based on the revised useful lives starting from the date onwhich the softwares were available for use.The amortization is done on straight line method.

13. CASH and CASH EQUIVALENT

	2020 ETB	2019 ETB
Cash at Bank	33,374,550	27,857,957
Cash on hand	59	-
Cash and cash equivalents	33,374,609	27,857,957

12.1 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.

14. SHORT TERM DEPOSITS (CERTIFICATE OF DEPOSITS)

	2020 ETB	2019 ETB
Cooperative Bank of Oromia	45,000,000	-
United Bank	12,000,000	-
Enat Bank	30,000,000	85,000,000
Dashen Bank	46,000,000	-
Oromia International Bank	15,000,000	-
	148,000,000	**85,000,000**

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

15. TRADE AND OTHER RECEIVABLES

	2020 ETB	2019 ETB
Banks*	3,602,502	4,677,716
Interest receivables**	5,965,347	5,226,361
Withholding Receivable	187,074	24,774
Staff Debtors	1,337,349	785,508
Other Receivable	5,814	46,803
Sundries (stolen assets)	40,909	40,909
Allowance for credit losses (16.1)	(124,025)	(124,025)
	11,014,971	**10,678,047**

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

* 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.

** EthSwitch deposit cash in a number of banks for short period between three to six 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.

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.

16. ADVANCES AND PREPAYMENT

	2020 ETB	2019 ETB
Deposit and prepayment	596,027	160,169
Advance Payment	146,245	60,370
Allowance for credit losses (16.1)	-	-
	742,272	**220,539**

17. VAT RECEIVABLE (Payable)

	2020 ETB	2019 ETB
Balance brought forward	1,945,350	1,945,350
Add :- Input VAT	-	0
	1,945,350	1,945,350
Less:- Output VAT		
Closing VAT receivable/ (payable)	1,945,350	1,945,350

18. The Company's office building held under a rental lease arrangement. The right use of asset as well as lease liability that has been recognized in respect of office rents are only related to rental agreement modification for ten months and a five years new rental (lease) agreement that had been started from April, 2018. Below is the reconciliation of the opening balance and year end amount

18.1.Right use of asset (Office Building)

Leases - Office Building

	Contract I ETB
Cost	
At 30 June 2019	7,745,616
Additions	991,375
Disposals	
At 30 June 2020	8,736,991
Amortization and impairment	
At 30 June 2019	1,936,405
Amortization charge for the year	1,689,982
Disposals	-
At 30 June 2020	3,626,387
Net book value	
At 30 June 2020	**5,110,603**

Lease I: The company has entered into a new five years agreement of the same 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. Therefore, the company accounts the whole amount as prepayment (deposit) in its financial statements since then. As per IFRS requirement an adjustment has been made and this amount has been included as part of lease asset by reversing the deposit account.

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. Therefore, the company accounts the whole amount as prepayment (deposit) in its financial statements since then. As per IFRS requirement an adjustment has been made and this amount has been included as part of lease asset by reversing the deposit account.

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. Therefore, the company accounts the whole amount as prepayment (deposit) in its financial statements since then. As per IFRS requirement an adjustment has been made and this amount has been included as part of lease asset by reversing the deposit account.

19. LEASE IMPROVEMENT

This represents cost of modification work on rented premises less amortization at 20% on reducing balance basis as follows:

	2020 ETB	2019 ETB
Cost		
Balance brought forward	1,197,221	1,197,221
Current year addition	288,790	-
	1,486,011	**1,197,221**
Amortization		
Less:Balance brought forward	616,704	471,575
Current year addition	173,861	145,129
	790,565	616,704
	695,445	**580,517**

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 reducing balance at a rate of 20% which indicates the term of the lease period.

20. LEASE LIABILITY

Office Building Lease

Lease arrangement

Lease obligation payable will be settled in an equal instalment of ETB 1,141,357.52 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.

