

INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Fonepay Payment Service Limited

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of **Fonepay Payment Service Limited** (hereinafter referred to as "the company"), which comprises the Balance Sheet as at Ashad 31, 2081 [July 15, 2024] and Profit and Loss Account, Statement of Changes in Equity & Statement of Cash Flow for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the company as at Ashad 31, 2081 (July 15, 2024) and its financial performance and its cash flows for the year then ended on that date in accordance with Nepal Financial Reporting Standards(NFRS).

Basis of Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). 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 Institute of Chartered Accountant of Nepal's code of ethics for professional accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN Code. We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

S.N	Key Audit Matters	Our Audit Approach and Response
1.	<p>Revenue Recognition – Risk of Non-Compliance with NFRS 15</p> <p>The corporation works in a heavily regulated financial technology industry, offering interbank fund transfers, online payment processing and cross-border transactional services. The nature of these operations involves:</p> <p>Revenue generating multiple sources including transaction fees, subscription services.</p> <p>Multi-jurisdictional complex contract structures, many of which have different legal regimes.</p> <p>Material judgments in identifying revenue, such as identifying performance obligations, allocate contract prices, and recognize revenue at a point</p>	<p>Our audit procedures to address the risk of non-compliance with NFRS 15 included the following:</p> <p>1. Understanding Revenue Processes and Controls:</p> <p>Assessed the company's internal control over revenue recognition, including IT-systems controlling transaction data.</p> <p>Evaluated regulatory compliance processes in regard to the regulation of cross-border transactions and their alignment with revenue recognition processes.</p> <p>2. Contract Analysis:</p>

in time or over time in accordance with NFRS 15, *Revenue from Contracts with Customers*. Due to the inherent complexity of revenue arrangements, the heterogeneity of pricing models, and the sensitivity required to comply with NFRS 15, there exists a substantial risk of misstatement of revenue recognition. This makes it a central topic in our audit.

Examined a sample of representative key contracts to get a sense of the provisions of those agreements, including service-level agreements and pricing processes. Compared management's determination of performance obligations and allocation of transaction prices with its determination.

3. Substantive Testing of Revenue Transactions:

Validated an example of interbank fund transfers, online payments, and cross-border transaction revenue to ensure accurate recognition from completion of performance obligations.

Determined the treatment of foreign exchange component and transaction fees in the revenue calculation.

4. Assessment of Variable Considerations:

- Verified the accuracy of estimates related to discounts, rebates, or volume-based pricing.
- Reviewed historical data and management assumptions for reasonableness.

5. Evaluation of Disclosures:

Evaluated whether the Revenue recognition disclosures in the financial statements are sufficient to fulfill requirements of NFRS 15.

2. Provision For Reward Liability

The company provides reward points to customers on QR fund transfer under customer loyalty program. The loyalty/reward points are assigned to users on the basis of their transactions for digital payments via web module or through QR technology of Fonepay to increase customer loyalty. These points assigned on the basis of transaction value at the rate 1 reward point per Rs 100 with maximum limit of 100 reward points per transactions. Such transaction does not generate revenue of any kind to the company.

As a result of which allocation of transaction price to performance obligations on a relative stand-alone selling price basis is not possible as there is no transaction price.

The redemption rate of the reward liability is also less than 10%. Considering the effect of redemption of reward liability to be immaterial and non-practicable to allocate the stand alone price of transaction to

Following Audit Procedure have been followed by us:

- Obtain Clear understanding about the reward points.
- Obtaining the detail of reward points.it's movement during the financial year and redemption pattern during the year.
- Obtaining understanding about the relation between reward points generated and revenue generated.
- Checking the reliability of estimates made on arriving the value of reward point during the year and prior to the financial year.
- Calculating the estimate value of option resulting the provision for reward liability.



reward liability, no contract liability from reward point has been recognized during this year.

The management had instead estimated the value of the reward redemption expenses and has provided provision for the same .

