Annual Report
2024

Ethiopian Securities Exchange
Share Company (ESX)

Report and Financial Statements
for the Period Ended 07 July 2024

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Ethiopian Securities
Exchange

https://esxethiopia.com/

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Board of Directors

The Board of Directors of Ethiopian Securities Exchange (ESX) presents the highlights of the major progress registered in key operations and Auditor's Report to the First Annual and Extraordinary General Meeting of shareholders during the reporting period from July 2023 – 7 July 2024.

Helaway Tadesse

Chairperson

Eleni Gabre-Madhin (PhD)

Member

Fekadu Petros

Member

Hinjat Shamil

Member

Tewodros Makonnen (PhD)

Member

Yasmin Wohabrebbi

Member

Zemedeneh Negatu

Member

Executive Managements

Tilahun Esmael Kassahun (PhD)

Chief Executive Officer

Michael Habte Sebani

Chief Operating Officer

Yodit Kassa Waka

Chief Market Development Officer

Ferehiwot Girma Kebede

Chief Risk and Compliance Officer

Atkilit Bekele

Legal Counsel & Company Secretary

Lula Awol Yimam

Internal Audit Manager

Vision

To become a globally recognized, innovative, and multifaceted financial infrastructure driving shared prosperity.

Mission

To provide a modern, reliable, transparent, and efficient environment for securities trading in Ethiopia.

Chairman's Statement

Dear Shareholders and Partners:

After several years of planning and preparation, Ethiopia's first modern securities exchange—ESX—is finally opening its doors in January 2025. The ESX Board of Directors is very pleased to be ushering in this historic occasion and presents in the following pages our first Directors Report and summary of financial statements.

The launch of the ESX has been several years in the making and is the culmination of many collaborative efforts by multiple stakeholders. From a small Project Office housed within the National Bank, the journey taken over the last few years has involved a series of milestones that included the establishment of a formal ESX legal entity through an investment by Ethiopian Investment Holdings (EIH), the recruitment of key management and staff positions, the establishment of a new Board, the successful fund-raising of the company's initial capital, the acquisition of a trading platform and other IT systems, the securing of required regulatory licenses, and—most recently—the opening of an office and trading floor in the very heart of Ethiopia's financial district.

While the trading of company shares is not new to Ethiopia, nor even is the presence of a (rudimentary) stock exchange, the launch of ESX nonetheless marks the first modern, electronically-based and formally organized securities exchange for the country. As such, the size and scope of Ethiopia's financial sector will soon witness a transformational shift through the entry of many new participants including the stock exchange, investment banks, brokerages, rating agencies, mutual funds, and more. This new ecosystem of capital market service providers will be expected to play their respective roles in the vital financial intermediation functions needed for Ethiopia's growing economy—not just moving surplus funds from savers to borrowers but doing so via a much wider menu of products that offer varying structures, prices, maturities, liquidity profiles, and risk levels.

That these changes are taking place at a time of major macroeconomic reforms makes the timing of ESX's launch particularly fitting. Recent fiscal reforms are moving government's domestic borrowing away from the central bank and towards market-based and eventually listed instruments such as Treasury Bills and Bonds. The monetary policy regime is transitioning from a system based on credit caps to one using market-based interest rates and instruments, including the use of inter-bank money markets that have (as a pilot exercise) already begun transacting on the ESX platform. Reforms in the foreign exchange system, besides introducing a market-based exchange rate, are opening the way for inter-bank FX markets and enabling the entry of foreign investors into Ethiopia's securities market. Taken together, these major macro reforms provide an especially favorable growth environment for ESX.

A vibrant, liquid, and inclusive exchange

With respect to the specific kind of exchange to be put in place, ESX has the benefit of learning from global experience as a late comer to the world of securities exchanges. The Board is thus thinking boldly and imaginatively about what is possible and preferable in the Ethiopian context. Typical transactions seen in other exchanges, such as large corporates raising funds through new equity shares or bond issues, are of course offerings we expect to see soon at ESX. But beyond this, we also aim to provide a more diverse range of offerings: for example, a dedicated market to serve SMEs; crowd-funding and factoring platforms; investing solutions that enable individual purchases of government bills and bonds; over-the counter trading systems for non-listed company shares; inter-bank dealing platforms for their money markets and FX trading; and potentially much more.

Of course, while seeking to be as innovative as possible, we also recognize the need to be realistic. A securities exchange is not a magic bullet for a country's economic or financial constraints; neither does an exchange always bring assured rewards for its retail investors or easy financing for participating firms. Indeed, in many African countries, stock exchanges are often disconnected from the wider economy, with few active listings, limited trading, and a narrow base of beneficiaries. However, the lesson we take from such shortcomings is that our market should be tailored to local realities and that our late comer advantage should be used to set up a securities exchange that—from its very inception—is designed to deliver an active, liquid, and inclusive financing platform.

Looking Ahead

Precisely for this reason, the ESX Board is devoting considerable time and effort to the preparation of a Medium-Term Strategy Plan with an appropriately tailored vision and direction for the coming five years. Our guiding principle: to ensure that ESX is a financing platform that is truly integrated with and meaningfully contributing to the wider Ethiopian economy. To this end, the Strategy Plan gives utmost priority to establishing a vibrant and diverse issuer base, to ensuring a deep and liquid pool of investors, and to establishing worldclass standards in technology and risk management.

As a specific message to our Shareholders who have provided our start-up capital, the Board would like to emphasize that the work undertaken at ESX over the past year has now laid solid foundations for a professionally-run, well-capitalized, and well-governed share company. As is to be expected, our first full year of operations has entailed substantial outlays for many establishment expenses—particularly staff hirings and IT systems—but these investments will soon begin to yield returns. Indeed, ESX will be booking its very first set of operational revenues in early 2025, setting the stage for growth in revenue and profits over the coming years.

In closing, the Board would like to extend a special thanks to key stakeholders and partners without whom the launch of the ESX would not have been possible. We would like to particularly appreciate all those involved in the early work of setting up the ESX Project Office, the leadership of NBE under the past and current Governor, and FSD Africa for its generous financial and technical support at a critical time in ESX's establishment. We also thank ESX's regulator, the ECMA, whose guidance and steadfast support under both the former and current Director General, has been indispensable for the launch of the exchange. Needless to say, very special recognition is also due to the untiring efforts of the CEO and his management team for navigating the demanding work involved in bringing to life—in often difficult circumstances—what has now become ESX.

On behalf of the Board of Directors, all the best to ESX as it takes its first steps towards its vital financing functions - for the benefit of the broader economy and for a better Ethiopia for us all.

Sincerely,
Helaway Tadesse
Chairperson

CEO's Statement

Dear Esteemed Shareholders and Partners:

It is with great pride and a deep sense of responsibility that we present to you the Ethiopian Securities Exchange's inaugural Annual Report. This moment marks a historic milestone—not just for the Exchange, but for Ethiopia's broader financial landscape, as we lay the foundation for a vibrant capital market that will drive sustainable economic growth for generations to come.

The establishment of the Ethiopian Securities Exchange (ESX) has been a bold and transformative journey. Our mandate to create an efficient, transparent, and inclusive marketplace is critical for catalysing investment, enhancing corporate governance, and providing a platform for businesses of all sizes to access long-term capital. As we reflect on this formative year, we celebrate the progress we have made while remaining firmly focused on the work ahead.

