ETHSWITCH

10th ANNIVERSARY

ANNUAL REPORT 2020/21

EthSwitch
Share Company

ETHSWITCH

Welcome to
EthSwitch
Share Company

ANNUAL REPORT 2020/21

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

1.
Interoperability among all Payment Systems;

2.
Establish & institute Domestic Payment Scheme;

3.
Shared Infrastructure;

Mission
To Make Payments Simple and Affordable

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

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

Strategic Aspirations

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

Strategic Goals – Vision 2025

Goal 1:
Provide complete channel interoperability.

Goal 2:
Develop & Institute Domestic Payment Scheme.

Goal 3:
Enable all financial use cases.

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

Goal 5:
Capture digital retail transactions volume to create financial service efficiency.

Goal 6:
Build Institutional Capacity.

Goal 7:
Ensure Positive Financial Performance.

ETHSWITCH

I. Table of Contents

Abbreviations

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

Abbreviations

No.	Abbreviation/Terms	Long Form
35	IFRS	International Financial Reporting System
36	LIB	Lion International Bank
37	MFI	Microfinance Institution
38	NBE	National Bank of Ethiopia
39	NIB	Nib International Bank
40	NOC	Network Operations Centre
41	OIB	Oromia International Bank
42	P2B	Person To Business
43	P2G	Person To Government
44	P2P	Person To Person
45	PCI	Payment Card Industry
46	PCI-DSS	Payment Card Industry Data Security Standard
47	PCI-SSC	Payment Card Industry Security Standards Council
48	Perso.	Personalization
49	PG	Payment Gateway
50	PIN	Personal Identification Number
51	PL	Procedural Language
52	POS	Point Of Sale
53	PSP	Payment Service Providers
54	Rep.	Representing
55	RTRP	Real-Time Retail Payments
56	RTP	Real-Time Payments
57	RTGS	Real-Time Gross Settlement
58	SAN	Storage Area Network
59	SLA	Service Level Agreement
60	SOC	Security Operation Centre
61	SQL	Structured Query Language
62	SV	Smart Vista
63	UAT	User Acceptance Test
64	W2A Transfer	Wallet To Account Transfer
65	W2W Transfer	Wallet To Wallet Transfer

Board of Directors

Tiruneh Mitafa
Chairman

Abie Sano
Member

Addisu Haba
Member

Awash Bank Member
(Rep. Tsehay Shiferaw)

Bunna Bank Member
(Rep. Mulugeta Alemayehu)

Commercial Bank of Ethiopia Member
(Rep. Yohannes Million)

Dashen Bank Member
(Rep. Asfaw Alemu)

Development Bank of Ethiopia
(Rep. Dr. Yohannes Ayalew)

Hibret Bank Member
(Rep. Melaku Kebede)

Lion International Bank Member
(Rep. Getachew Solomon)

Nib International Bank Member
(Rep. Gennene Ruga)

I. Statement of the Chairman of the Board of Directors

Dear Shareholders,
Ladies and Gentlemen;

Ten years is a significant milestone, It is a reason to rejoice—a chance to look back for a moment, but also a golden ticket to chart the course forward, Congratulations!

I am delighted to welcome you all here today to commemorate the tenth anniversary of the establishment of the Ethiopian National Switch and It is a great pleasure to present EthSwitch' s Annual Performance Report for the Financial Year 2020/21.

Ethswitch was founded in 2011 to provide simple, affordable, secure, and efficient e-payment infrastructure services to retail payment service providers and, through them to end-users in Ethiopia, by deploying cutting-edge technology and highly skilled and motivated professionals. The goal was to develop a National Switch that would contribute to the modernization of the national payments system and the expansion of financial inclusion in the country, as well as to become Africa's best-in-class retail payment network.

On this day, we pledge to the entire financial industry that the National Switch will continue to play a critical role in the expansion of financial inclusion and the implementation of Ethiopia's National Payment Strategy.

The Financial Year 2020/21 was a challenging year both at the global and national levels, yet; however, EthSwitch concluded a very successful year in the face of uncertainties caused by COVID-19.

The sudden onset of a devastating pandemic and its consequences are both shocking and sobering. The global impact of COVID-19 has put the lives we lead into sharp perspective. For example, consumers have begun to use more digital access to banking services and to explore new payment methods. These changes have impacted the volume of nationwide ATM transactions to grow by 127% in 2020/21, according to NBE. Similarly, other digital services through most other digital channels in the Country have also shown growth in the year under consideration.

Ethiopia has made several changes in its payments modernization and regulatory system in recent years. We can list down up to eight new developments in the areas of the Payments Industry which are impacting positively the way our society transact payments.

First, in March 2020, the NBE issued the 'Agency Banking Directive' to further expand alternative financial services channels. Second, in May 2020, the NBE limited cash withdrawal from banks by their customers. This promoted payment through the banking system and electronically. Third, in April 2020 and August 2020 the NBE issued two directives (Licensing & Authorization of Payment Instrument Issuer and Licensing & Authorization of Payment Systems Operators, respectively) to further strengthen supervision and licensing of payment industry actors in the Country. Fourth, the NBE replaced its old currency notes with new ones in the first half of the financial year 2020/21, with several restrictions to withdraw cash from banks. This policy action, according to the NBE, boosted bank deposits and payments through banking and electronic systems. Fifth and more importantly, the National Digital Payments Strategy, which was issued in August 2021, has the Vision of building a secure, competitive, efficient, innovative, and responsible payment ecosystem to support a cash-lite and financially inclusive economy, which directly matches with EthSwitch's Five-year Strategy vision and Mission has been approved by the Federal Government, NBE being lead implementing institution. Sixth, TeleBirr was launched by Ethio Telecom (ET) as a payment instrument that is believed to serve both urban & rural population with easy payment mechanisms. Seventh, telecom sector was liberalized to engage international market actors. The liberalization of the telecom sector is expected to bring the benefits of competition in communication technology. And Eighth, the Ministry of Finance and Economic Development has approved the Federal Electronic payment guideline which is expected to enable digital banking channels for G2P and P2G payments across nearly 200 government institutions. It is also is believed to create a huge G2P, P2G, and B2G transactions Volume for EthSwitch.

EthSwitch S.C. commenced implementation of its first five-year strategy in July 2020. In the fiscal year 2020/21, overall performance was impressive in policy areas, revenue generation, and operational activities. To enhance the performance of EthSwitch, the Board of Directors reviewed and approved Revised Board By-law, Corporate Governance Guidelines, Revised organizational structure, Addendum to the Human Resource Policy, Revised Accounting Policy, Procurement Policy, and Revised Salary Scale and Benefits Package in the year under consideration.

Net profit (before taxes) of the Company in 2020/21 financial year surged to birr 87.3 million from birr 28 million last year same period (up by 211.6%) due to significant increase in total revenue (by 115% from the plan) and prudent expense management. Even though total expenses have shown increment from last year by 32% (from Birr 54,257,309 to Birr 71,616,500) which was only 50.3% of total gross revenue. These figures indicate that the company has been efficient in revenue generation and cautious in expenses management. The shares of revenue from line business operations and interest income on time deposits were 79.3% and 20.7%, respectively. The Company's total asset reached Birr 601,327,433 (up by 120.3%) at the end of June 2021 compared to last year's same period. Current assets accounted for 86.1% of total assets, of which 69% (or 59% of the total) were placed in short-term deposits. The increases in assets were financed mainly by new share sales (new capital injection). Issued new capital increased from birr 234 million to birr 460.2 million (up by 97%), while retained earnings of the year recorded to be birr 57.1 million (up by 529.52%, from a very low base).

In FY 2020/21, the banking industry, as a whole, processed a total of 225,603,984[1] ATM transactions, of which 38,302,370 were inter-bank transactions offered by EthSwitch S.C. (ETS). Compared with the 2019/20 annual performance, the total number of inter-bank transactions processed by ETS increased by 41.5%. Out of the total interbank transactions, 26,356,616 transactions have been eligible for free cash withdrawal transactions, with 109% achievement compared to the plan (24,071,611). Overall, 97% Achievement against target has been recorded for Average Transactions Success Rate (ATM), which showed an improvement by 7% from the previous year.

POS transactions volume carried out by the banking industry stood at a total of 2,952,000.07 with the value of Birr 7,437,000,000.39 in the FY 2020/212[2], of which 109,506 transactions were interbank transactions processed by ETS successfully. All member banks are now participating as both acquirer and issuer in the POS interoperability service. This service has been growing with high potential. Card and PIN Personalization services catered by ETS in FY 2020/21 registered 282,393 up by 10.27%, compared to last year's same period. This service too is expected to grow fast as new banks, being licensed by the NBE, will join EthSwitch as hosted members. Person-to-person (P2P) transfer involving all the commercial banks has been successfully piloted in 2020/21, and it is currently pending NBE's approval for the full commercialization. There were 122,524 disputed transactions processed through the National Switch during the year under consideration, which accounted only 0.3% of the total transactions.

EthSwitch has completed integration with four Government service providers and financial institutions, to realize P2G. In general terms, Ethiopian E-Government services are believed to have a capacity to provide more than 100 online services. From the International Card Acquiring perspective, Ethswitch has started processing MasterCard, Visa and Union Pay acquiring. In addition, EthSwitch has initiated Discover card membership. Joining Discover

1 Source: National Bank of Ethiopia
2 Source: National Bank of Ethiopia

card membership provides EthSwitch and member banks an opportunity to use its global network of over 7 network partners accepted over 200 countries operating on 44 million POS and 2 million ATMs.

Availability of a system is critical for EthSwitch' s business. During the past fiscal year, overall system availability was 99.6%, with minor system bugs.

Procurement of Real-Time Payments (RTP), which will enable complete channel interoperability was at its final stage of contract negotiation. Ethswitch has completed the implementation of the Network Operation Centre. Furthermore, Ethswitch is working on the establishment of a shared Security Operation Center (SOC), which will be shared with all banks. The project was yet, at an early stage of discussions with the consultant hired with the help of external financial assistance.

For Technical and Financial Assistance from development partners, it is to be recalled that USD 2.33 million has been secured to partially finance the RTP project from African Development Bank. Ethswitch won the Grant after a series of competitive rounds in which 340 competitors from different African countries participated. Apart from technical assistance being provided concerning RTP'S implementation, another development partner had promised to cover the budget deficit of the RTP project, which Ethswitch has secured the grant from BMGF[3] in the first quarter of 2021/22 FY.

Technical Assistance for Shared SOC Project had already been approved and consumed accordingly. In total EthSwitch has secured USD 10.7 (Birr 510.39M[4]) from development partners which is the greatest achievement for the company as it will assist in the implementations of core platforms.

All of the above achievements for Financial Year 2020/2021 and the overall success of the fiscal period would have not been possible without the dedication, commitment, and hard work of the Board, the Management, and the whole staff of Ethswitch. Thus, I would like to give my appreciation and would like to say thank You and congratulations!

I would also take this opportunity to give my gratitude to Bill & Melinda Gates Foundation and African Development Bank for their support; also, for member banks for their continued cooperation in modernizing Ethiopia's national payments and for assisting EthSwitch to meet its vision and mission.

Lastly, I would like to thank the National Bank of Ethiopia for providing all-rounded support and guidance.

Tiruneh Mitafa
Board Chairman

3 8.34M USD Grant Approval Received from BMGF after June 30,2021
4 Calculated with the Exchange rate dated on 22-11-2021

Management Team

Yilebes Addis
CEO

Getahun Nana
Advisor, to the BOD & CEO

Yosef Melka
Chief Corporate Services Officer

Nebiyu Mengistu
Chief Operations Officer

Abel Tadelle
Director, Program Management Office

Fikru Woldetensie
Director, Marketing & Innovations

Solomon Mohammed
Director, IT Infrastructure

Beza Mamo
Director, Payment and Application

Abeneazer Wondwossen
Director, Strategy & Change Management

II.Chief Executive Officer's Message

Esteemed Shareholders,

I am honored and delighted to present Ethswitch Annual Performance Report for the Fiscal Year ended 30th June 2021. This edition of the Annual Performance Report is special for the Ethswitch family as we are fortunate to be part of the National Switch's 10th Anniversary Celebration.

On behalf of the Management of Ethswitch and on my own behalf, I would like to congratulate you for the extraordinary achievements of the Company in the Financial Year 2020/21 and its 10 years' successful journey.