As per, NAS 37 - Provisions, Contingent Liabilities, and Contingent Assets)

A **provision** is a liability of uncertain timing or amount.

A **liability** is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

An **obligating event** is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

A legal obligation is an obligation that derives from:

- (a) a contract (through its explicit or implicit terms);
- (b) legislation; or
- (c) other operation of law.

A **constructive obligation** is an obligation that derives from an entity's actions where:

- (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
- (b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

A **contingent liability** is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs 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 NSA's, 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 basis 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, proper books of account as required by law have been kept by the company in so far as it appears from our examination of those books of account of the company. In our opinion balance sheet, profit and loss account, statement of changes in equity & statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes have been prepared in accordance with the requirements of Companies Act, 2063 and are in agreement with the books of accounts maintained by the company. In our opinion and to the best of information and according to the explanation given to us and from the examination of the books of accounts of the company, we have not come across any case where the board of directors or any employee of the company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused any loss or damage to the company.

For N. B. S. M. & Associates,
Chartered Accountants



CA. Durga Prasad Gnawali, FCA
Senior Partner

Place: Kathmandu, Nepal

Date: 12th December, 2024

UDIN: 241213CA00461JrCm8


Fonepay Payment Service Limited
Lalitpur - 03, Lalitpur
Statement of Financial Position
As on Ashadh 31, 2081

Notes	Ashadh 31, 2081 NPR	Ashadh 31, 2080 NPR
Assets		
Non-Current Assets		
3.07	12,14,43,164.09	10,32,10,766.17
3.09	4,75,80,031.62	98,56,445.06
3.09	8,51,45,137.84	8,77,36,788.79
3.12	7,42,65,565.61	7,27,26,355.30
3.06	2,56,61,393.33	1,96,40,374.41
Financial Assets		
Investment in Subsidiaries and Associates		
5	38,09,200.00	38,90,200.00
Other Assets		
Total Non-Current Assets (A)		
		35,79,04,492.49
Current Assets		
3.10	83,67,383.81	1,38,50,723.77
Financial Asset		
6	6,00,42,917.05	1,46,87,286.60
7	48,00,81,812.37	28,92,31,164.58
7	7,67,65,322.82	1,20,56,526.10
5	62,52,57,436.05	32,98,25,701.05
Total Current Assets (B)		
		98,31,61,928.54
Total Assets (A+B)		
		62,68,86,630.78
Reserves and Liabilities		
Equity		
9	50,50,00,000.00	50,50,00,000.00
10	13,71,61,093.84	(4,81,52,441.65)
Total Equity Attributable to Shareholders		
		64,21,61,093.84
Non-Current Liability		
Deferred Tax Liabilities		
3.12	8,16,21,958.86	7,26,09,524.70
Lease Liabilities		
Non Current Financial Liabilities		
Long Term Borrowings		
		8,16,21,958.86
Total Non-Current Liability (D)		
		7,26,09,524.70
Current Liability		
8	7,97,83,054.72	3,94,18,451.21
3.14	17,43,93,638.39	5,30,12,721.87
3.12	52,02,182.73	49,98,374.65
Lease Liabilities		
Financial Liabilities		
Accrued Payroll and Related Benefits		
Other Current Liabilities		
		25,93,78,875.84
Total Current Liability (C)		
		9,74,29,547.73
Total Liability (C+D)		
		34,10,00,834.70
Net Equity and Liabilities (A+B-C-D)		
		98,31,61,928.54
		62,68,86,630.78

The accompanying notes form an integral part of the financial statements


- 1 Corporate Information
- 2 Basis of preparation
- 3-18 Significant accounting policies and Other financial information


As per our attached report on even date


Basanta Pandey, FCCA
CFO


fone pay
PAYMENT SERVICE LIMITED


Diwas Kumar
CEO


Sambhav Sirohiya
Director


FCA Durga Prasad Ghai
N. B. S. M. & Associates
Chartered Accountants


Sashin Joshi
Chairman

Date: B.S. 2081.08.27 (Dec 12, 2024 A.D.)
Place: Lalitpur, Nepal

Fonepay Payment Service Limited
Lalitpur - 03, Lalitpur
Statement of Profit & Loss
for the period ended Ashadh 31, 2081