Key Achievements in Our Founding Year

Over the past year, we successfully built the foundational pillars of the Exchange; completing a successful capital raise, establishing robust governance structures, attracting talent and building human capital, extensive awareness and capacity building initiatives and putting the technological infrastructure necessary for a world-class trading platform.

Through close collaboration with the National Bank of Ethiopia, we have successfully launched the pilot interbank money market platform that has shown significant promise in alleviating the short run liquidity challenges of Ethiopian financial institutions.

In collaboration with our partners, we have successfully launched a modern digital academy, conducted various thematic studies that are primarily aimed at product development and provided technical capacity building activities to various stakeholders.

Our work has not been without its challenges. Building a capital market from the ground up requires vision, resilience, and the unwavering commitment of all involved. However, our progress demonstrates the immense potential of the Ethiopian market and the ample gap for ESX to create value.

Looking Ahead

As we transition into the next phase of our growth, our focus will shift toward scaling operations, deepening market participation, and expanding the range of products offered. We are particularly excited about opportunities in areas such as laying the foundations for an efficient equities market that includes the listing of major State-Owned Enterprises (SoEs) and private companies, developing the government bond market, corporate bonds, and introducing various thematic instruments including sharia compliant equity and fixed income instruments – e.g. Sukuks.

Additionally, we aim to prioritize education and awareness, ensuring that our capital market becomes accessible and beneficial to all Ethiopians.

At ESX, we are not merely building an exchange; we are building trust, fostering innovation, and creating opportunities. Our journey ahead will require continued collaboration, adaptability, and a shared vision for a prosperous Ethiopia.

I extend my heartfelt gratitude to our board, and management team and staff of the ESX, and our partners who have supported this mission from the outset. Your dedication and expertise have been instrumental in bringing the ESX to life. To our shareholders and investors, thank you for your confidence in our shared vision and your role in shaping the future of Ethiopia's financial ecosystem.

As we look toward the future, I am confident that together, we will not only meet but exceed our collective aspirations. This is just the beginning of an extraordinary journey.

Sincerely,

Tilahun Esmael Kassahun (Phd)

Chief Executive Officer

Board of Directors Report

The ESX Board of Directors is pleased to present this Annual Report to its shareholders for the 2023-24 fiscal year. As our inaugural Directors report, the sections that follow highlight the journey taken so far in the establishment of ESX, key milestones reached, and specific activities completed and planned with respect to service offerings, market development, institutional preparedness, and corporate governance.

1. Context

In line with its *Homegrown Economic Reform Program,* I & II (2019 – 2024 * 2025 - 2029) and the 10 years Perspective Development Plan (2021-30), Government of the Federal Democratic Republic of Ethiopia implemented a set of wide ranging macro-economic, structural, and sectoral reforms that paved the path for sustainable and inclusive growth. Among others, these economic reform measures targeted correcting the pervasive macroeconomic imbalances and sustain rapid economic growth and job creation.

One of such key economic policy measures is the development of capital markets, as these would be instrumental in raising national savings, addressing domestic financing gaps and help in alleviating prevailing external imbalances. A well-functioning capital market would ensure financial system stability, financial risk mitigation and efficiently channel savings towards capital that is essential for economic growth. This, among others will:

- Support the expanding Ethiopian economy by promoting access to long-term local currency financing and improving access to capital for the public and private sector.
- Improve the contribution of capital markets to the intermediation and mobilization of savings (especially consumer savings) for investment to support economic development, especially capital-intensive infrastructure investment that requires economically viable long-term capital.
- Improve corporate governance and transparency.
- Bring about orderly market for listing, trading and settlement of securities thereby protecting investors.
- Bring about price discovery, company valuation and liquidity.

The Government of Ethiopia has since mid-2020 taken the following steps:

- Adoption of the Capital Markets Proclamation by Parliament during July 2021.
- Establishment of a Capital Markets Project Implementation Team (CMPIT) under the National Bank of Ethiopia (August 2021 – December 2022)
- Establish the Ethiopian Capital Markets Authority (ECMA) (December 2022)
- Setting up of the Ethiopian Securities Exchange (ESX) Project Office under the Ethiopian Investment Holdings (EIH), that was tasked with the mandate of leading the establishment of the Securities Exchange (June 2022 – September 2023)
- The Establishment of the Ethiopian Securities Exchange with the appointment of Board of Directors and management (October 2023).
- Successful completion of the capital raise process of ESX – March 2024.

Key Milestones of Development of the Ethiopian Capital Market Ecosystem

Capital Market Proclamation 1248/2021 was adopted by Parliament

July 2021

the Capital Markets Project Implementation Team under the National Bank of Ethiopia (NBE) was Established.

September 2021

ESX Project Office was set up under the Ethiopian Investment Holdings ("EIH") with the support of Financial Sector Deepening Africa ("FSD Africa").

June 2022

The Ethiopian Capital Markets Authority (ECMA) established

December 2022

ESX was formally registered as a share company during October 2023, in line with the Commercial Code of Ethiopia.

October 2023

Completion of Capital Riase Between November 2023 – March 2024 – ESX conducted a successful capital raise.

April 2024

ESX entered into technology agreements with Infotech Private Limited

July 2024

ESX conducted various market development activities including the launching of ESX Digital Academy

October 2023 – December 2024.

In line with the Capital Market Proclamation 1248/20221 and ECMA Directive, ESX received two licenses to operate as an exchange and OTC market

November 2024

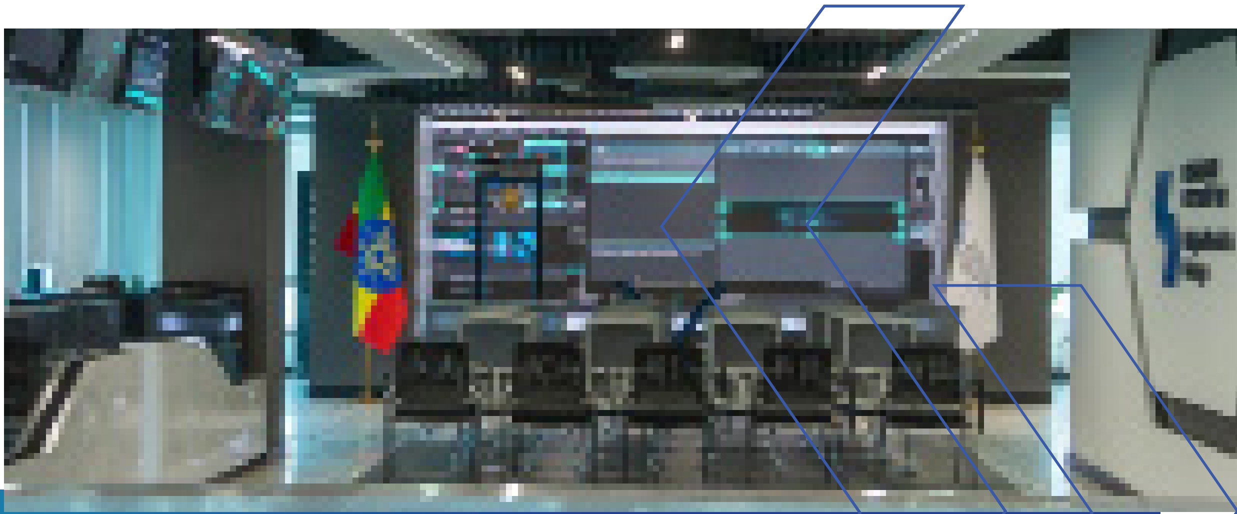
2. The Establishment of ESX

The Ethiopian Securities Exchange (ESX) is Ethiopia's first, and only licensed securities exchange established as a public private partnership in line with Article 31 of the Capital Market Proclamation (No.1248/2021).