On this occasion, I would like to express my gratitude to Shareholders, respected Board of Directors, Banks, the NBE, devoted Management Members, Taskforce Members, Development Partners, all hardworking staff, and other stakeholders for your unreserved support and substantial contribution for the success of the National Switch over the last ten years. Ten years ago, the National Switch was established as part of National Payments Modernization initiative owned by all banks operating in Ethiopia and the National Bank of Ethiopia with the Vision "To Become the unifying e-Payment platform for the Ethiopian Financial Institutions, Anywhere Anytime" , and the Mission "To Provide Simple, Affordable, Secured, and Efficient e-Payment Infrastructure Services, to Payment Service Providers in Ethiopia by deploying state-of-the-art technology along with highly skilled and motivated professionals". Through its 7 year journey the Company, learnt a lot and refined its Goals, Vision, Mission and Values. The National Switch has developed its five-year strategy with the support of International Consults and revised its Vision to "To become the best-in-class Payment Network in Africa", and Mission "Making Payments Simple and Affordable".

Today is the right time for all of us to reaffirm our commitment to bolstering the position of our National Switch. Ethswitch must continue playing key role in the Country and become best-in-class Payment Network in Africa. Ethswitch will continue to be innovative, dedicated, Agile, operates in the spirit of partnership with all stakeholders, strives to ensure that all of its customers and end-users rely on it for their digital payment service, maintains its Integrity, is always Customer Focused, equipped with the best technology, and maintains a high level of personal contact with its business partners, regulators, and shareholders.

The Financial Year 2020/2021 has been a year like no other and I am incredibly proud of how Ethswitch has responded, guided by our mission of Making Payments Simple and Affordable. Through it, we demonstrated our ability to adapt with speed in response to the global pandemic and have achieved outstanding financial and operational results.

There is no doubt that millions have been deeply affected by the combined health and economic challenges of COVID-19 pandemic. I want to thank health care workers and all who provided us essential support services despite significant personal challenges and continue to do so today. I believe EthSwitch has also contributed on its part by creating multiple ways for society to transact in Card, Mobile, and Online Channels.

As a National Switch, we have a critical role to play in making payments simple and affordable. I would like to highlight the following key achievements of the fiscal year 2020/21.

- Re-Certification of PCI-DSS (Payment Card Industry Data Security Standard) was achieved;
- The Five-Year Strategy and Implementation Plan has been on implementation stage;
- Interoperable POS Purchase was successfully commercialized in the fiscal year, of which 109,506 interbank POS Purchase transactions have been successfully recorded;
- Interbank Person to Person Transfer pilot has been fruitfully completed with all commercial banks. Since the commencement of the pilot, 29,881 transactions with a value of Birr 214,733,250.55 have been successfully conducted.
- EthSwitch completed integration with four Government service providers to realize P2G(Person to Government) payments. Furthermore, EthSwitch completed P2G integration with different financial institutions including Dashen, Berhan, CBE, Zemen, BOA, CBO, Wegagen & Abay Bank.
- The Real-Time Payment project has been split into three Lots and it's on contract negotiation level. It Consists of a Real-Time Payment Switch, Payment Gateway, and Shared Mobile Wallet.

- To strengthen internal control, various policies, procedures, and guidelines were developed and implemented;
- Continuous system performance improvements and upgrades have been performed;
- Compared to the last fiscal year, the following momentous improvements have been recorded;
  - o The total number of interbank transactions increased by 41.5%.
  - o Total Asset has been increased by 120.31%.
  - o The net profit before tax surged by 211.6%.

All of the aforementioned significant accomplishments and success of the Financial Year 2020/2021 are results of hard work, dedication, commitment, and support of all stakeholders.

Finally, I would like to seize this opportune moment to sincerely thank the respected Board of Directors, Member Banks, Committed Management Members, hard working staff, the National Bank of Ethiopia, Bill & Melinda Gates Foundation, African Development Bank, BPC, PaySys, Glenbrook, 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, esteemed Customers, and other stakeholders.

Yilebes Addis
Chief Executive Officer

7th AGA Meeting Pictures


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ETHSWITCH
ክፍያን በቀላሉ !

7th AGA Meeting Pictures

Key Figures as at June 30, 2021

Ethswitch' S Major Shareholders

18 — **18** Shareholding Member Banks and National Bank of Ethiopia

10 — **10** Shareholding Member MFIs

Key Industry Data

225,603,984 Industry wide Total No of ATM Transactions

Birr **236**, billion Industry wide Total Value of ATM Transactions

9,208 industry wide POS Terminals

6,343 industry wide ATMs

22,701,721 Cards issued by all banks in the country

Key EthSwitch Data from FY 2019/20 to FY 2020/21

38,302,370 Total No. of Interbank ATM Transactions

Birr **460,151,000** Paid-up Capital

Birr **34,974,626,442** Total Value of Interbank ATM Transactions

Birr **142,287,993** Operational Income

282,393 Cards and PIN Personalization

Birr **87,304,779** Profit Before Tax

Birr **601,327,433** Total Asset

66 Total Number of Staff

ETHSWITCH

III. Report of the Board of Directors

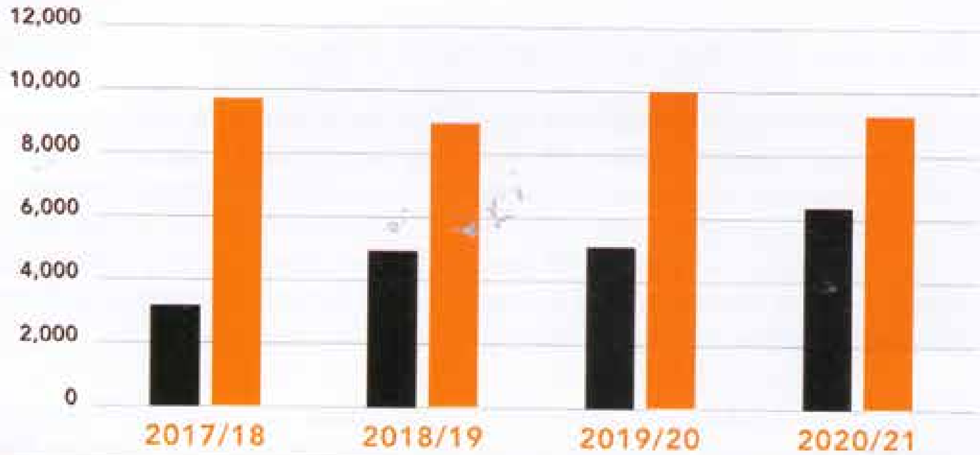
1. Overview of Digital Finance & Payments Landscape

The Enabling Condition in Ethiopia for digital Economy was at its early stages until recently, given very limited telecom infrastructure, a very high costs of network access, and a very low digital connectivity rates among the general population. Reforms enacted over the past few years have substantially altered the digital infrastructure and connectivity landscape: telecom coverage has now reached 95 percent of the country by population and 85 percent by geographical area, mobile usage has reached 52 million subscribers, and internet access is available to 25 million users according to Ethio telecom data.

Looking ahead, the enabling environment for the digital economy is set to improve sharply across multiple additional dimensions, we can mention multiple reasons like; high level policy/strategic initiatives, regulatory reforms, telecom market liberalization, enhanced competition, and measures addressing skills gaps; also in general rapid economic growth, urbanization, and ease of doing business reforms—are providing a further boost to the digital economy ecosystem, while the COVID pandemic and recent currency conversion have accelerated the on-going transition to digitization even further.

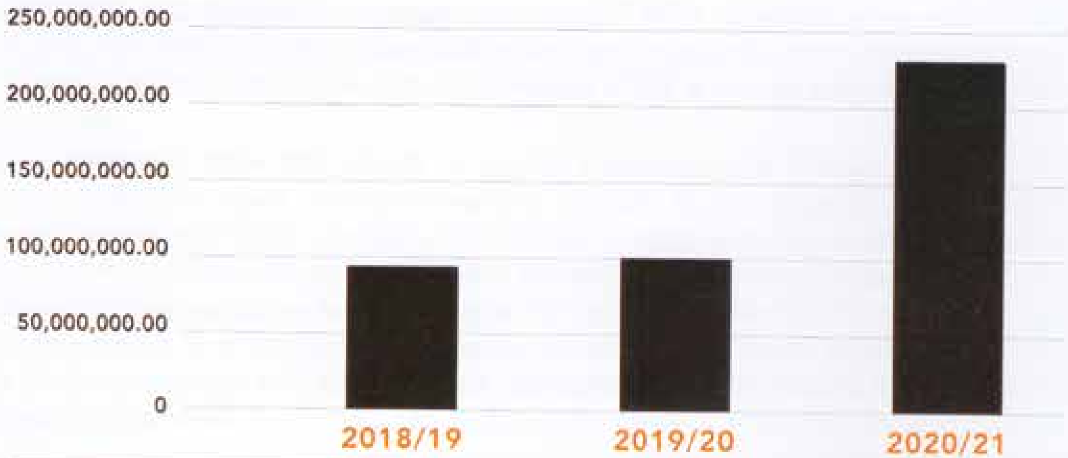
According to data obtained from NBE, in 2020/21, there was a total of 6,343 number of ATMs deployed all over the country, while there has been 9,208 POS Terminals currently active and working on Merchants premises. The Total number of payment cards issued by commercial banks were 22,701,721 in 2020/2021, indicating the huge potential for growth of digital payments in Ethiopia. ATM Transactions have also reached 225,603,984 in the overall banking sector with corresponding cash withdrawal of Birr 236,088,761,253.37. The transactions of ATM have shown a 127% increment compared to the previous year.

During 2020/21 EthSwitch has processed a total of 38,302,280 ATM transactions, out of the total interbank transactions 26,356,616 transactions have been eligible for fee cash withdrawal transactions with the value of Birr 26,557,724,865. POS Transactions have also recorded with successful transactions number of 109,506 having value of Birr 269,342,087.70. On the new product of EthSwitch which is P2P, after its official endorsement of the product by the National Bank of Ethiopia, the service has been operational on a pilot basis starting from October 2020 involving four commercial banks. Since the commencement of the pilot, 29,881 transactions with a value of Birr 214,733,250.55 as destination have been successfully conducted.



	2017/18	2018/19	2019/20	2020/21
● No. of ATM	3,131	4,896	5,059	6,343
● No. of POS	9,689	8,936	9,983	9,208

Fig. 1. Growth of Industry Wide ATM & POS Terminals Deployment from 2017/18-2020/21
Source: National Bank of Ethiopia



	2018/19	2019/20	2020/21
● No. of Transactions	95,079,859.00	99,529,312.00	225,603,984.00

Fig. 2. Industry Wide ATM Transactions Volume, 2018/19-2020/21
Source: National Bank of Ethiopia

Fig. 3. Figures of Annual ATM Transactions Value, 2018/19-2020/21
Source: National Bank of Ethiopia