Notes	FY 2080/81 NPR	FY 2079/80 NPR
Income		
3.01 Revenue from Operations	72,65,37,722.83	44,44,07,257.41
11 Direct Expenses	(8,27,98,320.18)	(4,78,78,144.33)
Gross Profit	64,37,39,402.65	39,65,29,113.08
15 Other income	1,00,000.00	13,46,258.94
Operating expenditure		
12 Administrative Expenses	(29,96,71,429.27)	(33,28,66,358.37)
3.05 Employee Benefit Expenses	(8,55,78,440.95)	(5,61,00,637.36)
13 Marketing and Branding Expenses	(15,34,96,850.43)	(10,72,81,068.94)
	(6,05,96,137.89)	(16,94,84,652.07)
Profit from Operation	34,41,67,973.38	6,50,09,013.65
14 Finance Income	1,61,38,270.70	1,72,71,417.60
3.12 Finance Cost (Lease) Expenses	(88,57,150.27)	(72,61,798.73)
3.07 Depreciation Expenses	(2,90,58,628.72)	(1,65,97,784.45)
3.09, 3.12 Amortization Expenses	(1,25,23,864.61)	(99,13,026.02)
3.14 Other Expenses	(4,96,93,584.60)	(2,03,88,159.14)
Profit (Loss) Before Tax	26,01,73,015.88	2,81,19,662.91
3.06 Tax Expense		
Current Tax	(7,85,48,789.55)	
Deferred Tax	60,09,882.77	(84,39,334.87)
Profit/(Loss) for the year	18,76,34,109.10	1,96,80,328.04
Other Comprehensive Income		
3.02 Exchange gains/(losses) on re-translations	37,120.50	62,037.00
3.02, 3.06 Deferred Tax : related to items that may be reclassified	11,136.15	18,611.10
Other Comprehensive Income for the year (B)	48,256.65	80,648.10
Total Comprehensive Income (A+B)	18,76,82,365.75	1,97,60,976.14
<i>Basic Earning per share</i>	37.16	3.90

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As per our attached report on even date

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Basanta Pandey, FCCA
CFO

.....
Diwas Kumar
CEO

.....
FCA Durga Prasad Gnawali
N. B. S. M. & Associates

fonepay
PAYMENT SERVICE LIMITED

.....
Sambhav Sirohiya
Director

.....
Sashin Joshi
Chairman

Date: B.S. 2081.08.27 (Dec 12, 2024 A.D.)
Place: Lalitpur, Nepal

Fonepay Payment Service Limited
Statement of Changes in Equity
for the period ended Ashadh 31, 2081

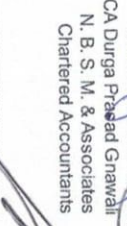
	Share Capital	Retained Earnings	Actuarial Reserves	Deferred Tax Reserves	CSR Reserve	Other Reserves	Total
Balance as at Ashadh 32, 2079	50,50,00,000.00	(9,59,74,315.97)	-	2,80,61,098.18	-	-	43,70,86,582.21
Issued Share Capital	-	-	-	-	-	-	-
Profit/(Loss) For the Year	-	1,96,80,328.04	-	-	-	-	1,96,80,328.04
Actuarial Gain/Loss	-	-	-	-	-	-	-
Exchange Gain/Loss arising on translation	-	80,648.10	-	-	-	-	80,648.10
Deferred Tax Reserves	-	1,96,40,374.41	-	(1,96,40,374.41)	-	-	-
CSR Reserves	-	(1,96,803.28)	-	-	1,96,803.28	-	-
Balance as at Ashadh 31, 2080	50,50,00,000.00	(3,67,89,968.70)	-	84,20,723.77	1,96,803.28	-	45,68,47,558.35
Prior Period adjustment* (Note 3.13)	-	(21,72,026.98)	-	-	-	-	(21,72,026.98)
Restated Balance as at Shrawan 1, 2079	50,50,00,000.00	(5,89,41,995.68)	-	84,20,723.77	1,96,803.28	-	45,46,75,531.37
Issued Share Capital	-	-	-	-	-	-	-
Profit/(Loss) For the Year	-	18,76,34,109.10	-	-	(1,96,803.28)	-	18,74,37,305.82
Actuarial Gain/Loss	-	-	-	-	-	-	-
Exchange Gain/Loss arising on translation	-	48,256.65	-	-	-	-	48,256.65
Deferred Tax Reserves	-	(60,21,018.92)	-	60,21,018.92	-	-	-
CSR Reserves	-	(18,76,823.66)	-	-	18,76,823.66	-	-
Balance as at Ashadh 31, 2081	50,50,00,000.00	12,08,42,527.49	-	1,44,41,742.69	18,76,823.66	-	64,21,61,093.84