As a securities exchange, ESX fulfills the roles of a self-regulatory organization (SRO) and central market organizer, offering an integrated suite of products through its equity, fixed income and alternative market segments.

ESX supports mobilization of finance for both public and private sector institutions while providing investors a platform to invest in a reliable and efficient environment.

The core objective of the ESX is to facilitate access to capital and support effective capital allocation in a manner that promotes the country's economic growth.



Objectives, Mandates and Responsibilities of ESX

In line with Article 36 (1) of the Ethiopia Capital Markets Proclamation No. 1248/2021, the mandates and responsibilities of ESX include, among others.

- Organize various markets and serve as a listing and trading venue for various types of securities
- Support an active and liquid market backed by modern market infrastructure, intermediary and issuer & investor base
- Deepen and enhance market development through policy implementation and catalysing market reform objectives through product development/innovation and cost reduction.
- Monitor, surveillance and supervision of the exchange and its members to ensure fairness, efficiency, transparency, and investor protection, as well as compliance with the security's regulatory framework.
- Ensuring that the trading venue has in place suitable trading control mechanisms including trading halts, volatility interruptions, limit up/limit down controls and other trading limitations to deal with volatile market conditions.
- Diversify the range of capital market products and strengthen capital market ecosystem.

3. A Modern and Inclusive Financial Market Infrastructure

3.1. Market Structure

Taking lessons from the development of capital markets across the world ESX is market structure is designed in a manner that ensures ESX serves as a multifaceted market infrastructure having dedicated **Equity, Fixed Income,** and the **Alternative Markets**. This structure caters to the varied needs of investors, companies, as well as public sector financing needs, promoting a dynamic capital market ecosystem in Ethiopia

3.1.1. Equity Market

ESX aims to play a key role in organizing the pre-existing unregulated equity market in in Ethiopia and create a formal, transparent and regulated venue for companies to raise capital. By providing a reliable, adequate and transparent listing and trading venue and therefore liquidity, ESX serves as a critical foundation for saving, investment and development of the broader financial market ecosystem.

In organizing its equity market ESX will have a main and growth/SME market. These two market segments are designed to address the needs of the different categories of companies. The scope of each segment is determined based on various qualitative and quantitative criteria related to the issuers of the securities. Among others this includes company size/capitalization, operational track record, information disclosure requirements, and other similar considerations.

- **Main Market**

  ESX main market provides a market for the most mature and stable companies to list and trade their equity securities (shares) effectively. Large financial institutions, state owned enterprises slated for partial or full privatization and other large private enterprises are primary candidates to be listed on the main market.

- **ESX Growth Market**

  ESX Growth market is designed to cater for the needs of Ethiopian start-ups, and SMEs. While serving as a platform to raise growth capital, the Growth Market will also serve as an environment where start-ups and SMEs develop their corporate governance, financial reporting and other elements that will propel them to be listed on the main market.

3.1.2. Fixed Income Market

ESX Fixed Income Market segment is a market where investors buy and sell fixed income securities. The market will facilitate the trading of debt securities with the aim to increase efficiency, transparency, and liquidity of the fixed income market.

Securities traded on the market include:

- Government/treasury bills and bonds
- Corporate bond
- Sharia compliant securities (Sukuks)
- Other thematic instruments such as green bonds, gender bonds etc.
- The market will also serve as platform for interbank money market.

3.1.3. ESX Interbank Money Market

ESX Interbank Money Market is a market in which financial institutions extend loans to one another for a specified term. Most interbank loans are for maturities of one week or less and some overnight. Such loans are made at the interbank rates. Establishment of the interbank market will boost liquidity among financial institutions and support the government bond markets by efficiently allocating financial institution's liquidity positions that enables them to meet short-term funding needs and assist them to participate more actively in the debt market. During November 2024, ESX successfully launched its interbank money market platform in collaboration with the National Bank of Ethiopia.

3.2. ESX Alternative Market

ESX alternative market focuses on innovative and niche financial products, including Crowd-investment platforms, CrowdX, and the OTC/Unlisted Market for trading securities that are not publicly listed. The market allows small and medium sized companies to raise capital through regulated platforms. For investors the market offers investment options to diversify their portfolios and reduce overall risk.

ESX Platform for Unlisted Securities ('OTC Market')

In addition to the main and growth markets, ESX Unlisted Securities Platform, will provide an efficient marketplace for unlisted securities. The platform will also serve as a pipeline/ steppingstone for SMEs that cannot be listed on ESX markets to gradually transition to the growth and main markets. It will also serve as a safe trading environment for securities that are delisted from ESX main markets.

Crowd-Investment Platform

ESX aims to organize an investment crowdfunding platform offering SMEs to raise equity and/or debt capital as well as a platform to garner support for their overall business strategy and operation. The platform provides efficient avenue to access capital, raises awareness amongst investors and serves as a steppingstone to attract listing to ESX main and growth markets. The platform will serve as a virtual hub allowing start-ups and SME founders to meet/interact with potential investors giving them opportunity to refine their business plan to attract investors.

3.3. ESX Modern Technology Infrastructure

During July 2024, ESX completed the procurement of its state-of-the-art technology – ESX Automated Trading System (ATS). The ATS provides an integrated matching engine, comprehensive off-market & negotiated trade mechanism, pre-trade risk management, post-trade reporting, in-built surveillance reports and market dissemination system.

- **Multi – Exchange, Multi- Market, Multi-Asset Class :** The ESX ATS, facilitates the configuration of multiple ESX markets i.e. order driven, quote driven and hybrid markets with various attributes including operating hours, access to market, risk management. Similarly, the ATS allows trading of multiple asset classes such as Equities, Bonds, mutual funds and exchange traded funds (ETFs), REITs etc.
- **Trading Workstation:** the ATS provides an intuitive and efficient trading workstation which empowers brokers to stay connected with market trends, seamlessly submit orders, view client portfolios with real-time insights and extract instant reports.
- **System Administration:** The system includes a comprehensive administrative module as part of core system to cover various aspects of administration, such as user management, alerts management, actively monitoring and system health.

As part of its market development objective, ESX procured a modern broker back office and order management system (ESX BBO) that automates the business process of the brokerage firms as per industry standards. The system reduces administrative work of the users via process automation and allows broker-dealers to focus on core business activities.

Most importantly the platform provides a web-enabled interfaces as well as mobile trading application, that facilitates user interactions through multiple channels.