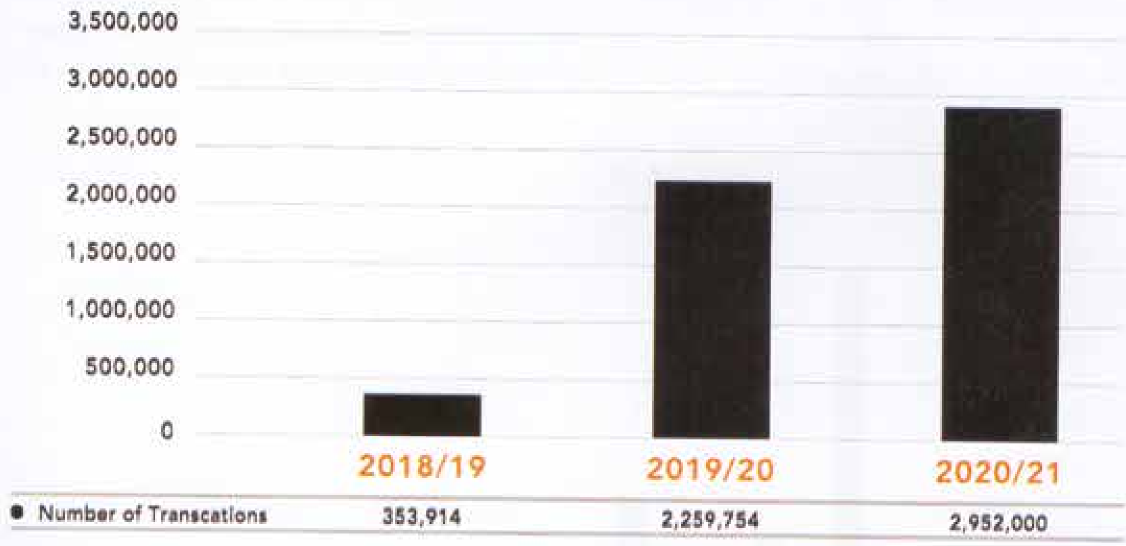
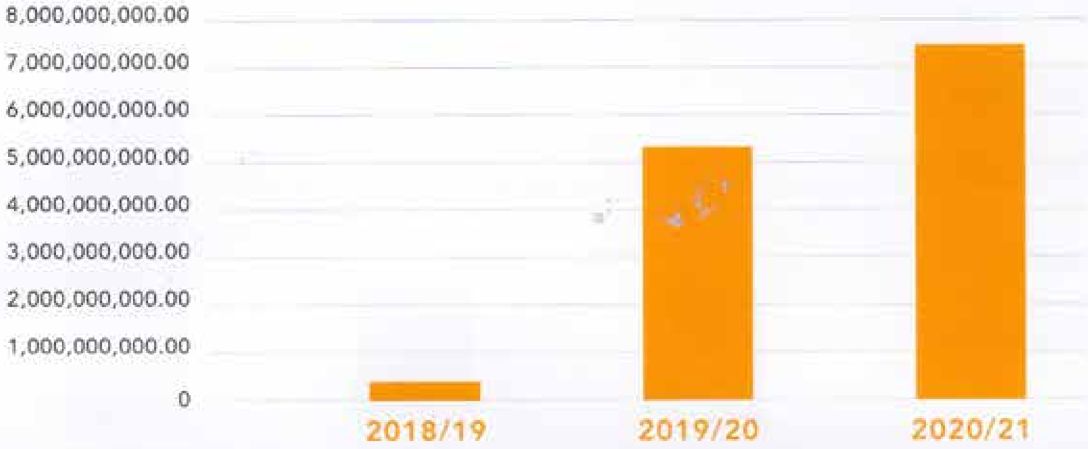


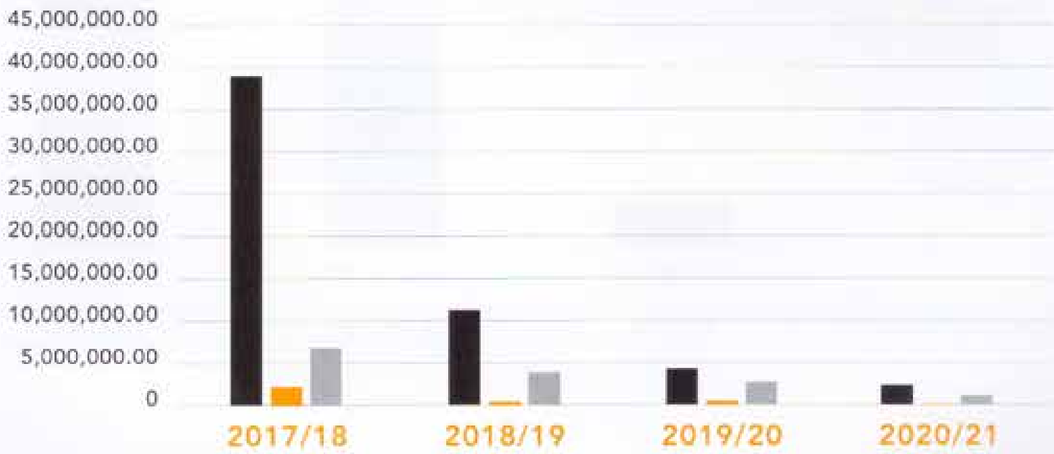
Fig. 4. Growth of POS Purchase Transactions Volume, 2017/18-2020/21
Source: National Bank of Ethiopia



	2018/19	2019/20	2020/21
Number of Transcations	329,456,775.52	5,348,167,303.20	7,437,000,000.39

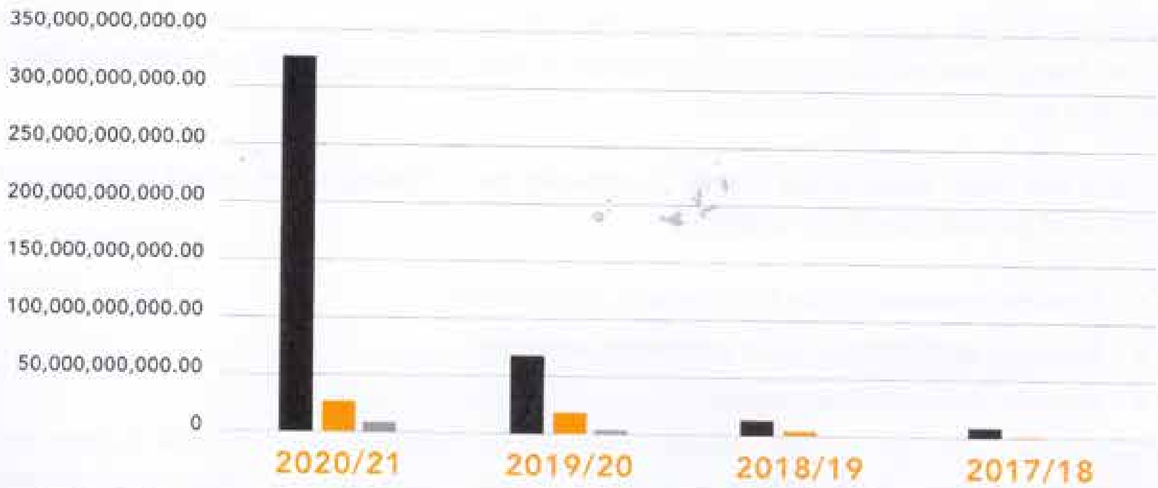
Fig. 5. Growth of POS Purchase Transactions Value, 2017/18-2020/21
Source: National Bank of Ethiopia

According to NBE, there was huge development on the usage of mobile banking, Internet banking and Mobile wallets, in 2020/21. A total of 39,561,000 number of transactions have been concluded on mobile banking having the value of birr 326,182,000,000.63 in the FY under consideration. On Internet Banking 2,411,000 transactions has also been recorded having the value of Birr 26,591,000,000.19. Mobile wallets are the third channel that have shown growth with a transaction volume of 7,247,000 and value of Birr 5,943,000,000.70. Compared to previous year all three channels have shown a tremendous increase with 240%, 359% & 70%, respectively. This shows that the digital usage is growing from year to year.



	2017/18	2018/19	2019/20	2020/21
Mobile Banking Volume	39,561,000.00	11,623,265.00	4,526,434.00	2,688,007.00
Internet banking Volume	2,411,000.00	525,284.00	547,694.00	120,577.00
Mobile Wallet Volume	7,247,000.00	4,241,512.00	3,599,057.00	1,396,033.00

Fig. 6. Growth of Internet Banking, Mobile Banking & Wallet Usage, 2017/18-2020/21
Source: National Bank of Ethiopia



	2020/21	2019/20	2018/19	2017/18
Mobile Banking Value	326,182,000,000.63	68,383,947,395.09	16,816,292,923.99	13,294,992,719.92
Internet Banking Value	26,591,000,000.19	22,546,333,361.45	5,155,868,365.58	1,810,341,659.05
Mobile Wallet Value	5,943,000,000.70	2,962,340,989.10		

Fig. 7. Growth in Mobile Banking Transaction Value, 2017/18-2020/21
Source: National Bank of Ethiopia

2. EthSwitch- The National Switch

EthSwitch is a share company mainly owned by all banks operating in Ethiopia and some MFIs. All banks have equal shareholding status in the Company, while ownership of MFIs varies from one institution to the other.

EthSwitch has been established mainly to achieve the following three broad goals in the financial and payment systems ecosystem:

- Provide interoperability for payment transactions;
- Develop and institute local payments schemes;
- Provide shared infrastructure;

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

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

Receiver

Sender	Individuals	Businesses	Governments
Individuals	**P2P** e.g., domestic remittances, salary payments for home service providers	**P2B** e.g., bill payments, retail merchant payments, e-commerce	**P2G** e.g., Utility bill payments, small & medium tax payments fees/charges, payments
Businesses	**B2P** e.g., salaries, wagers, dividend payments	**B2B** e.g., SME supplier payments, bill payments	**B2G** e.g., taxes, utility bill payments, fees for government services
Governments	**G2P** e.g., salaries, social payments	**G2B** e.g., tax reimburse-ments, incentive payments	**G2G** - (Not in the current Priority List)

Figure 8: Real-Time Payment service use cases

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

a. Gains from economies of scale arise as fixed costs are shared across more transactions and more efficient technology is used.

b. Easier access for new entrants to a particular payments stream, as access needs to be obtained only through the central switch rather than through every individual bank/MFI.

c. Assured stability, reliability and security standards including disaster recovery standards and business continuity plans.

d. Enabling easier adoption of new innovation, sharing of costs and adoption of new standards.

e. Enabling a network effect, resulting in the wider application and use of electronic retail payments in the country.

f. Plays a significant role in enhancing Financial Inclusion and modernizing national payment systems.

g. Enabling all stakeholders in payments ecosystem and contributing in the journey of creating Cash-Lite Society.

Current Ecosystem of EthSwitch is elaborated as follows;

Current Ecosystem of EthSwitch

Services

Core Services

Switching
Monitoring
Authenticating
Account Verification
Clearing
Settlement
Reconciliation
Dispute Management

Third Party Services

Training
Infrastructure Services
Hosting
Disaster Recovery
Card Perso
CA

Enabled Services

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

Channels

ATM
POS
Mobile
Internet

Users

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

Participants

Banks
Micro-Finance Institutions
Insurance Companies
Any Institution licensed by National Bank of Ethiopia
and more

Figure9: EthSwitch S.C. Current Ecosystem

3. Operational Performance of Ethswitch

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

To Achieve service excellence in all products[5] , EthSwitch has built a customer centric communication center which is playing a crucial role in creating the direct link between EthSwitch and its customers (Banks, MFIs, and third-party players like DFSP) by assigning "Key Account managers".

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

Account Mangers:

- handle Support Requests and Provide timely Solutions;
- play vital role for the success of transactions and focus on solving disputed transactions; and
- increase the awareness level of member banks on the upcoming products.

The aforementioned measures have been instrumental in bolstering the overall operational performance of EthSwitch in the fiscal year as can be observed from the performance of the following operation.

5 Products: Local Payment Schemes, Electronic Payment Switching and Clearing, Hosting, Card Personalization's, Dispute Managment, Advisory and training.

3.1. Interbank ATM Transactions

A total of 38,302,370 ATM transactions have been processed during the fiscal year. Compared with the 2020/21 annual performance, the total number of transactions processed increased by 41.5%. Out of the total interbank transactions, 26,356,616 have been eligible for fee cash withdrawal transactions, which has a 75% increment compared to last year same period and with 109% achievement rate compared to the plan (24,071,611). Figure 10 below shows the Interbank ATM transactions & other operational achievements compared to the plan. Overall, 97% achievement against target has been recorded for Average Transaction Success Rate (ATM).

	Cash Withdrawal (ATM) Eligible for fee	201Balance Enquiry (ATM) Eligible for fee8/19	Mini Statement (ATM) Eligible for fee
Target (Plan)	24,070,611	2,709,777	2,547
Actual	26,356,616	3,300,706	1,718

Fig. 10.ATM Interbank Transactions Eligible for Fee by Type: Plan Vs Actual

3.2. Card Personalization

In 2020/21FY 282,393 cards have been personalized. Currently, EthSwitch has started to issue pre-printed cards, which can be used by a bank's customers instantly upon demand. The service is available to all hosted member banks to instantly issue cards to their esteemed customers upon demand.

3.3. Dispute Management

There were 122,524 disputed transactions processed and resolved through the National Switch. The number of disputed transactions represents only 0.3% of total transactions in the 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.
- 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 for the member banks' authorized officials during the fiscal year.
- Regular monthly meeting was done with all member banks clearing & settlement teams.
- Review of dispute management progress was carried out.
- Banks had crafted a plan to minimize the number of pending retrieval requests and comply as per the system rule.