	Contract I ETB
Balance at 30 June 2017	-
Addition	7,253,046
Less: Repayments	-
Balance at 30 June 2018	7,253,046
Addition	
Less: Repayments	(1,389,359)
Balance at 30 June 2019	**5,863,688**
Addition	1,436,304
Less: Repayments	1,970,278
At 30 June 2020	**5,329,713**

21. CAPITAL

The company has subscribed capital of ETB 299,636,000 with a paid up capital of 234,084,000 as at 30,June 2020. 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.

	2020 ETB	2019 ETB
Authorized:		
217,532 ordinary shares of ETB 1,000 each	217,532,000	300,000,000
Issued and fully paid:		
234,084 (216,067 in 2019) ordinary shares of ETB 1,000 each	234,084,000	216,067,000
Movements in paid up capital		
Balance beginning of the year	216,067,000	216,065,000
Paid/reinvested during the year	18,017,000	2,000
Balance end of the year	234,084,000	216,067,000

22. 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.

23. FINANCIAL LIABILITIES AT AMORTIZED COST:

	2020 ETB	2019 ETB
Trade and other payables	13,074,667	3,699,821
Other tax and obligations	497,931	229,283
	13,572,597	**3,929,104**

24. TRADE AND OTHER PAYABLES

	2020 ETB	2019 ETB
Trade payables	12,714,664	3,560,831
Unearned Revenue	240,493	-
Staff	872	
Cost Sharing	3,283	4,140
Sundry Payable	115,355	134,850
	13,074,667	**3,699,821**

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. OTHER TAX AND OBLIGATIONS

	2020 ETB	2019 ETB
Employment income tax	330,183	139,035
Withholding tax payable	6,806	13,012
Profit tax payable		-
Pension contribution payable	160,941	77,236
	497,931	**229,283**

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.

26. NON FINANCIAL LIABILITY

NON FINANCIAL LIABILITY	2020 ETB	2019 ETB
Accrued Leave	883,810	420,271
Accrued severance pay	369,724	
Others	3,353,491	2,321,669
	4,607,025	**2,741,940**

27. ACCRUAL

Included in accrual is cumulative annual leave , utility , unclaimed salary and others accrued at the reporting date. Each employee is entitled to an annual leave of 14 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 be carried forward for one more year.

28. RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The company's principal financial liabilities, comprise loans and borrowings, trade and other payables . The main purpose of these financial liabilities is to finance the company's operations . The company's principal financial assets include trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized. The main business risks faced by the company in respect of its principal non-derivative financial instruments are market risk including interest rate risk, credit risk and liquidity risk. The directors review and determine policies for managing these risks. The most significant financial risks to which the Etswich 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 2020, 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.

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2018,2019 and 2020 is made up as follows:

	Fully performing	**Past due**	**Impaired**
	ETB	ETB	ETB
30 June 2020			
Trade receivables	13,702,593	-	124,025
Cash and cash eqivalent	181,374,609	-	-
	195,077,202	**-**	**124,025**
30 June 2019			
Trade receivables	12,719,911	-	124,025
Cash and cash eqivalent	112,857,957	-	-
	125,577,868	**-**	**124,025**
30 June 2018			
Trade receivables	8,730,682	-	124,025
Cash and bank balances	93,259,294	-	-
	101,989,976	**-**	**124,025**

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 June 2018, 2019 and 2020 is provided below:

	2020 ETB	2019 ETB	2018 ETB
Share capital	234,084,000	216,067,000	216,065,000
Legal reserve	1,998,910	782,267	-
Retained earnings	9,065,719	(17,071,950)	(29,244,425)
Equity	245,148,629	199,777,317	186,820,575
Total liability	27,293,092	18,377,219	30,852,530
Less: current liability	(17,683,685)	(6,222,544)	(16,130,482)
Net debt	9,609,407	12,154,675	14,722,048
Gearing	**4%**	**6%**	**7%**

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:

	2020 ETB	2019 ETB	2018 ETB
Short term employee benefit	3,757,737	7,145,220	-
Post-employment benefit (pension)	567,703	1,286,140	-
Board fee	558,500	466,000	518,300
Bonus payment	2,816,395	921,221	488,985
	7,700,334	9,818,580	1,007,285

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