Key Features

- End to end process automation for brokers and dealers that reduces paperwork
- Integrated risk management system to corroborate brokers/client balances against corresponding depository positions.
- Web based platform for Brokers integrated with mobile trading platform supporting all features of real-time trading along with watch list management, lice market data streaming & portfolio tracking
- Integration with Central Depository for quick reconciliation
- Complete Straight Through Processing
- Role based access control, instant contract notes generation and issuance
- Adherence to Know-Your-Customer policy for improved compliance
- Multi-level transaction authorization control – Maker-Checker Model
- Support to multiple asset classes
- Management of multiple settlement types at instrument level

ESX technology infrastructure has passed through rigorous cybersecurity and quality assurance evaluation by the Information Network Security Administration (INSA).

3.4. Fulfilling Our Self-Regulatory Organization (SRO) Mandates

In line with Article 21 of the Capital Market Proclamation, ESX is recognized as a Self-Regulatory Organization, a status that enables and mandates it to regulate its own members through the adoption and enforcement of rules of conduct of fair, ethical and efficient practices in the capital market; with the view to promoting the protection of investors and the public interest. During April 2024, ESX unveiled its comprehensive rulebook for public consultation. The rulebook was adopted after incorporating comments received from the public and the Ethiopian Capital Market Authority during Nov 2024. The rulebook constitutes 4 major volumes covering: general rules, membership, listing, trading operation and disciplinary procedures and dispute resolution.

3.5. Market Development

ESX is one part of the broader ecosystem of market participants, intermediaries, and infrastructure that make up a functioning capital market. Successful development of the Ethiopian Capital Market heavily depends on the involvement and participation of several other stakeholders. As the development of these stakeholders in Ethiopia is at its early stage, during the reporting period ESX conducted various a key role in market development activities.

The major market development and advocacy activities implemented include:

- Business Development and Communication including the launch of ESX website and social media channels
- Listing readiness assessments focusing on SoE's and SME's
- Stakeholder education and awareness campaigns targeting regulatory agencies, public enterprises, pension funds, chambers of commerce, academic institutions, foreign investors, professional associations, business entities.
- Technical workshops and capacity building sessions on various thematic agenda's that are in line with ESX markets and products and services.
- Launch ESX digital academy aimed at fostering continuous learning and development within the capital market ecosystem.

4. Institutional Excellence

4.1. Corporate Governance

ESX has implemented various activities that ensure the exchange has robust corporate governance standing inline with the relevant regulatory framework and global best standards.

Since its establishment, the Board of Directors of ESX held more than 21 board meetings providing guidance and strategic direction on various matters that are critical to the successful operationalization of ESX:

- Reviewing the business plans, financial models, information memorandum and other documentations which are necessary pre-conditions for ESX to formally launch its capital raise process
- Approve the overall organizational structure of ESX in line with its policies including the appoint of CEO and members of the senior management
- Approve the medium-term strategies, annual plans and operational direction of ESX
- Approve ESX rulebook, various internal policies, operational guidelines and standards.

The Board has established various board committees and set their terms of reference

- Risk, Audit and Compliance Committee
- Governance, Communication, and Compensation Committee
- Strategy, Business Development and Technology Committee

The Board of Directors has put in place a Risk Management and Compliance Framework (Framework) based on pertinent laws, regulations, directives and international guidelines. The Framework is developed to enhance effective enterprise risk management practice, enforce accountability, promote ethical behaviour and integrity, and ensure compliance to regulatory/supervisory requirements through ESX functions. Its coverage extends across all organizational hierarchies, from frontline staff to senior management and Board oversight, emphasizing the need for a holistic approach to risk identification, analysis, evaluation, treatment and monitoring.

4.2. Capital Raise

Following its formal establishment in October 2023, ESX, supported by the Board of Directors, initiated a capital-raising effort targeting private investors. Initially, the plan was to raise six hundred and twenty- five million Ethiopian Birr (ETB 625,000,000) from both domestic and foreign investors. To achieve these objectives, ESX developed a comprehensive business plan and financial model, onboarded external investment and legal advisors, conducted roadshows in Addis Ababa, Nairobi, and London. In addition, ESX held several bilateral engagements with domestic and international investors.

ESX successfully finalized its capital raise activities during March 2024, exceeding its initial target by 240%. Raising a subscription of more than 1.5 billion Birr in total. The shareholders have raised the subscribed capital of ESX to 1.26 billion Birr. The Board of Directors implemented a share allocation among subscribed investors in accordance with its share allocation policy. Following the completion of the capital raise and share allocation, ESX's total capital is 1,260,011,000 Birr.

A total of 48 domestic and foreign investors from both financial and non-financial sectors participated in the capita raise, forming a strong and diverse shareholder base. Private investors collectively hold 75% of ESX's shares, while public sector entities accounting for the remaining 25%, include EIH and its subsidiaries.

4.3. Human Resources

During the financial reporting period, ESX has finalized its organizational structure and human resources staffing plan. ESX onboarded its first 24 staff members including 4 C suits and 11 senior managers and manager roles have been filed.

In addition, ESX launched its Young Professionals Development Program onboarding its first cohort of 10 young professionals (YPs). The YPs will go through a one-year intensive training/work placement program with training & mentoring aimed at laying the human capital foundations for ESX and broader Ethiopian capital market ecosystem.

ESX Human Capital Development Initiatives

- Successful transition of key ESX senior management and staff from ESX project office ensuring continuity and retention of knowledge and skill
- Recruitment of a mix of local and expatriate staff ensuring transfer of skills and optimization of local knowhow and skill
- Global certification program for all ESX staff
- Specialized be-spoke on the job trainings in cooperation with other exchanges
- Embedded foreign experts
- Young professionals' development program

First cohort of ESX Young Professionals

4.4. The Board of Directors and Committee Structure

The Board of Directors of ESX ("the Board") is made up seven (7) directors, listed below:

Name of directors	Role
Helaway Tadesse	Chairperson
Yasmin Wohabrebbi	Member
Hinjat Shamil	Member
Eleni Gabre-Madhin (PhD)	Member
Tewodros Makonnen (PhD)	Member
Zemedeneh Negatu	Member
Fekadu Petros	Member

During the financial year, the Board has a conducted 15 board meeting deliberating on different topics. The Board has established three (3) committees:

Name of the sub-committee	Members of the committee
Risk, compliance and audit committee	Yasmin Wohabrebbi - Chairperson Fekadu Petros – Member Tewodros Makonnen (PhD) -Member
Governance, communication and compensation committee	Tewodros Makonnen (PhD) - Chairperson Eleni Gabre-Madhin (PhD) - Member Helaway Tadesse – Member
Strategy, business development and technology committee	Eleni Gabra-Medhin (PhD) - Chairperson Hinjat Shamil – Member Zemedeneh Negatu -Member

In the coming financial year, the Board plans to establish additional committees, fixed income market committee and equity market committee.

4.5. Financial Performance

As of July 7, 2024, ESX has total assets worth 931.41 million Birr, with cash and cash equivalents amounting to 839.68 million Birr. The company's property, plant, and equipment stand at 50.15 million Birr, and prepayments and other assets total 41.58 million Birr. ESX's paid-up capital is 941 million Birr, with a total equity of 906.9 million Birr on the same date.

During the year, ESX incurred total expenses of 69.79 million Birr. Most of these expenses were project costs totaling 45.28 million Birr, employee salaries and benefits accounting for 11.23 million Birr, and the remaining 13.29 million Birr classified as other operating expenses. ESX did not generate operating income during the period but earned 17.5 million Birr from non-operating income sources.