3.4. Clearing and Settlement

Clearing and settlement processes were fully executed throughout the fiscal year 2020/21. Settlement was done on T+1 basis and all the necessary reporting for member banks have been done simultaneously with a performance of 97%.

Regarding unsettled transactions, ETS closely and continuously monitors all outstanding unsettled issues and provides timely resolution to most of them. As a result, the number of unsettled transactions has been minimized from time to time, currently there are only 30 unsettled transactions as of June 30, 2021. In addition, EthSwitch has been actively responding to member banks clearing, settlement and reconciliation incidents throughout the FY.

3.5. POS Interoperability service

During the fiscal year 137,469 POS interoperable transactions have been recorded of which 109,506 have been successful. All the member banks are now participating as both acquirer and issuer in the POS interoperability service. The number and value of transactions has been progressively increasing from time to time even though there were different challenges affecting the service expansion and usage level.

From the total number of POS transactions, around 85% of them have been processed during the third and fourth quarter in which the growth of the transaction is increasing despite the challenges.

Some of the challenges observed include low awareness level of banks staff, merchants and customers; delays in disputed transaction processing coupled with merchants'/operators' resistance to the service smoothness; merchants with non-functional POS terminals due to various reasons; and delays in submitting clearing files on a T+1 basis.

To address the problem, POS Interoperable Service taskforce was established in February 2020 with the intention of improving the **service quality, expanding the service, mitigating** the **foundational issues**, and working towards **improving the awareness level** of the customers. The Taskforce has members selected from participating banks and payment system operators.

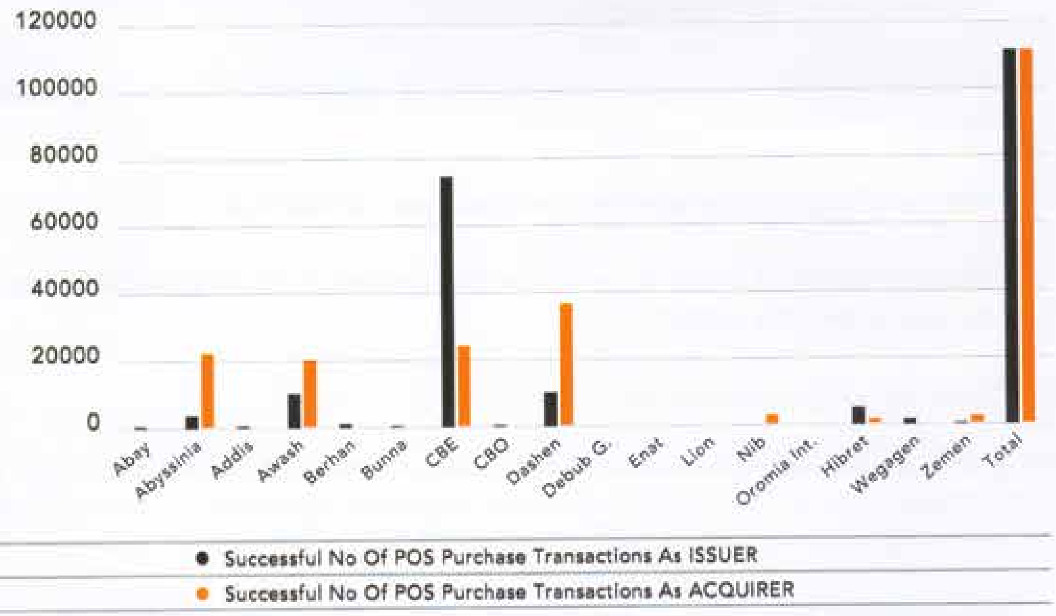


Fig. 11. Successful Number of POS Transaction Both as Acquirer & Issuer, 2020/21

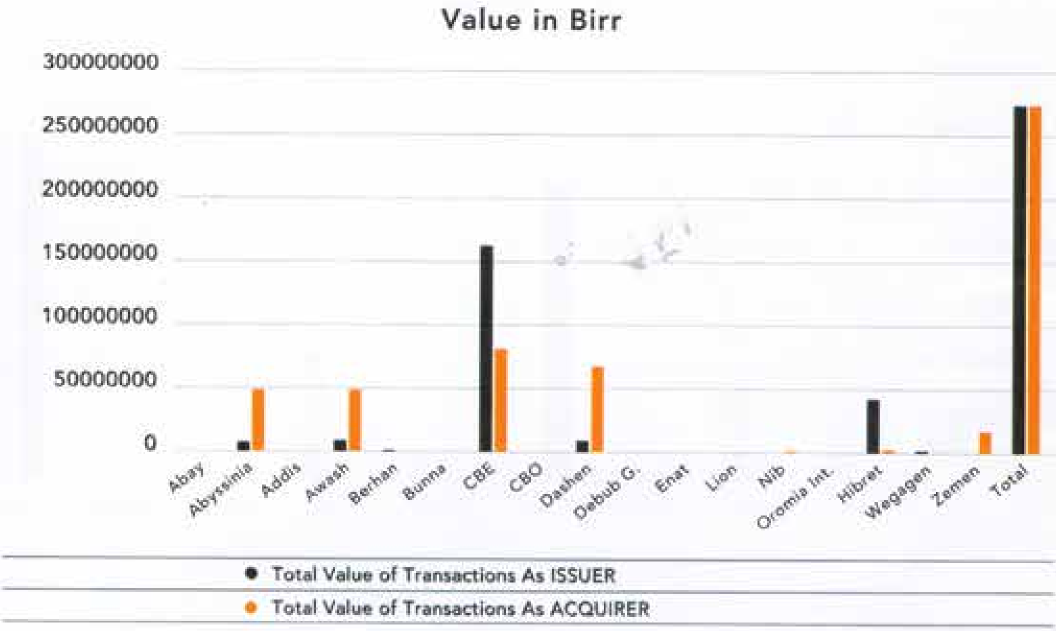


Fig. 12. Successful Number of POS Transactions Value Both as Acquirer & Issuer, 2020/21

3.6. Interbank Fund Transfer (P2P) Transactions during Pilot Period

EthSwitch S.C. has finalized its preparation to enable digital person to person (P2P) transfer involving all the commercial banks. All possible transfer use cases i.e., **Account to Account(A2A), Account to Wallet (A2W), Wallet to Account (W2A)**, and **Wallet to Wallet (W2W)** are supported in the P2P transfer.

After official endorsement of the product by the National Bank of Ethiopia, the service has been operational on a pilot basis starting from October 2020 involving four commercial banks. Since the commencement of the pilot, **29,881 transactions** with a **value of Birr 214,733,250.55 as destination** have been successfully conducted. The below Figure shows the P2P Interoperable Transactions during pilot period.

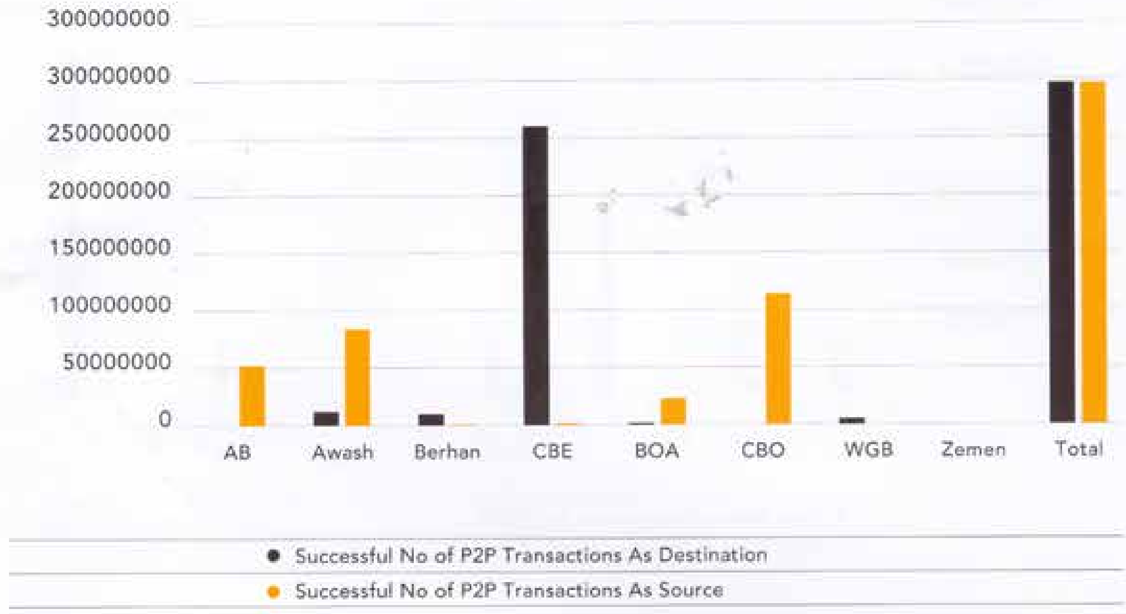


Fig. 13. Successful No. Of P2P Transactions

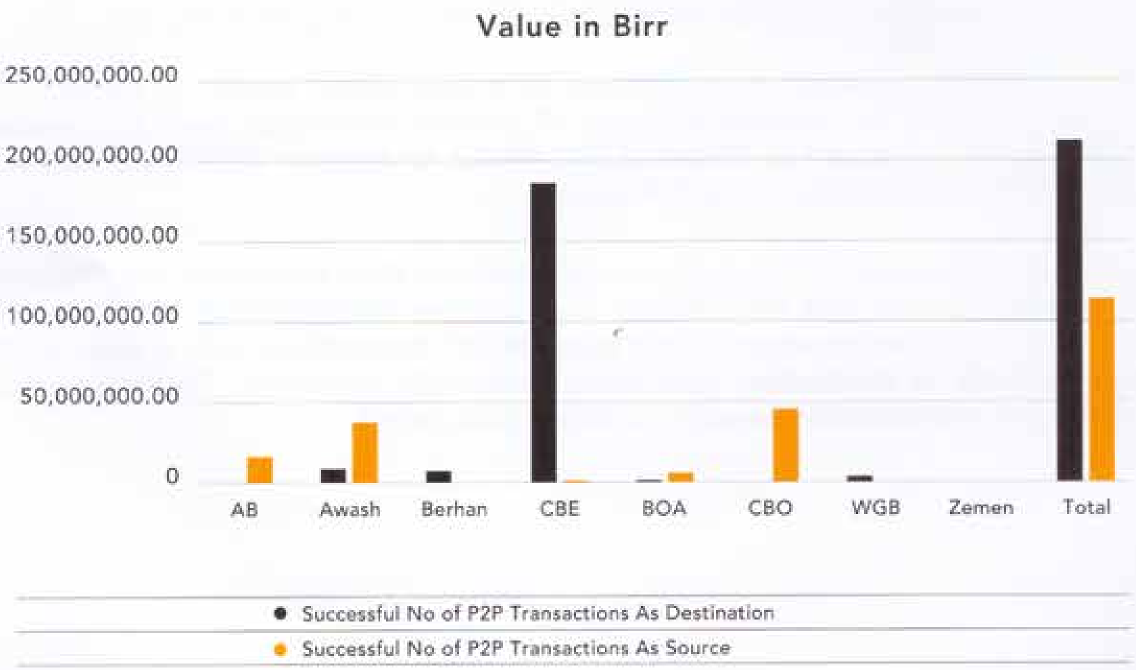


Fig. 14. Total Value of P2P Transactions in Birr

3.7. Introduction of P2G

EthSwitch completed integration with four Government service providers and financial institutions to realize P2G. Furthermore, EthSwitch completed P2G integration with different financial institutions including Dashen, Berhan, CBE, Zemen, BOA, CBO, Wegagen & Abay Bank.

3.8. Domestic Payment Scheme

EthioPay uses internationally recognized CPA specifications issued by EMVCO governing/ certification body. Attaching EthioPay brand to these well-known industry players will help EthSwitch to promote the EthioPay Card scheme at the local as well as international level. By becoming an EMVCo member, EthSwitch will get a chance to get first-hand and insightful information from the governing body. In this process, Communicating EMVCo team, selecting membership type, registration process and activation of our account is already completed. Thus, EthSwitch can leverage its existing card specification to make EthioPay card scheme as a national standard.