As per our attached report on even date


Basantia Pandey, FCCA
CFO




Divas Kumar
CEO
Sambhav Sironiya
Director


Sasthin Joshi
Chairman



FCA Durga Prasad Gnaawali
N. B. S. M. & Associates
Chartered Accountants


Fonepay Payment Service Limited
Lalitpur - 03, Lalitpur
Cash flow Statement
for the period ended Ashadh 31, 2081

	FY 2080/81	Amount in NPR. FY 2079/80
Operating Activities		
Net Profit/(Loss) before tax	26,01,73,015.88	2,81,19,662.91
Adjustments		
Depreciation	2,90,58,628.72	1,65,97,784.45
Amortization	1,25,23,864.61	99,13,026.02
Deferred Tax Adjustments		
Non-Cash Adjustments - Provisions/Period Errors	4,28,32,126.97	(32,07,871.37)
Unrealised Gains	37,120.50	62,037.00
Profit/Loss on sale of assets		
Finance Income	(1,61,38,270.70)	(1,72,71,417.60)
Finance Expenses (Lease)	88,57,150.27	72,61,798.73
Cash flows from Operation before Working Capital (33,73,43,636.25	4,14,75,020.14
Increase/Decrease in Inventory	54,83,339.96	(93,55,650.18)
Increase/Decrease in Receivables	(4,53,55,630.45)	4,90,49,553.05
Increase/Decrease in Other Assets	(6,46,27,796.72)	(67,23,583.06)
Increase/Decrease in Current Liabilities	4,03,64,603.51	1,95,285.18
Lease/Rental Payment & Other Adjustments	(1,26,82,011.76)	(93,40,862.94)
Cash Generated from Operations	26,05,26,140.79	6,52,99,762.19
Taxes Paid		
Operating Cash flow (A)	26,05,26,140.79	6,52,99,762.19
Investing Activities		
Investment		
Purchase of PPE/WIP/Intangibles	(8,58,13,763.70)	(13,06,66,214.87)
Proceeds from Sale/Disposal of PPE		
Dividend Received		
Interest (on FD) Received	1,61,38,270.70	1,72,71,417.60
Investing Cash flow (B)	(6,96,75,493.00)	(11,33,94,797.27)
Financing Activities		
Share Capital		
Borrowings/Settlement of Borrowings		
Interest Paid		
Other Loans		
Financing Cash Flow (C)	-	-
Net Cash Flow From All Activities (A+B+C)	19,08,50,647.79	(4,80,95,035.08)
Opening Cash and Cash Equivalents	28,92,31,164.58	33,73,26,199.66
Closing Cash and Cash Equivalents	48,00,81,812.37	28,92,31,164.58

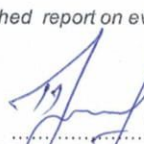
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Date: B.S. 2081.08.27 (Dec 12, 2024 A.D.)
Place: Lalitpur, Nepal