Results and Dividends

The financial results of The Exchange for the fiscal year ending on July 7, 2024, can be found on page 29. The year's result has been moved to retained earnings,

Summary of the results is provided below.

	7 July 2024 | ETB
Total Operating Income	-
Profit/Loss Before tax	(52,271,251)
Tax (expense)/credit	20,892,772
Profit/Loss for the year	**(31,378,479)**
Other comprehensive profit / (loss) net of taxes	-
Total comprehensive profit / (loss) for the year	(31,378,479)
Earnings (Loss) per share	(3.33%)

4.6. The Way Forward

Having obtained a securities exchange and OTC market licenses from the Ethiopian Capital Market Authority (ECMA), ESX has finalized preparations to launch its markets during Jan 2025, making it a pioneer in equity and debt securities trading in Ethiopia.

ESX intends to introduce various products and services, including a regulated investment crowdfunding platform that will enable small and medium business to raise capital. Additionally, ESX plans to expand it virtual academy to support continuous education for stakeholders within the capital market ecosystem.

ETHIOPIAN SECURITIES EXCHANGE SHARE COMPANY (ESX)
MANAGEMENT, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE PERIOD ENDED 07 JULY 2024

Country of incorporation and domicile	Ethiopia	
Nature of business and principal activities	Secuities Exchange Services	
Board of Directors	Helaway Tadesse	Board Chairperson
	Yasmin Wohabrebbi	Member
	Fekadu Petros	Member
	Eleni Gabremadhin (PhD)	Member
	Zemedeneh Negatu	Member
	Hinjat Shamil	Member
	Tewodros Makonnen (PhD)	Member
Executive Management	Tilahun Esmael Kassahun (PhD)	Chief Executive Officer
	Michael Habte Sebani	Chief Operating Officer
	Yodit Kassa Waka	Chief Market Development Officer
	Frehiwot Girma Kebede	Chief, Risk and Compliance
Registered address	Kirkos Sub City Woreda 09, House No. 004,501,498 Addis Ababa Ethiopia	
Independent auditors	HST Audit Limited Liability Partnership P.O. Box 1608 5th Floor, Mina Building, 5th Floor Addis Ababa Ethiopia	
Principal bankers	Abay Bank Commercial Bank of Ethiopia Gadda Bank Global Bank Zemen Bank	
Tax Identification Number	0086781478	
Business Registration Number	MT/AA/3/0056006/2016	

The Directors have pleasure in submitting their report on the financial statements of Ethiopian Securities Exchange Share Company for the year ended 7 July 2024.

1. Incorporation

Ethiopian Securities Exchange Share Company was incorporated in Ethiopia with the objective of providing Financial intermediation, Insurance, Real Estate and Business services.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standard and the requirements of the Commercial Code of Ethiopia.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

	07 JULY 2024 ETB
Revenue from contracts with customers	-
Loss before tax	(52,271,251)
Tax (expense)/credit	20,892,772
Other comprehensive income	-
Total comprehensive income / (loss) for the year	**(31,378,479)**

3. Share capital

	2024 ETB	2024 Number of
Ordinary shares	941,050,000	941,050

3. Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

4. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Company is in a sound financial position to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the Company. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

5. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the Directors on 8 November 2024. No authority was given to anyone to amend the financial statements after the date of issue.

The financial statements set out on pages 29 to 51 , which have been prepared on the going concern basis, were approved by the Directors on8 November 2024, and were signed on its behalf by:

Approval of financial statements

Tilahun Esmael Kassahun (PhD)	Helaway Tadesse
Chief Executive Officer	Board Chairperson
8 November 2024	

ETHIOPIAN SECURITIES EXCHANGE S.C

Accounting and auditing Board of Ethiopia
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DIRECTORS' RESPONSIBILITIES AND APPROVAL
FOR THE PERIOD ENDED 07 JULY 2024

The Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its comprehensive income in accordance with the International Financial Reporting Standards (IFRS), and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS). The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors also accept responsibility for:

a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;

b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and

c) keeping proper accounting records that disclose, with reasonable accuracy, the financial position of the Company.

Nothing has come to the attention of the Directors to indicate the Company will not remain a going concern for at least twelve months from the date of this statement.

The external auditors are responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on page 27-28.

The financial statements set out on pages 29 to 51 , which have been prepared on the going concern basis, were approved by the Directors on 8 November 2024 and were signed on its behalf by:

Tilahun Esmael Kassahun (PhD)
Chief Executive Officer
8 November 2024

Helaway Tadesse
Board Chairperson

ETHIOPIAN SECURITIES EXCHANGE S.C

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Chartered Certified Accountants and Authorized Auditors
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ETHIOPIAN SECURITIES EXCHANGE SHARE COMPANY (ESX)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ethiopian Securities Exchange Share Company (ESX) set out on pages 8 to 30, which comprise the statement of financial position as at 07 July 2024 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ethiopian Securities Exchange Share Company (ESX) as at 07 July 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Commercial Code of Ethiopia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Ethiopia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Ethiopia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report section on page 5 which includes the Directors' Report as required by the Commercial Code of Ethiopia. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged With Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Commercial Code of Ethiopia, and for such internal control as the directors determine 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, the 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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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Partners: Tekeste Gebru; Solomon Gizaw; Getu Jemaneh; Yonas Harun; Solomon Melaku; Thomas Mulugeta

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a bases for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Commercial Code of Ethiopia and based on our audit, we report as follows:

In our opinion the information given in the Directors' report on page 26 is consistent with the financial statements.

(i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia and based on our reviews of the board of directors' report on page 25 of these financial statements, we have not noted any matter that we may wish to bring to your attention.

(ii) Pursuant to Article 349 (2) of the Commercial Code of Ethiopia we recommend the financial statements for approval.

The engagement partner on the audit resulting in this independent auditors' report is Thomas Mulugeta

HST

Thomas Mulugeta
Partner
HST Audit Limited Liability Partnership, Chartered Certified Accountants and Authorized Auditors
Ethiopian Securities Exchange Share Company (ESX)
Addis Ababa, Ethiopia
8 November 2024

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ETHIOPIAN SECURITIES EXCHANGE SHARE COMPANY (ESX)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 07 JULY 2024

	Notes	07 JULY 2024 ETB
Revenue from contracts with customers	5	-
Expenses	6	(69,796,686)
Gross profit		(69,796,686)
Other income	7	17,525,435
Profit/ (loss) before tax		**(52,271,251)**
Tax (expense)/credit	8	20,892,772
Profit /(loss) for the year		**(31,378,479)**
Other comprehensive income, net of deferred tax		
Items that will not be reclassified to profit or loss:		
Other comprehensive income for the year, net of deferred tax		-
Total comprehensive income / (loss) for the year		**(31,378,479)**
Earning (loss) per share		**(3.33%)**

The accounting policies on pages 33 to 40 and the notes on pages 41 to 51 form an integral part of the financial statements.