Technical evaluation for the procurement of the EMV validation tool has been completed and delivered. As EthioPay scheme owner and personalization bureau, implementing EMV card personalization validation tool helps EthSwitch to ensure each personalized card meets the expected profile standard before reaching the customer's hand and ensures any fraud or risks in advance.

3.9. International Card Acquiring

EthSwitch has managed to receive Acceptance letter from Mastercard and has signed agreement with VISA and Union Pay. Mastercard operationalization has reached 98% and pilot is underway and only awaiting Mastercard Back-office configurations as EthSwitch has already completed settlement configurations. To operationalize VISA and Union Pay, a project Team was established involving interested banks & Local Representatives from both International Cards.

4. Financial Performance

4.1. Assets

During the fiscal year under review Ethswitch' S total asset rose to Birr 601,327,433 from the previous year total of Birr 272,937,443, registering a growth rate of 120.31%. Out of the total assets, non-current assets constituted Birr 83,402,931 or 13.9%, while current assets accounted for 86.1% or Birr 517,924,502.

The increases in assets were financed mainly by new share sales (new capital injection) and to some extent by retained earnings.

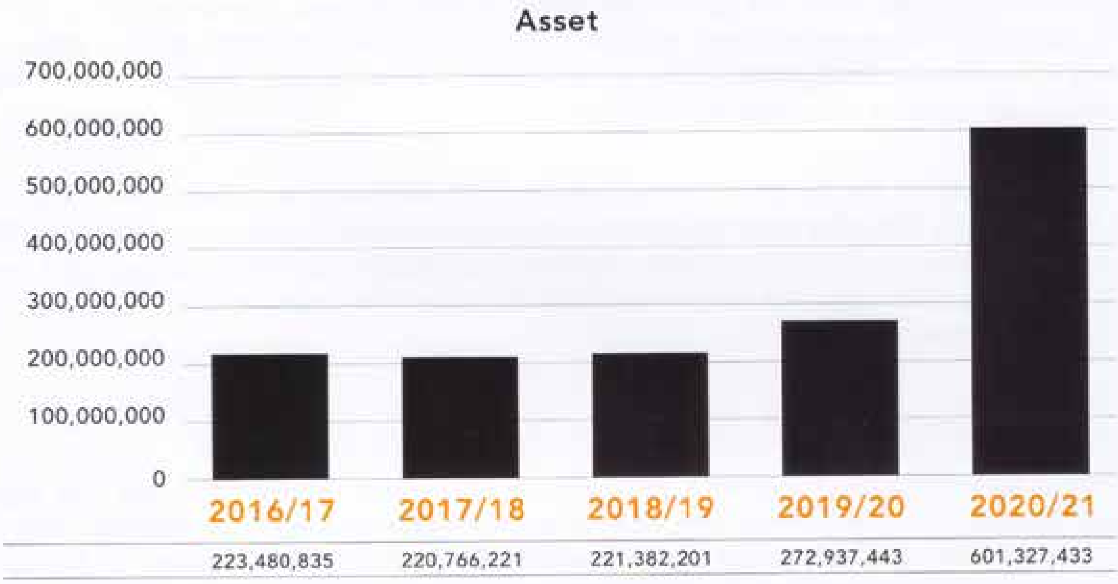


Fig. 15. Comparison of Total Assets in Birr

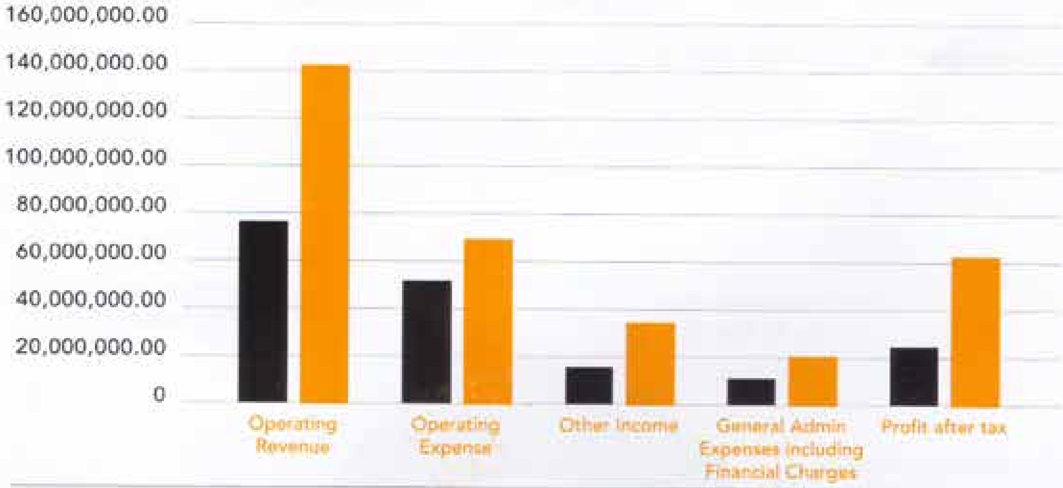
4.2. Capital

EthSwitch S.C. was established in 2011 with a paid-up capital of Birr 80,496,000.00. Following the Second extraordinary General Shareholders meeting held on 20th of September 2014, decision was made to increase the company's capital to Birr 300,000,000 to enable the Company invest in infrastructure and other capabilities, yet until recently only 217 million amount of share was sold. Furthermore, at the 4th Extraordinary Shareholders Meeting held on December 25, 2019, the Shareholders of EthSwitch have agreed to issue additional 600,000 shares to raise the capital of the Company by ETB 600,000,000.

As a result, paid up capital of the Company increased from birr 234,084,000 to birr 460,151,000 as at June 30, 2021 (up by 97%), while retained earnings grew from birr 9,065,719 to birr 57,070,563 (up by 529.52%, from very low base).

4.3. Revenues & Expenses

During the fiscal year under review EthSwitch generated revenue of Birr 142,287,993 or 115% of its plan from operation services. An additional income of Birr 37,246,011 or 115% of the plan has also been generated from other sources. Compared to the previous fiscal year, the financial performance of EthSwitch has shown a robust improvement, with a year-on-year increase of 82.4% in operational revenues. Operating expenses also rose by 32% from the previous fiscal year's Birr 54,257,309 to Birr 71,616,500. Accordingly, Ethswitch' S profit before tax ascended to Birr 87,304,779 showing a 211.6% increase from the previous fiscal year. The following graph depicts the key financial performance figures.



	Operating Revenue	Operating Expense	Other Income	General Admin Expenses including Financial Charges	Profit after tax
• 2019/20	77,994,946.00	54,257,309.00	16,474,227.00	12,196,753.00	24,332,865.00
• 2020/21	142,287,993.00	71,616,500.00	37,246,011.00	20,612,726.00	61,376,518.00

Fig. 16. Key Financial Performance Figures in Birr

In terms of revenue streams, EthSwitch' s major incomes during the period under review came from ATM interbank transactions fees. A total of Birr 129,280,327 revenue was generated from ATM interbank transactions, a 94% increase from previous fiscal year.

The second biggest operational revenue came from Quarterly fee, in an amount of Birr 8,116,600, and the third and the fourth revenue is from Card Issuance services, in the amount of Birr 2,823,930 and Balance Inquiry, in the amount of Birr 986,819, respectively. PIN Printing and POS purchase have also generated a combined income of Birr 1,080,317.

Interbank ATM Transactions fee constitutes about 90.86% of the total operational income, making it the most important stream. However, this is expected and believed to change when POS Purchase interoperability and P2P transfer services begin to be used extensively, in the next fiscal year.

REVENUE STREAMS	2019/20	2020/21	Growth
ATM Interbank Transaction Fee	66,487,038	129,280,327	94%
Card Issuance Fee	2,435,840	2,823,930	16%
PIN Issuance Fee	489,536	559,026	14%
Per Transaction Fee for BI, Mini St.,	556,432	986,819	77%
POS Purchase	0	521,291	NEW
P2P	0	0	NEW
Quarterly Fee	8,026,100	8,116,600	1%
Total	**77,994,946**	**142,287,993**	**82%**

Table 1. Composition of Revenues from Operation

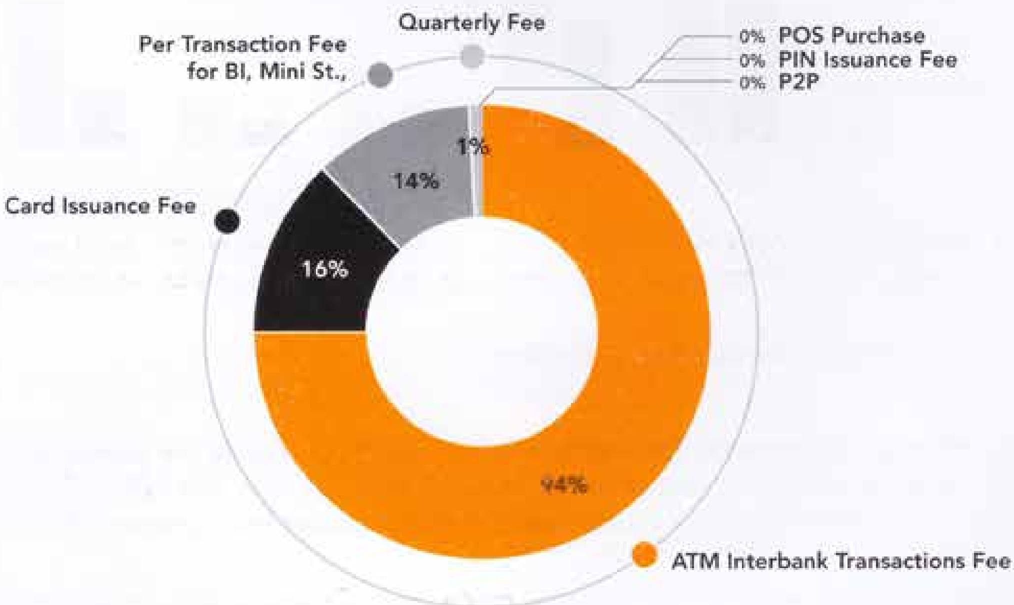


Fig.17. Composition of Revenue Streams in FY 2020/21

5. Strategy & Organizational Capability Development

5.1. Strategy Development

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

Goal 4: Ensure service excellence and provide a secure, reliable, seamless service: EthSwitch will provide a high-quality, reliable and seamless service with low failure rates across all digital transaction channels. This will require EthSwitch to implement a clear set of SLAs for each service and commit to continuous innovation and development. As a measurable output, EthSwitch can measure its SLA attainment levels and compare them to leading regional switches.

Goal 5: Capture digital retail transaction volumes to create financial service efficiency: EthSwitch will drive the growth of digital retail transaction volumes, (and in particular, also its share of digital transactions), in the 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

ETHSWITCH

Network in Africa," respectively.

5.2. Status of Strategy Implementation

EthSwitch' s Strategy is being implemented in three phases (Housekeeping, Expansion and Blue Sky) over five-year period effective from the financial year 2020/21. According to the Strategy implementation priorities, EthSwitch was expected to complete phase one (housekeeping), which covers providing to payment service providers (PSP) and aggregators complete channel interoperability (Goal 1) for all financial use cases (Goal 3) during the current financial year. The Figure below shows the status of phase one (housekeeping) implementation.

Channels /Use Cases	PSP & aggregators	Status
ATM/CW, BI,/	yes, for Banks; No, for others PSPs & Aggregators	Fully Done
POS/purchase/	Yes, for bank (limited volume); No for others	Fully Done
MOBILE /P2P/	Under Piloting	Under Pilot
ONLINE	Under integration	on UAT

Figure18: Channel Interoperability Implementation Status

5.3. Technological Capability Development

During the FY 2020/21, EthSwitch' s primary areas of focus in terms of technology were: ensuring high availability of payment systems and infrastructures as well as bringing service excellence by providing and procurement of Dispute Management System, CBS integration with hosted banks for Card personalization, 99.6% System Availability, and new SAN infrastructure deployment. 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 infrastructure and assets like servers and storage, network and security equipment, and card personalization machine, have been provided with a great degree of success.

5.4. PCI DSS Certification

One notable success during the fiscal year under review was PCI DSS (Payment Card Industry Data Security Standard) Re-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.