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ETHIOPIAN SECURITIES EXCHANGE SHARE COMPANY (ESX)
STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 07 JULY 2024

	Notes	07 JULY 2024 ETB
ASSETS		
Non-current assets		
Property, plant and equipment	10	50,151,210
Defered tax asset	8.2	20,892,772
Total non-current assets		**71,043,982**
Current assets		
Trade and other receivables	11	20,678,890
Cash and cash equivalents	12	839,688,147
Total current assets		**860,367,037**
Total assets		**931,411,019**
EQUITY AND LIABILITIES		
Equity		
Paid up capital	13	941,050,000
Retained earning		(31,378,479)
Total equity		**909,671,521**
Liabilities		
Current liabilities		
Accrued leave payable	14	667,757
Trade and other payables	15	21,071,742
Total current liabilities		**21,739,498**
Total liabilities		**21,739,498**
Total equity and liabilities		**931,411,019**

The accounting policies on pages 33 to 40 and the notes on pages 41 to 51 form an integral part of the financial statements.

The financial statements on pages 29 to 51 were approved and authorized for issue by the Management on 8 November 2024 and were signed on its behalf by:

Tilahun Esmael Kassahun (PhD)
Chief Executive Officer
8 November 2024

Helaway Tadesse
Board Chairperson

ETHIOPIAN SECURITIES EXCHANGE SHARE COMPANY (ESX)
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 07 JULY 2024

	Notes	Share capital ETB	Retained earnings ETB	Total ETB
As at 08 JULY 2023				
Shares issued		941,050,000	-	941,050,000
Profit (Loss) of the current period		-	(31,378,479)	(31,378,479)
As at 07 JULY 2024		**941,050,000**	**(31,378,479)**	**909,671,521**

The accounting policies on pages 33 to 40 and the notes on pages 41 to 51 form an integral part of the financial statements.

ETHIOPIAN SECURITIES EXCHANGE SHARE COMPANY (ESX)
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 07 JULY 2024

	Notes	07 JULY 2024 ETB
Cash flows from operating activities		
Cash generated from / (used in) operating activities	16	(67,385,421)
Net cash generated from / (used in) operating activities		**(67,385,421)**
Cash flows from investing activities		
Interest income		17,089,540
Purchase of property and equipment	10	(51,065,972)
Net cash used in investing activities		**(33,976,432)**
Cash flows from financing activities		
Share capital raised during the period		941,050,000
Net cash generated from financing activities		**941,050,000**
Net decrease in cash and bank balances		**839,688,147**
Cash and bank balances at the beginning of the year		-
Cash and bank balances at the end of the year		**839,688,147**
Cash and cash equivalent is composed of:		
Cash at bank		839,688,147
		839,688,147

The accounting policies on pages 33. to 40 and the notes on pages 41 to 51 form an integral part of the financial statements.

1 Corporate information

Ethiopian Securities Exchange Share Company(ESX) was registered under MT/AA/3/0056006/2016 on 07/02/2016 EC to provide Financial intermediation, Insurance, Real Estate and Business service. Currently it is engaged in facilitating a trading platform for securities. It also assists, regulates and controls parties involved in trading securities.

2 Significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the period ended 07 July 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations are included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The Management have no doubt that the Company would remain in existence for the next 12 months.

2.2.2 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques using inputs from unobservable sources. A degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2 Summary of significant accounting policies (continued)

2.2.2 Significant accounting judgements, estimates and assumptions (continued)

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgement by the Management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value estimation (Judgement)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Impairment testing (Estimate)

The Company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of Electric/Motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

2.3 Revenue recognition

The company was founded with the purpose of offering security exchange services and generating revenue through transaction fees from facilitating the trade of securities, listing fees, data services, technology services, and membership fees.

Revenue is measured based on the consideration specified in a contract with a client . The company recognises revenue when services are provided to clients and the performance obligations are fulfilled.

To recognise revenue the Company applies the following five steps, as per IFRS 15:

1. Identify the contract(s) with a client.
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a client services that are distinct.
3. Determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a Client. If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it expects to be entitled in exchange for transferring the promised services to a Client.
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct service promised in the contract.
5. Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a Client (which is when the client obtains control of that service). A performance obligation may be satisfied at a point in time (typically for promises to render services to a client) or over time (typically for promises to render services to a client). For a performance obligation satisfied over time, the Company would select an appropriate measure of progress to determine how much revenue should be recognised a the performance obligation is satisfied.

2 Summary of significant accounting policies (continued)

2.4 Expenses

Expenses are recognized based on accrual accounting. This means that expenses are recognized when the product is received or the service is provided regardless of when the cash outflow takes place.

2.5 Other income

Other income is comprised of income generated from activities which are not part of the Company's primary business operations. The income is recognised when it is probable that the economic benefits associated with a transaction will flow to the Company and the amount of income, and associated costs incurred or to be incurred can be measured reliably. The recorded income is the fair value of the consideration received or receivable from the transactions and excludes amounts collected on behalf of third parties.

2.6 Employee benefits

The Company's post-employment schemes are defined contribution pension plans and defined benefit plan.

(a) *Wages, salaries and annual leave*

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

(b) *Defined contribution plan*

The only defined contribution plan the company operates is a pension scheme. The pension scheme is in line with the provisions of Ethiopian Pension of Private Organization Employees Proclamation no.715/2011.Funding under the scheme is 7% and 11% by employees and the Company respectively.

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

(c) *Defined benefit plan*

The Company is obliged by law to pay severance payment for eligible employees who have served the Company for more than five (5) years when the employment contract is terminated.

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 1156/2019. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

2.7 Foreign currency translation

a) *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 functional currency and presentation currency of the Company is the Ethiopian Birr (ETB).

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value such as equities classified as available for sale, are included in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.8 Taxation

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.9 Property and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses if any except for buildings, which are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. 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. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for buildings which is stated at fair value, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

2 Summary of significant accounting policies (continued)

2.9 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation method	Years
Computer and accessories	Straight line	7
Electric/Motor vehicles	Straight line	10
Furniture and office equipment	Straight line	10
Office equipment and others	Straight line	5

The Company commences depreciation when the asset is available for use.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use 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.

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.

Properties in the course of construction are carried as work in progress at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are reclassified to the appropriate categories of asset when completed and ready for intended use.

2.10 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

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:
- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

2 Summary of significant accounting policies (continued)

2.10 Financial instruments - initial recognition and subsequent measurement (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables and government bonds fall into this category of financial instruments.

Financial instruments denominated in foreign currencies

When financial instruments are denominated in a foreign currency, the carrying amount is determined in the foreign currency. The carrying amount is then translated to the Ethiopian Birr equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses).

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Impairment of financial assets

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

2 Summary of significant accounting policies (continued)

2.10 Financial instruments - initial recognition and subsequent measurement (continued)

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 4.3 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derecognition of financial liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and balances with banks, overdraft and short term investment with less than three months maturity.

2.12 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in a share premium reserve.

2.13 Provisions

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3 New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 1

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.
The effective date of the amendment is for years beginning on or after 1 January, 2023
The impact of the amendment is not material.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 1 January, 2023

The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 1 January, 2023

The impact of the amendment is not material.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January, 2023

The impact of the amendment is not material.