5.5. RTP- Real-Time Payment Platform

The Real-time Retail Payments Platform Project is Grand Project that will have a multiplier effect for all actors in the payments & digital finance industry as it enables efficient and instant transfer of funds and payments for commercial, humanitarian or safety net purposes. Real-Time Payment system (RTP) will enable complete channel interoperability and allows end-users to make any payment digitally in a simple, fast, low-cost, reliable, affordable, secure, and interoperable manner. The envisaged real-time payment system (RTP) will have three main components; a **real-time payment switch**, a **payment gateway**, and a **shared wallet** with shared channels like an app and USSD.

The purpose of the payment gateway is to provide a hosted solution where merchant DFSPs can host merchants and enable them for both card less transactions in an online environment. While shared wallet platform will provide participants with a means to offer mobile wallets (as a store of value). Participant could be new and existing licensed payment instrument issuers. Digital Channels: will provide member banks with the capability to enable channels with the option of white labelled channels (e.g., Mobile app) and shared channels (e.g., USSD mobile banking).

It is a multi-year project with significant importance to EthSwitch S.C. Accordingly, the project is consuming various expertise within EthSwitch as well as outside experts. Currently, the project which has been split into three Lots is on contract negotiation level.

Related to RTP Hardware, The BOQ is finalized with the help of a consultant. The required resource for testing environment has also been identified.

5.6. Channel Monitoring Tool

It is a Web based Enterprise solution to display real-time information in unified/single Dashboard to monitor self-service terminals (ATM Network, POS...). This solution will support monitor Self Service Terminals (SSTs) from different vendors, and multitenant – to help EthSwitch manage channels owned its member banks.

During the 2020/21 Ethswitch was on the process of procurement of the Channel Monitoring tool and RFP was floated, yet on the budget year the executive management decided to re-bid the tender. Now it is on tender process, parallelly ad-hoc evaluation committee was organized for evaluation.

5.7. Reconciliation Software

This is a Comprehensive Web Based reconciliation & Settlement system for Card Based / POS

Based transactions, which has paved the way for maintaining the mirror bank transactions from the Bank's Switch/Host/Terminal-EJ/Interchange/Tie-up Banks, for managing net payments & receipts. The reconciliation software supposed to accommodate settlement among different parties (3-Way/4-Way/n Way) by accommodating card-based (ATM/POS) and non-card-based (Mobile/Internet) financial transactions. The software tool assumes to have an integrated dispute management module to handle basic dispute activities; such as chargeback, presentment, and arbitration.

For the procurement of the reconciliation Software, RFP was floated and it was closed on June 2021, now it is on evaluation process.

5.8. NOC Implementation

The Network Operations Center offers Performance monitoring, oversee problems, configuration and change management, observing required security, reporting, quality assurance, scheduling, and documentation by utilizing sophisticated network management, monitoring and analysis tools. The NOC also provides a structured environment that effectively coordinates operational activities with all participants and vendors related to the function of the network. The NOC Engineers and support offices typically will perform monitoring twenty-four hours a day, seven days a week and management of core level servers, storage, networks, links and resources using an Automated software or package of software. The NOC developed for Ethswitch has two major components; the Service Desk plus used for incident management and Zabbix tool to monitor devices.

During the 2020/21 Network Operating Center (NOC) has been implemented and Two Monitoring Screens have been installed along with capacity buildings on Zabbix operational monitoring tool, Zabbix Database and Help Desk Service Trainings were given for concerned staffs.

5.9. Development Partners Funding Applications

In Fiscal Year 2020/21, Ethswitch won the Grant for USD 2.33 million after a series of competitive rounds in which 340 proposals from different African countries participated to partially finance RTP project from African Development Bank.

Apart from technical assistance being provided in relation to implementation of RTP a proposal was sent to the BMGF requesting to cover the budget deficit of the RTP project, Which Ethswitch has secured the grant from BMGF in first quarter of FY 2021/22.

Starting from the inception of an interoperable real-time payment system, development partners have assisted in various ways. One of the valuable partners, the Bill and Melinda Gates Foundation, has provided us with multiple technical assistance. The first was a technical assistance to hire a consultant (Paysys Labs) that helped us through the development of a BRD and RFP which has now been extended to cover the consultation help during the project's implementation phase at an estimated cost of USD 500,000. Similarly, Glenrook Partners was also hired through a technical assistance from BMGF to help us develop the business model and scheme rules for the RTP System. This will continue through the pricing exercise. This service also had an estimated cost of USD 500,000.

The third technical assistance is to hire a consultant to develop a BRD and further an RFP for a Shared Security Operation Center (SOC). This also has an estimated cost of USD 500,000.

5.10. 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 revised organizational structure, there has been new salary structure and benefit package put in place. Besides, HR procedures/manual for Managerial & Non-Managerial staff members, and Staff Housing and Car Loan Procedure has been developed and implemented.

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, it continued to invest in staff capacity building through training and experience sharing platforms. Trainings was provided to 32 staff on Management and business courses plus courses on Certified Information Security Manager (CISM) for 1 staff, on EMV training for 21 staff, on Basic BPC (SV) Smart vista training for 40 staff, on BPC Smart vista technical training for 24 staff, on BPC Smart Vista Operational training for 22, on Solaris 11 Operating system Administration for 2 staff, on Basics of Oracle Database Administration SQL and PL/SQL to 1 staff, on various courses from DFI institute for 14 staff have been given.

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 kind of firm commitment will continue in the future.

5.11. 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 reported above. This development has been partly brought about through BTL & ATL advertisements of the service. Which commenced earlier in the fiscal year with notable success in driving transactions upward.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AWASH
AMANAH
Berhan Bank
Gamtaa
coop
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Zemen
VISA
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AMOUNT: 1500
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IV. Independent Auditors Report To The Shareholders of EthSwitch Share Company

External Auditors Report

We have audited the financial statements of EthSwitch Share Company, which comprise the statement of financial position as at 30 June 2021, the Statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of EthSwitch Share Company as at 30 June 2021, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board.

Basis for Opinion

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

Key Audit Matters

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

We have determined that there are no key audit matters to communicate in our audit report.

Responsibilities Of Directors and Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

We have no comment to make on the Board of director's report as it related to these financial statements persuant to Proclamation No. 1243/2021, we recommend approval of the mentioned financial statements.

Tafesse, Shisema and Ayalew (TMS Plus) Certified Audit Partnership

Chartered Certified Accountant's

Addis Ababa
Augest 14, 2021.

ETHSWITCH

Ethswitch Share Company
Statement of Financial Position
As at 30 Sene 2021

Currency: Ethiopian Birr

Assets	Notes	2021	2020
Non-current assets			
Property, Plant and Equipment	11	58,806,516	46,140,913
Right-of-use asset	19	3,791,651	5,110,603
Lease Improvement	20	434,497	695,445
Intangible assets - Software	13	7,513,632	16,939,939
Work in progress	12	8,758,653	-
Deferred tax asset	10.2	4,097,982	8,973,339
		83,402,931	**77,860,241**
Current assets			
Trade and other receivables	16	23,460,394	11,014,971
VAT receivable	18	1,945,350	1,945,350
Advance and prepayments	17	2,203,596	742,272
Cash at Bank and in hand	14	132,315,162	33,374,609
Short-term deposits	15	358,000,000	148,000,000
		517,924,502	**195,077,202**
Total assets		**601,327,433**	**272,937,443**
Equity and Liabilities			
Equity			
Issued capital	22	460,151,000	234,084,000
Legal reserve	23	5,067,736	1,998,910
Retained earnings		57,070,563	9,065,719
Total Equity		**522,289,289**	**245,148,629**
Non-current liabilities			
Lease liabilities	21	1,696,180	3,359,435
Termination benefit liabilities	27	927,346	369,724
Deferred tax liabilities	10	6,839,048	4,279,479
Total Equity		**9,462,574**	**8,008,638**
Current Liabilities			
Trade and other payables	25	38,347,049	13,074,667
Current tax payable	9c	18,351,066	-
Other tax and obligations	26	1,688,008	497,931
Current portion of lease liability	21	2,333,494	1,970,278
Accruals and other non-financial liabilities	27	8,855,942	4,237,301
		69,575,559	**19,780,176**
Total Liabilities		**79,038,133**	**27,788,814**
Total Equity and Liabilities		**601,327,433**	**272,937,443**

ETHSWITCH

Ethswitch Share Company
Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2021

Currency: Ethiopian Birr

	Notes	2021	2020
Revenue	4	142,287,993	77,994,946
Operating expenses	5	(71,616,500)	(54,257,309)
Gross profit		**70,671,493**	**23,737,637**
Other income	6	37,246,011	16,474,227
General and administration expenses	7	(20,118,276)	(11,244,460)
Operating profit		**87,799,229**	**28,967,404**
Finance costs	8	(494,450)	(952,293)
Profit before tax		**87,304,779**	**28,015,111**
Income tax expense	9(a)	(25,928,261)	(3,682,246)
Profit for the year		**61,376,518**	**24,332,865**
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.		**61,376,518**	**24,332,865**

ETHSWITCH

Ethswitch Share Company
Statement of Changes In Equity
For the year ended 30 June 2021

Currency: Ethiopian Birr

	Notes	Share Capital	Legal Service	Retained Earnings	Total
Balance at 01 July 2019		216,067,000	782,267	(14,228,702)	202,620,565
Comprehensive income for the year		-	-	24,332,865	24,332,865
Capital Enhancement		18,017,000		178,200	18,195,200
Profit for the year		-	-		-
Transfer to legal reserve			1,216,643	(1,216,643)	
Balance at 30 June 2020		**234,084,000**	**1,998,910**	**9,065,719**	**245,148,629**
Balance at 01 July 2020		234,084,000	1,998,910	9,065,719	245,148,629
Comprehensive income for the year		-	-	61,376,518	61,376,518
Dividend paid/reinvested			-	(9,065,718)	(9,065,718)
Capital Enhancement		226,067,000	-	-	226,067,000
Profit tax paid		-	-	(1,557,246)	(1,557,246)
Prior year adjustment		-	-	320,115	320,115
Transfer to legal reserve		-	3,068,826	(3,068,826)	-
Balance at 30 June 2021		**460,151,000**	**5,067,736**	**57,070,563**	**522,289,299**

Ethswitch Share Company
Statement of Cash Flow
For the year ended 30 June 2021

		Currency: Ethiopian Birr 30-Jun-20
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	87,304,779	28,015,111
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Interest Expense	486,043	601,147
Depreciation of Property, Plant and Equipment	13,117,017	12,119,379
Amortization of intangible assets	9,520,540	11,377,830
Amortization of Right of usea ssets and Lease improvement	2,369,655	-
Prior period adjustment	320,115	-
Dividend declared	(9,065,718)	
	104,052,432	**52,113,467**
Interest paid	(486,043)	(601,147)
Income tax paid	(1,557,246)	-
Operating cashflow before working capital changes	**102,009,144**	**51,512,320**
Movements in working capital		
Increase /Decrease/in Trade and other receivables	(12,587,690)	(336,924)
Increase /Decrease/in Advance and prepayments	(1,461,324)	(521,734)
Increase /Decrease/in Lease liablity	1,033,455	(533,974)
Increase /Decrease/in Trade and other payables	25,272,382	9,374,846
Increase /Decrease/in Taxes and other payables	1,190,078	268,648
Increase /Decrease/ in Accruals	4,618,641	1,495,361
Increase /Decrease/ in Severance	557,623	369,724
	18,623,165	**10,115,946**
Net cash flows from operating activities	**120,632,308**	**61,628,266**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(25,782,620)	(9,832,977)
Work in progress	(8,758,653)	-
Intangable Asset - Software	(94,233)	(15,473)
Right of use Asset - Office lease	(644,326)	(991,375)
Office lease Improvement	(145,428)	(288,790)
Net cash flows used in investing activities	**(35,425,260)**	**(11,128,615)**
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(2,333,494)	-
Short term investment	(210,000,000)	(63,000,000)
Additional investment in capital	226,067,000	18,017,000

ETHSWITCH

Currency: Ethiopian Birr

		30-Jun-20
Net cash flows from/(used in) financing activities	13,733,506	(44,983,000)
Net Increase/ (Decrease) in cash and cash equivalents	98,940,553	5,516,652
Cash and cash equivalents at the beginning of the year	33,374,609	27,857,957
Cash and cash equivalents at the end of the year	**132,315,162**	**33,374,609**
Components of cash and cash equivalents		
Cash at bank and in hand	132,315,162	33,374,609
	132,315,162	**33,374,609**

Ethswitch Share Company
Notes to The Financial Statement
For The Year Ended 30 June 2021

1. Company 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 which were op) operating in Ethiopia with equal shareholding of 5030 each. The CEOs/Presidents of all these banks including NBE were authorized to have only one share each are required to release their Shareholding. But it was amended by 2nd extraordinary meeting conducted on Meskerem 10, 2004 E.C. According to amendement CEO's are not required to relinquish their share holding where when they have their position. They are buying additional share from additional equity raised. When Construction and Business bank acquired by Commercial Bank of Ethiopia (CBE), its share have been equally distributed between all other banks. So far seven micro finances institutions (MFI) admitted as shareholder of Ethswitch. Moreover, new banks and MFI may join Ethswitch as shareholders subject to the availability of shares for sale and approval of the existing shareholders.