3.2 Standards and interpretations not yet effective

The Entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Entity's accounting periods beginning on or after 1 January, 2024 or later periods:

Standard/ Interpretation:	***Effective for annual periods beginning on or after***	***Impact***
IAS 1 Presentation of Financial Statements	1 January 2024	The impact of the amendments is not material.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2024	The impact of the amendments is not material.
Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024	The impact of the amendments is not material.
Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024	The impact of the amendments is not material.
Amendment to IAS 7 and IFRS 7 - Supplier finance	1 January 2024	The impact of the amendments is not material.
Amendments to IAS 21 - Lack of Exchangeability	1 January 2024	The impact of the amendments is not material.

4 Financial instruments and risk management

4.1 Introduction

The Company's activities expose it to a variety of financial risks, including financial risk, credit risk, and liquidity risk. The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

4.1.1 Risk management structure

The CEO has the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Company.

The Management has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to management.

The Management is responsible for translating and implementing the Company's risk management strategy, priorities and policies as approved by the Managing Director.

The Company's policy is that risk management processes throughout the Company are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Company'

4.1.2 Risk measurement and reporting systems

The Company's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected regions. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigants, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.

4.2 Financial risk

Financial instruments by category

The Company classified its financial asset at amortized cost which is summarised in the table below:

07 JULY 2024	Notes	At amortized cost ETB
Cash and bank balances	12	839,688,147
Trade and other receivables	11	1,758,167
Total financial assets		**841,446,314**

4 Financial risk management (continued)

4.3 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk is trade receivables.

4.3.1 Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved by executive management. The executive management regularly monitors these appetite and metrics and can identify potential risks early on and take actions to mitigate them.

The table below show the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is showngross before the effect of mitigation:

	Notes	07 JULY 2024 ETB
Cash and bank balances	12	839,688,147
Total financial assets	11	1,758,167
		841,446,314

4.3.2 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances, which are held in Ethiopian banks, have been classified as non-rated as there are no credit rating agencies in Ethiopia.

(b) Credit quality of Trade and other receivables

i) Trade receivables

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables which have common credit risk charachterstics are assessed on a collective basis based on the days past due and also according to the location and nature of customers. A lifetime expected credit loss is charged on receivables that have objective evidence of impairment at the reporting date.

ii) ***Allowance for impairment***

The Company establishes an allowance for impairment losses that represents its estimate of incurred and expected losses in its receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred and expected to incurred but have not been identified on receivables subject to assessment for impairment.

4.4 Legal risk

Legal risk is the risk that contracts entered into by the Company with its clients will not be enforceable especially with respect to events of default by a client.

The Company seeks to identify and manage legal risk through the effective use of its internal advisors to ensure that legal advice is appropriately taken and implemented in accordance with established policies and guidelines. All contracts are reviewed by legal advisor before signature and no legal risks were identified as at 07 July 2024.

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4 Financial risk management (continued)

4.5 Market risk

Market risk is effectively managed by identifying and quantifying risks on the basis of current and future expectations and ensuring that trading occurs within defined parameters. This involves review and implementation of methodologies to reduce risk exposure. Below are market risks related to Company's activity:

Foreign currency risk management

The Company currently has limited exposure to foreign currency risk due to its transactions with foreign service providers. It seeks to manage this exposure by ensuring timely settlement of its obligations and by crafting contractual terms that minimize foreign exchange rate risks. The primary foreign currency involved in these transactions is the US Dollar.

Interest rate risk

The Company is not exposed to interest rate risks since it has no borrowings.

4.6 Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company's objective is to maintain a balance between continuity of funding and flexibility through operating cash calls closely monitored by the Management.

The Management monitors rolling forecasts of the Company's liquidity reserve (borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities

As at 07 JULY 2024	Notes	Less than 1 yr. ETB	Above 1 year ETB	Total ETB
Trade and other payables	15	14,775,165	-	14,775,165
Accrued leave payable	14	667,757	-	667,757
		15,442,922	**-**	**15,442,922**

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

4.7 Capital management

The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

4 Financial risk management (continued)

4.8 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.8.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

		07 JULY 2024	
		Carrying amount ETB	**Fair value ETB**
Financial assets			
Cash and bank balances	12	839,688,147	839,688,147
Trade and other receivables	11	1,758,167	1,758,167
Total		**841,446,314**	**841,446,314**
Financial liabilities			
Trade and other payables	15	14,775,165	14,775,165
Accrued leave payable	14	667,757	667,757
Total		**15,442,922**	**15,442,922**

4.8.2 Fair value methods and assumptions

Trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.8.3 Valuation technique using significant unobservable inputs – Level 3

The Company has no financial asset measured at fair value on subsequent recognition.

4.9 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

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			07 JULY 2024 ETB
5	**Revenue from contracts with customers**		
			-
			-
			-
6	**Expense**		
	Salary and benefit	6.2	10,447,647
	Board of directors Fee		559,000
	Insurance expense		61,290
	Training		71,503
	Promotion		114,075
	Depreciation		914,762
	Rent		7,199,608
	Travel & perdiem		223,872
	Fuel and lubricant		32,228
	Audit fee		707,883
	Stationery and supplies		281,414
	Repair and maintenance		68,088
	License and registration		20,742
	Communication		323,108
	Subscription		458,161
	Transport		40,381
	Stamp duty		63,743
	Event and meeting		256,676
	Miscellaneous		232,988
	Entertainment		154,112
	Bank Service Charge		4,355
	Consultancy Service		1,582,400
	Business Development Expense	6.3	30,503,569
	Capital raise expense		14,775,165
	Leave Expense		699,917
			69,796,686
6.1	**Pre operational expense**		
	Total expense		69,796,686
	Less: non cash and permanently disallowed expenses		
	Entertainment		(154,112)
	Accrued leave expense		(699,917)
	Depreciation expense as per IFRS		(914,762)
	Add leave paid		32,160
			68,060,055
6.2	**Salary and benefit**		
	Salary Expense		8,401,197
	Transportation Allowance		523,887
	Housing Allowance		544,694
	Representation Allowance		14,000
	Pension Contribution		924,132
	Wages		39,737
			10,447,647
6.3	**Business Development Expense**		
	Project Managers		15,775,343
	Advisory Services		8,039,740
	Travel Expenses		4,437,946
	Others		2,250,539
			30,503,569

7	**Other income**	**07 JULY 2024**
		ETB
	Interest Income from Saving Account	17,089,540
	FX Revaluation Gain/Loss	435,894
		17,525,435

8	**Tax expense (credit)**	
	Major components of tax expense	
	Profit tax expense (note 8.1)	(145,571)
	Deferred taxation (note 8.3.1a)	(20,747,202)
		(20,892,772)

8.1 Profit tax computation

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Notes	07 JULY 2024 ETB
Profit/(loss) before tax		(52,271,251)
Non-deductible expenses		
Add:		
Pre-operation expenditure	6.1	68,060,055
Entertainment	6	154,112
Leave expense	6	699,917
Depreciation expense as per IFRS	6	914,762
Less:		
Leave paid		(32,160)
Depreciation as per Tax Law	6	(485,235)
Unrealized foreign exchange gain/loss	6	(435,894)
Taxed at source -Interest Income from Saving Account	6	(17,089,540)
Taxable profit (loss)		**(485,235)**
Current tax expense (credit)		**(145,571)**

The income tax rate of 30% is used for the tax computation as established by the tax legislation in place in Ethiopia.