Shareholders of Ethswitch at their fourth extraordinary meeting held on 26th of December 2019, decided to increase the capital of the company to Birr 600,000,000. Accordingly, the paid-up capital has grown to 460,151,000 as of June 30 2021. The objective of this addition in capital contribution was to improve the existing operation and to introduce new service products.

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

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

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

2. Significant accounting Policies

2.1. Basis of preparation

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

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

2.2. Summary of significant accounting policies

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

2.2.1. Revenue recognition

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

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

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

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

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

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

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

Revenue from Interbank ATM Cash withdrawal charge:

One birr is charged for 100-birr cash withdrawal through interbank ATM facilities and this service charge is covered by, the card issuer bank and the customer (who withdrew the cash) 0.50 cents each. Then from this 1 birr charge Ethswitch earns 0.55 cents. Though this transaction is completed and all stakeholders accounts are debited/credited automatically, Ethswitch is recognizing revenue from this source on monthly basis when the company gets bank statement for the month from both internal sources and the company's bank.

ATM Balance Inquiry (on us/off us)

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

ATM Ministatement (on us/off us)

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

Fixed and Variable charges

Fixed Charges: There are two fixed charges

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

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 2birr is charged per pin printed.

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

Other Income (Interest Income from Short Term Deposit)

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

2.2.2. Foreign currencies

Functional and presentation currency

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

2.2.3. Taxes

Current income tax

The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. In the last and current year, the Company has earned an operating profit and it fully cover the accumulated loss.

Value Added Tax (VAT)

Ethswitch is exempted from VAT

2.2.4. Property, plant and equipment {PPI)

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 Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The useful lives of items of property, plant and equipment have been assessed as follows: Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets and their useful life is determined by management, based the pattern and the manner in which it has intended to use those assets

Type of PPE	Useful Life
Furniture & Fixture	10
Motor Vehicles	10
Lease Improvement	5
Computer & Accessories	7
Office Equipment	5
Computer Infrastructure	7
Card Machine	10
Network and data center	7
Generator	10

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

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

2.2.5. Leases

Right-of-use asset - Office Building

The Company is party to lease arrangements over offices. The Company recognizes right-of-use assets and

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

The right-of-use assets are initially measured at the lower of the fair value of the property and the present

value of the minimum lease payments., which comprises the following:

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

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

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

Lease liability

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

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

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 tosses, 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 customer agents for delivery of services. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of receivables is established when there is 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.

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 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 EthSwitch share company of similar financial assets) is

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation 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 in to 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 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
- Financial assets
- Trade receivables

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

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

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

A provision matrix is applying the relevant loss rates to the trade receivable balances outstanding (i.e., a trade receivable aged analysis). an entity would apply different loss rates depending on the number of days that a trade receivable is past due. Depending on the diversity of its customer base, the entity would use appropriate Ethswitch share company 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 Ethswitch share company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of ari`6vent occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

II) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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 a company's general borrowings, the borrowing costs eligible to be capitalized shall be determined by applying the weighted average general borrowings rate to the expenditure incurred on the asset.

2.2.9. Inventories

Inventories shall be stated at the lou.er 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 clowns 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°/o.

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

The company shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or Cash Generating Unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Ethswitch share company of assets. Where the carrying amount of an asset or Cash Generating Unit exceeds 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 Unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

2.2.11. Employee benefits

Short-term benefits

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

Post-employment benefit

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

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

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

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

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

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

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

Termination benefit

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

1. Terminate the employment of an employee or Ethswitch share company of employees before the normal retirement date Or Provide termination benefits because of an offer made in order to encourage voluntary.

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 risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.2.14. Leave and Bonus accrual

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

2.2.15. Related parties

A party is related to an entity if, inter alia

i. directly, or indirectly, through one or more intermediaries, the party

a) 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 number of outstanding balances,

  i. their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and

  ii. details of any guarantees given or received;

c. provisions for doubtful debts related to the number of outstanding balances; and

d. the expense recognised during the period in respect of bad or doubtful debts due from related parties.

3. New or Revised Standard or Interpretations

IFRS 13 Fair Value Measurement

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

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

IFRS 9 Financial Instruments

Phase I: Classification and measurement of financial assets and financial liabilities

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

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 3: Determine the transaction price

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

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

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

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

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

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

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

IFRS 16 `Leases'

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

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

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

Amendments to IAS 1 (Disclosure Initiative)

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

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

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

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

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

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

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

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

4. Revenue

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

Currency: Ethiopian Birr

	2021	2020
ATM Interbank Transaction Fee	130,267,146	67,043,470
Card Issuance Fee	2,823,930	2,435,840
PIN Issuance Fee	559,026	489,536
POS Purchase fee	521,291	-
Clearing & Settlement and Card Management & Authentication fee	8,116,600	8,026,100
	142,287,993	**77,994,946**

4.1. Source of revenue

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

4.2. Revenue by service type

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

5. Operating expense

Salary and employee benefits	12,698,207	7,152,177
Capacity Building (Perdiem & Travel)	3,687,513	1,175,717
Advertising & Promotion	3,485,278	869,245
Connectivity & Related Costs	561,428	497,517
Gas oil for Generator	54,374	56,063
Depreciation	13,117,017	12,119,379
Amortization	11,890,195	11,377,829
Operating Expense	589,424	225,653
Recurrent Costs	25,533,062	20,783,729
	71,616,500	**54,257,309**

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

6. Other Income

Interest Income	36,703,811	16,466,027
Other income	542,200	8,200
	37,246,011	**16,474,227**

7. General and administration expenses

		2020
Salary & employees Benefit	13,653,316	8,874,855
License Renewal & Other	19,640	9,884
Cleaning	77,425	72,168
Legal Support	281,904	165,000
Fuel	46,919	33,092
Utilities	48,945	47,307
Telephone & Fax	80,897	71,495
Stationery & Materials	121,053	161,511
Repair and maintenance	289,499	276,038
Travel Expense	-	131,420
Office supply	54,280	70,264
General Shareholders' Meeting Ceremony	137,501	236,551
Audit Fee	60,950	115,000
Board Fee	2,213,000	558,500
Consultancy Fee	434,125	60,000
Membership Fee	3,628	3,628
Insurance	112,292	44,888
Grants to the Government	-	100,000
Entertainment	122,417	172,298
Penalty	15,845	10,800
COVID related Expenses	2,310,411	-
Miscellaneous	34,228	29,760
	20,118,276	**11,244,460**

8. Finance Cost

Bank charges	8,407	351,145
Interest Expense -Lease liability (8.1)	486,043	601,147
	494,450	**952,293**

8.1. Interest expense

It 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.

		2020
Current taxation based on the taxable profit for the year at 30% (Note 9b)	18,493,334	-
Add: Deferred tax charge (Note 10.2)	4,875,358	(5,629,673)
Deferred tax credit (Note 10.1)	2,559,569	1,947,426
Current year profit tax expense	**25,928,261**	**(3,682,246)**

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B. Tax expense computation

Net profit before taxation	87,304,779	28,015,111
Less: Interest income (taxed at source)	(36,703,811)	(16,466,027)
	50,600,968	11,549,084
Add: Non allowable expenses		
Entertainment	122,417	172,298
Penalty	15,845	10,800
Amortization expense - Software	9,520,540	9,513,986
Amortization expense - Lease	1,963,278	1,863,844
Amortization expense - Lease improvement	406,377	25,280
Interest expense - Lease	486,043	601,147
Depreciation per IFRS	13,117,017	11,941,179
Severance provision	599,271	-
Annual leave	843,858	-
	27,074,647	24,128,534
Less:		
Rent expense	(2,430,408)	(2,126,497)
Depreciation per tax	(7,659,428)	(8,843,329)
Amortization expense - Lease improvement	(163,124)	-
Amortization expense per Tax	(3,496,671)	(5,942,216)
Amortization expense - Preoperational expenditure	(2,281,538)	(2,281,538)
	(16,031,169)	**(19,193,580)**
Taxable income	**61,644,446**	**16,484,038**
Loss brought forward	-	(16,484,038)
	61,644,446	-
Income tax expense at 30%	18,493,334	-
Current tax expense	**18,493,334**	-

C. Statement of financial position - Tax payable

Current year tax payable (Note 9c)	18,493,334	-
Less: Withholding tax	(142,268)	-
Income tax payable	**18,351,066**	-

10. Deferred tax

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

10.1. Deferred tax liability

Change in depreciation method for tax purpose in 2017

The new income tax proclamation No.979/ 2016 has been issued on 2017 and become effective for the period ended July 7 ,2017. The new proclamation revokes the poolinc 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 declininc balance method or straight-line methods.

	2021	2020
Tax base of the asset at 30 June,(Note 10.1.1 & 2)	43,523,325	48,815,925
Book value of the asset at 30 June, (Note 10.1.1 & 2)	66,320,150	63,080,852
Temporary deference	22,796,825	14,264,927
Deferred tax asset /liability on temporary differences at 30%	**6,839,048**	**4,279,479**
Movement in deferred tax liablity	2,559,569	

10.1.1. Property, Plant and Equipment

Written down value 01 July	34,004,776	33,193,328
Additions	5,769,264	9,832,977
Sub total	39,774,040	43,026,305
Tax law depreciation	(7,659,426)	(9,021,529)
Written down value 01 July	32,114,614	34,004,776
Book Value - IFRS	58,806,516	46,140,913
Temporary Difference	26,691,902	12,136,137
Deferred Tax Balance (30 %)	**8,007,571**	**3,640,841**

10.1.2. Intangible assets - Software

Tax base of assets at 30 June	11,408,711	14,811,149
Book Value of asset at 30 June	7,513,633	16,939,939
Temporary Difference	(3,895,077)	2,128,790
Deferred tax asset /liability on temporary differences at 30%	**(1,168,523)**	**638,637**

10.2. Deferred tax asset

Currency: Ethiopian Birr

Tax base of the asset (Note 10.2.1 - 10.2.3)	11,407,687	29,911,131
Book value of the asset ((Note 10.2.1 - 10.2.3))	(2,252,251)	-
Temporary diferrence	13,659,939	29,911,131
Deferred tax asset /liability on temporary differences at 30%	**4,097,982**	**8,973,339**
Movement in Deferred tax asset	4,875,358	

10.2.1. Preoperational Expenditure

Under local GAAP, the company capitalized the pre-operation expenditure incurred before it had started full fledge 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 2021amounting ETB 11,407,687.40.