8.2 Deferred tax

Deferred taxation is calculated on all temporary differences using the enacted principal tax rate of 30%. The temporary difference is a result of difference in tax rates of depreciation of property plant and equipment, right of use asset, annual leave, and impairment of trade and other receivables for financial reporting and tax purpose.

	07 JULY 2024 ETB
The analysis of deferred tax assets/(liabilities) is as follows:	
To be recovered after more than 12 months	20,892,772
To be recovered within 12 months	
	20,892,772

8.3.1 The movement in deferred income tax assets / (liabilities) and deferred tax charge / (credit) in profit or loss, in equity and other comprehensive income are as follows:

	Deferred income tax assets / (liabilities)	**Carrying vale of asset/liability ETB**	**Deferred tax liability (asset) ETB**
8.3.1a	**Temporary difference**		
	Property and equipment (note 8.3.2)	429,527	(128,858)
	Pre operation expense (8.3.3)	68,060,055	(20,418,017)
	Annual leave (note 8.3.4)	667,757	(200,327)
		69,157,339	(20,747,202)
8.3.1b	**Unused tax loss**		
	Taxable profit (loss)	(485,235)	(145,571)
		68,672,103	**(20,892,772)**

8 Company income and deferred tax (continued)

8.3.2 Property and equipment (PPE)

	07 JULY 2024 ETB
Carrying amount of PPE (note 10)	50,151,210
Less: Tax written-down value (Annex 1)	50,580,737
Total timing difference	(429,527)
Deferred tax asset (liability) on property, plant and equipment	**128,858**

8.3.3 Pre-operation expense

Carrying amount	-
Less: Tax written-down value	68,060,055
Timing difference	68,060,055
Deferred tax asset on pre operational expense	**(20,418,017)**

8.3.4 Annual leave

Carrying amount	667,757
Less: Tax written-down value	-
Timing difference	667,757
Deferred tax asset on accrued leave	**200,327**

9 Earning per share

Earning per share is calculated as dividing profit (loss) after taxation by the number of shares issued during the year.

	07 JULY 2024 ETB
Profit (loss) attributable to shareholders	(31,378,479)
Number of ordinary shares issued	941,050
	-3.33%

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10 Property, plant and equipment

	Computer and accessories ETB	Motor vehicles ETB	Furniture and office equipment ETB	Office equipment and others ETB	Total ETB
Cost					
Beginning balance	-	-	-	-	-
Additions	8,228,489	35,898,165	6,315,456	623,862	51,065,972
As at 07 JULY 2024	8,228,489	35,898,165	6,315,456	623,862	51,065,972
Accumulated depreciation					
Beginning balance	-	-	-	-	-
Additions	282,101	362,867	229,825	39,970	914,762
As at 07 JULY 2024	282,101	362,867	229,825	39,970	914,762
Net book value					
Beginning balance	-	-	-	-	-
As at 07 JULY 2024	**7,946,388**	**35,535,298**	**6,085,631**	**583,893**	**50,151,210**

10.1 Impairment review

Upon impairment review, the net book value of property, plant and equipment does not exceed its recoverable value as at the end of the reporting period. Thus, the Management is of the opinion that allowance for impairment is not required.

		07 JULY 2024 ETB
11	**Trade and other receivables**	
	Financial instruments:	
	Other receivable	765,845
	Interest receivable	992,322
		1,758,167
	Non financial instruments:	
	Staff receivable	9,430
	Prepaid Rent	7,105,197
	Prepaid Insurance	591,157
	Prepaid Software Licence	8,878,579
	Other Prepayments	2,336,359
		18,920,723
		20,678,890
	Maturity analysis	
	Current	20,678,890
	Non- current	-
		20,678,890
12	**Cash and equivalents**	
	Cash at bank	839,666,902
	Cash on hand	21,245
		839,688,147

For the purpose of the cashflow statement, cash and cash equivalent is made up of the following:

Cash at bank	839,688,147
	839,688,147

13 Share capital

The Company has 941,050 authorized and fully paid ordinary shares of ETB 1,000 par values. The shares have equal voting rights and share equal in the distribution of profit.

	07 JULY 2024 ETB
Authorized:	
At the beginning of the year	-
Shares issued during the year	941,050,000
	941,050,000
Number of shares	
At the beginning of the year	-
Shares issued during the year	941,050
	941,050

14 Short term employee benefit

Accrued leave payable	667,757
	667,757

15 Trade and other payables

Financial instruments:	
Capital raise Payable	14,775,165
Non financial instruments:	
Employee income tax payable	1,132,805
Witholding tax payable	424,807
Pension contribution payable	520,700
Sundry payable	954,058
Deferred revenue	3,264,206
	6,296,577
	21,071,742
Maturity Analysis	
Current	21,071,742
Non-current	-
	21,071,742

16 Cash generated from operations

	Notes	
Profit before tax		(52,271,251)
Adjustments for non- cash items:		
Depreciation of property and equipment	10	914,762
Accrued leave	14	667,757
Interest income	7	(17,089,540)
Changes in working capital:		
Change in trade and other receivables	11	(20,678,890)
Change in trade and other payables	15	21,071,742
Cash generated from / (used in) operations		**(67,385,421)**

17 Related party transactions

17.1 Company doesn't have a related party relationship with individuals and another entity.

17.2 *Key management compensation*

Key management has been determined to be the members of Executive Management of the Company. The compensation paid or payable to key management for is shown below.

	07 JULY 2024 ETB
Salaries and benefit	16,210,941
Accrued leave	316,724
	16,527,665

The above compensations of key management members is included under salary and benefits and business development expenses.

18 Contingent liabilities

Claims and litigation

The company doesn't have a pending claims and litigation as at the reporting date .

19 Commitments

There are no commitments at the year end which should have been reported in these financial statements.

20 Events after reporting period

The Company has engaged NCBA Investment Bank Limited, located in Nairobi, Kenya, to assist with capital raising services. A total of ETB 14,775,165 is recorded as payable to NCBA for these services. The service provider asserts that ESX's obligation amounts to USD 276,688. Given the subsequent increase in the exchange rate between the US Dollar and the Ethiopian Birr, this commitment may escalate further.

21 Comparative figures

These set of financial statements are the first that the Company has prepared. Therfore, there are no comparative financial information of prior period.

9 Property, plant and equipment

	Computer and accessories ETB	Motor vehicles ETB	Furniture and office equipment ETB	Office equipment and others ETB	Total ETB
Cost					
As at 08 JULY 2023	-	-	-	-	-
Additions	8,228,489	35,898,165	6,315,456	623,862	51,065,972
As at 07 JULY 2024	8,228,489	35,898,165	6,315,456	623,862	51,065,972
Accumulated depreciation					
As at 08 JULY 2023	-	-	-	-	-
Additions	72,437	244,355	154,764	13,679	485,235
As at 07 JULY 2023	72,437	244,355	154,764	13,679	485,235
Net book value					
As at 08 JULY 2023	-	-	-	-	-
As at 07 JULY 2024	**8,156,052**	**35,653,810**	**6,160,691**	**610,184**	**50,580,737**

9.1 Impairment review

Upon impairment review, the net book value of property, plant and equipment does not exceed its recoverable value as at the end of the reporting period. Thus, the Management is of the opinion that allowance for impairment is not required.

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