Tax base of assets at 30 June	11,407,687	13,689,224
Book Value of asset at 30 June	-	-
Temporary Difference	11,407,687	13,689,224
Deferred Tax asset on temporary differences at 30%	**3,422,306**	**4,106,767**

10.2.2. Unused tax loses and unused tax credits

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

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

Tax base of assets at 30 June	-	16,221,907
Book Value of asset at 30 June	-	-
Temporary Difference	-	16,221,907
Deferred Tax asset on temporary differences at 30%	**-**	**4,866,572**

10.2.3. Severance pay and annual leave

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

	2021	2
Tax base of assets at 30 June	-	
Book Value of asset at 30 June (Severance and annual leave)	2,252,251	
Temporary Difference	(2,252,251)	
Deferred Tax asset on temporary differences at 30%	**(675,675)**	

11. Property, plant and equipment

Currency: Ethiopian Birr

	Furniture & Fixtures	Motor Vehicles	Computer and Accessories	Office Equipment	Computing Infrastructure	Card personalization Machine	Network and Data Center	Generator	Total
COST									
At 1 July 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	9,832,977
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**
At 1 July 2020	1,068,589	9,985,897	2,696,467	685,652	13,945,388	9,330,924	57,098,369	1,911,696	96,722,982
Additions	148,853	3,786,420	562,942	374,684	20,013,355	218,238	495,938	182,190	25,782,620
At 30 June 2021	**1,217,442**	**13,772,317**	**3,259,409**	**1,060,335**	**33,958,743**	**9,549,162**	**57,594,306**	**2,093,886**	**122,505,602**
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
Adjustments	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	**406,833**	**1,652,047**	**1,340,928**	**603,226**	**8,956,705**	**4,052,464**	**33,034,807**	**535,059**	**50,582,069**
At 30 June 2020	406,833	1,652,047	1,340,928	603,226	8,956,705	4,052,464	33,034,807	535,058.52	50,582,068
Charge for the year	116,030	1,236,511	398,959	32,609	1,992,198	934,886	8,207,417	198,407	13,117,017
At 30 June 2021	**522,863**	**2,888,558**	**1,739,887**	**635,835**	**10,948,903**	**4,987,350**	**41,242,224**	**733,466**	**63,699,085**
								198,407.00	
NET BOOK VALUE									
At 30 June 2020	**661,757**	**8,333,850**	**1,355,539**	**82,425**	**4,988,683**	**5,278,460**	**24,063,561**	**1,376,637**	**46,140,913**
At 30 June 2021	**694,579**	**10,883,759**	**1,519,523**	**424,500**	**23,009,840**	**4,561,812**	**16,352,082**	**1,360,420**	**58,806,516**

12. Work in progress

	2021	202
Balance beginning of the year	-	
Additions	8,758,653	
Balance end of the year	**8,758,653**	

13. Intangible asset-software

Cost	Softwa
As at July 01 2019	57,078,2:
Addition	15,4
As at June 30 2020	**57,093,7(**
As at July 01 2020	57,093,7(
Addition	94,2:
As at June 30 2021	**57,187,9**
Amorization	
As at July 01 2019	30,639,7
Charge for the year	9,513,9
As at June 30 2020	**40,153,7**
As at July 01 2020	40,153,7
Charge for the year	9,520,5
As at June 30 2021	**49,674,3(**
Net Book value 30 June 2020	**16,939,9:**
Net Book value 30 June 2021	**7,513,6:**

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

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14. Cash and cash equivalent

		20
Cash at banks	132,315,162	33,374,5
Cash on hand	-	
	132,315,162	33,374,6

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

15. Short term deposits (certificate of deposits)

		20
Cooperative Bank of Oromia	-	45,000,0
United Bank	-	12,000,0
Enat Bank	95,000,000	30,000,0
Dashen Bank	83,000,000	46,000,0
Oromia International Bank	180,000,000	15,000,0
	358,000,000	**148,000,0**

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

16. Trade and other receivables

	2021	**20**
Banks (Note 16.1)	3,134,962	3,602,5
Interest receivables(Note 16.2)	18,717,529	5,965,3
Withholding Receivable	24,774	187,0
Staff Debtors	1,570,602	1,337,3
Other Receivable	12,527	5,8
Sundries (stolen assets)	40,909	40,9
	23,501,303	11,138,9
Allowance for credit losses	(40,909)	(124,0
	23,460,394	**11,014,9**

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

16.1 Included in bank customers is receivables from different commercial banks su as Bunna International Bank, Lion International Bank, Debub Global Bank, Orom International Bank, Enat Bank, Abay Bank, Addis International Bank, Awash Bank, Ba of Abyssinia, Birhan Bank, Commercial Bank of Ethiopia, Cooperative Bank of Oromi Dashen Bank, Nib International Bank, United Bank, Wegagen Bank and Zemen Banl

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

16.3 Impairment of financial assets /Allowance for credit losses

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

17. Advances and prepayment

Deposit and prepayment	256,493	596,02
Advance payment	1,947,103	146,24
	2,203,596	**742,27**

18. Vat receivable

Balance brought forward	**1,945,350**	**1,945,35**

19. Right-of-use asset

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

Cost	
As at July 01 2019	7,745,616
Addition	991,375
As at June 30 2020	8,736,991
As at July 01 2020	8,736,991
Addition	644,326
As at June 30 2021	9,381,317
Amorization	
As at July 01 2019	1,936,405
Charge for the year	1,689,982
As at June 30 2020	3,626,388
As at July 01 2020	3,626,388
Charge for the year	1,963,278
As at June 30 2021	5,589,666
Net Book value June 2020	**5,110,603**
Net Book value June 2021	**3,791,651**

19.1 Lease I: The company has entered into a new five years agreement for total area c 549.13 m2 with a monthly rental price of 142,773.80 excluding VAT; 260 birr per m 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 compan use the property for office purpose only and shall not sub-lease the property. Th company had paid to the lessor 128,422.80 as a guarantee deposit in 2005 E.C whe the first rental contract agreement made. The full amount of this deposit will not b refunded back until the company left the office and handed over the premises as was.

19.2 Lease II: The company has entered into a new agreement of the same total area of 52. m2 with a monthly rental price of 18,340 excluding VAT; 350 birr per m2 commencin from December 23, 2012 E.C and expiring on April 01, 2015 E.C. Advance paymer of six months' rent of birr 126,546 has been paid in advance. The payment will b made every six months related with the previous rental agreement. The lease bears n interest. The company use the property for office purpose only and shall not sub-leas the property. The company had paid to the lessor 18,340 as a guarantee deposit i 2012 E.C when the rental contract agreement made. The full amount of this depos will not be refunded back until the company left the office and handed over th premises as it was.

19.3 Lease III: The company has entered into a new agreement of the same total area of 22. m2 with a monthly rental price of 7,980 excluding VAT; 350 birr per m2 commencin from March 15, 2012 E.C and expiring on April 01, 2015 E.C. Advance payment of Three months' & Seven days rent of birr 29,672.30 has been paid in advance. The payment will be made every six months related with the previous original rental agreement. The lease bears no interest. The company use the property for office purpose only and shall not sub-lease the property. The company had paid to the lessor 7,980 as a guarantee deposit in 2012 E.C when the rental contract agreement made. The full amount of this deposit will not be refunded back until the company left the office and handed over the premises as it was.

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

19.5 Lease V: The company has entered into a new agreement of the same total area of 49.92 m2 with a monthly rental price of 17,472.00 excluding VAT; 350 birr per m2 commencing from May 6, 2013 E.C and expiring on April 01, 2015 E.C. Advance payment of one month & seventeen days rent of birr 31,478.72 has been paid in advance. The payment will be made every six months related with the previous original rental agreement. The lease bears no interest. The company use the property for office purpose only and shall not sub-lease the property. The company had paid to the lessor 17.472.00 as a guarantee deposit in 2013 E.C when the rental contract agreement made. The full amount of this deposit will not be refunded back until the company left the office and handed over the premises as it was.

20. Lease improvement

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

Cost	**2021**	**2020**
Balance brought forward	1,486,011	1,197,221
Current year addition	145,428	288,790
As at 30 June	1,631,438	1,486,011
Amorization		
As at 01 July t	790,565	616,704
Charge for the year	406,377	173,861
As at 30 June	1,196,942	790,565
Net Book Value	**434,497**	**695,445**

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

21. Lease liability

Office Building Lease

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

Balance at 01 July	5,329,713	5,863,688
Addition	1,033,455	1,436,304
Less: Repayments	(2,333,494)	(1,970,278)
Balance at 30 June	**4,029,674**	**5,329,713**
Current	2,333,494	1,970,278
Non current	1,696,180	3,359,435
	4,029,674	**5,329,713**

22. Capital

The company has subscribed capital of ETB 460,675,000 with a paid-up capital o 460,151,000 as at 30, June 2021. Each share has a par value of ETB 1,000. All shares of the company shall be of one class and shall be ordinary shares of the same par value, registerec in the name of shareholders.

	2021	2020
Subscribed:		
460,675 ordinary shares of ETB each	460,675,000	217,532,000
Issued and fully paid:		
460,151 (234,084 in 2020) ordinary shares of ETB 1,000 each	460,151,000	234,084,000
Movements in paid up capital		
Balance beginning of the year	234,084,000	216,067,000
Paid/reinvested during the year	226,067,000	18,017,000
Balance end of the year	**460,151,000**	**234,084,000**

23. Legal reserve

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

24. Financial liabilities at amortized cost

Trade and other payables	37,651,259	12,714,664
Other tax and obligations	-	-
	37,651,259	12,714,664

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

Trade payables (Note 24 above)	37,651,259	12,714,664
Dividend Payable	5,319	-
Unearned Revenue	-	240,493
Staff	65,809	872
Cost Sharing	10,373	3,283
Sundry Payable	614,289	115,355
	38,347,049	**13,074,667**

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. Other tax and obligations

Employment income tax	788,106	330,183
Withholding tax payable	507,422	6,806
Pension contribution payable	392,481	160,941
	1,688,008	**497,931**

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

27. Non-financial liability

	2021	2020
Accrued Leave	1,324,905	883,810
Others	7,531,038	3,353,491
	8,855,942	**4,237,301**
Accrued severance pay	**927,346**	**369,724**

27.1. Accrual

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

28. Risk management objectives and principles

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

a) Market Risk

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

(i) Interest rate risk

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

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

(ii) Price risk

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

b) Credit Risk

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

The amount that best represents the company's maximum exposure to credit risk as at 3 June 2020 and 2021 is made up as follows.

	Fully performing	Past due	Impaired	Tota
30-Jun-21				
Trade and other receivables	27,650,248	-	40,909	27,609,33
Cash and cash equivalents	132,315,162	-	-	132,315,16
Short Term Investments	358,000,000			358,000,00
	517,965,411	**-**	**40,909**	**517,924,50**

	Fully performing	Impaired	Past due	Tota
30-Jun-20				
Trade receivables	13,702,593	-	124,025	13,578,56
Cash and cash equivalents	33,374,609	-	-	33,374,60
Short Term Investments	148,000,000			148,000,00
	195,077,202	**-**	**124,025**	**194,953,17**

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

a) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet compan obligations. The company manages this risk by maintaining adequate cash balances in th 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 go concern while maximizing the return to stakeholders through the optimization of the d and equity balance. The capital structure of the company consists of equity attributa to equity holders comprising issued capital and retained earnings. The company monit capital on the basis of the gearing ratio. This ratio is calculated as net debt divided total capital. Net debt is calculated as total liability less current liability. Information on company's capital and borrowings as at 30, 2020 and 2021 is provided below:

	2021	20
Share capital	460,151,000	234,084,C
Legal reserve	5,067,736	1,998,9
Retained earnings	57,070,563	9,065,7
Equity	**522,289,298**	**245,148,6**
Total liability	79,038,134	27,293,0
Less: current liability	(69,575,560)	(17,683,6
Net debt	**9,462,574**	**9,609,4**
Gearing	**2%**	**4**

30. Related party disclosure

The company's management is of the opinion that there are no significant related pa 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 members of the board of directors. Key management personnel remuneration includes t following expenses

	2021	20:
Short term employee benefit	8,191,016	3,757,7:
Post-employment benefit (pension)	520,886	567,7(
Board fee	2,213,000	558,5(
Bonus payment	1,657,500	2,816,3
	12,582,402	**7,700,3:**

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

31. Events after reporting period

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

32. Contingent liabilities and commitments

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

33. Going concern assumption

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

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

34. Comparative figures

Comparative figures are rearranged to facilitate comparison.

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ግብይት በሚፈፅሙባቸው ሱፐርማርኬቶች ፣ የችርቻሮ መደብሮች ፣ ፋርማሲዎች ፣ የህክምና ተቋማት ፣ሆቴሎችና ምግብ ቤቶች ፣ ካፌና ሌሎችም አገልግሎት መስጫዎች ሲገለገሉና ሲገበዩ በያዙት የባንክ ካርድ ይክፈሉ። ከጥሬ ገንዘብ ይልቅ ያለገደብ መገበየት ሲያስችልዎ ከአገልግሎት ክፍያም ነፃ ነው። ከባንክ ወረፋ ያድንዎታል።

መልካም የዲጂታል ክፍያ ዓመት ይሁንልዎ !

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