



2081-2082



ANNUAL REPORT

A YEAR IN REVIEW



नेपाल राष्ट्र बैंकबाट “भुक्तानी प्रणाली
सञ्चालक” को कार्य गर्न
अनुमतिपत्रप्राप्त संस्था

फोनपे पेमेन्ट सर्भिस लिमिटेड

Fonepay Payment Service Limited

रजिष्टर्ड कार्यालय, पुल्चोक, ललितपुर फोन नं. ०१-५९७००४४

Website: www.fonepay.com E-Mail: company.secretary@fonepay.com

छैटौं वार्षिक साधारण सभाको सूचना

(प्रथम पटक प्रकाशित मिति: २०८२/०७/०३)

(दोश्रो पटक प्रकाशित मिति: २०८२/०७/१८)

श्री आदरणीय शेयरधनी महानुभावहरु,

यस कम्पनीको मिति २०८२/०७/०२ गते सम्पन्न सञ्चालक समितिको बैठकको निर्णय अनुसार यस कम्पनीको वार्षिक साधारण सभा निम्न लिखित मिति, समय र स्थानमा निम्न विषयहरु उपर छलफल तथा निर्णयको लागी बस्ने भएको हुँदा सम्पूर्ण शेयरधनी महानुभावहरुलाई उपस्थितिको लागि हार्दिक अनुरोध गर्दछौं।

साधारण सभा हुने मिति, समय र स्थान :

मिति : २०८२ साल कार्तिक २४ गते (तदनुसार १० नोभेम्बर २०२५, सोमवार)

स्थान : नक्साल, काठमाडौं।

समय : साभ ५:०० बजे देखि।

छलफल गर्ने विषयहरु :

क. साधारण प्रस्ताव :

- वार्षिक आर्थिक विवरण र सञ्चालक समितिको प्रतिवेदन पारित गर्ने सम्बन्धमा।
- आ.व. २०८१/८२ को लेखापरीक्षकको प्रतिवेदन सहितको वासलात, नाफानोक्सान, हिसाव तथा नगद प्रवाह विवरण लगायतका वित्तीय विवरणहरु उपर छलफल गरी पारित गर्ने सम्बन्धमा।
- सञ्चालक समितिले प्रस्ताव गरे बमोजिम प्रति शेयर रु. १९ को दरले चुक्ता पूँजीको १९ प्रतिशतले हुन आउने रु ९,७८,५०,०००.०० (अक्षररूपी नौ करोड अठहत्तर लाख पचास हजार मात्र) नगद लाभांस वितरण गर्ने सम्बन्धमा।
- आ.व. २०८२/८३ को लागि लेखापरीक्षकको नियुक्ति गर्ने सम्बन्धमा।
- स्वतन्त्र सञ्चालक नियुक्ति गर्ने सम्बन्धमा।

ख. विशेष प्रस्ताव :

- कम्पनीको प्रवन्धपत्र तथा नियमावली संशोधन गर्ने सम्बन्धमा।
- सर्वसाधारणहरुलाई शेयर निष्काशन गर्ने सम्बन्धमा।
- माथि प्रस्ताव गरिए अनुसार प्रवन्धपत्र र नियमावलीमा संशोधन गर्ने लगायत सोसँग सम्बन्धित कार्यहरु स्वीकृतिका क्रममा नेपाल राष्ट्र बैंक, कम्पनी रजिष्ट्रारको कार्यालय लगायतका नियमनकारी निकायहरुबाट कुनै विषय, शर्तहरु लगायतमा संशोधन/फेरबदल गर्न निर्देशन प्राप्त भएमा आवश्यकता अनुसार थपघट, परिमार्जन, संशोधन, भाषागत लगायतका अन्य सुधार समेत गर्नका लागि सञ्चालक समितिलाई अख्तियारी दिने।

ग. विविध

सञ्चालक समितिको आज्ञाले
कम्पनी सचिव

विशेष नोट:

- सभामा भाग लिन र मतदान गर्नको लागी प्रतिनिधि नियुक्त गर्न चाहने शेयरधनीहरुले सभा हुने दिन भन्दा ४८ घण्टा अगावै कार्यालय समयको अपरान्ह ५.०० बजे सम्ममा कम्पनीको रजिष्टर्ड कार्यालय प्रतिनिधि नियुक्त (प्रोक्सी) सम्बन्धी फारम दर्ता गरिसक्नुपर्नेछ। प्रतिनिधि नियुक्त गर्दा कम्पनीको शेयरधनी बाहेक अन्य व्यक्तिलाई नियुक्त गर्न पाइनेछैन।
- विविध शिर्षक अर्न्तगत छलफल गर्न इच्छुक शेयरधनीले सभा हुनुभन्दा दुई दिन अगावै कार्यालय समय भित्र छलफलको विषय कम्पनीको अध्यक्ष मार्फत सञ्चालक समितिका अध्यक्षलाई सम्बोधन गरी कम्पनीको रजिष्टर्ड कार्यालय आइपुग्ने गरी लिखित रुपमा पठाउनु पर्नेछ। त्यस्तो विषय कम्पनीसंग सम्बन्धित औचित्य हेरी छलफलका लागी समावेश गरिनेछ।
- कम्पनीको छैटौं वार्षिक साधारण सभाको प्रयोजनको लागि मिति २०८२ कार्तिक २१ गते (७ नोभेम्बर २०२५) शुक्रवारको लागि कम्पनीको शेयर दाखिल खारेज दर्ता बन्द गरिनेछ। शेयरधनी दर्ता पुस्तिका बन्द भएको मिति २०८२ कार्तिक २१ गते (७ नोभेम्बर २०२५) भन्दा अघिल्लो दिन २०८२ कार्तिक २० गते (६ नोभेम्बर २०२५) विहिवारसम्म शेयर बाँडफाँड भई कम्पनीको शेयरधनी दर्ता किताबमा कायम शेयरधनीहरुले सभामा भाग लिन, छलफल गर्न र मतदान गर्न सक्नु हुनेछ।

प्रतिनिधि नियुक्त (प्रोक्सी) फारम

श्री सञ्चालक समिति,
फोनपे पेमेन्ट सर्भिस लिमिटेड,
ललितपुर-०३, ललितपुर ।

विषय: प्रतिनिधि नियुक्त गरेको बारे ।

महाशय,

..... जिल्ला न.पा./गा.पा. वडा नं वस्ने म/हामी
..... ले त्यस कम्पनीको शेयरधनीको हैसियतले मिति २०८२ साल कार्तिक
२४ गते का दिन हुने छैटौँ साधारण सभामा म/हामी स्वयं उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन
नसक्ने भएकोले उक्त सभामा मेरो/हाम्रो तर्फबाट भाग लिन तथा मतदान गर्नका लागि
..... जिल्ला न.पा./गा.पा. वडा नं वस्ने
त्यस कम्पनीका शेयरधनी श्री लाई मेरो/हाम्रो प्रतिनिधि मनोनित
गरी पठाएको छु/छौँ ।

मनोनित प्रतिनिधिको दस्तखत नमूना:
नाम: शेयरधनी नं./हितग्राही नं. मिति:

निवेदक

नाम:
शेयरधनी नं./हितग्राही नं.
मिति:
शेयर संख्या:

Powering Nepal's Digital Economy

One Network. A Million Possibilities.



fone pay Direct

fone pay QR

fone pay Bills

fone pay
credit card

fone TAG
Tap and Go



नगद छोडौं **fone** pay गरौं

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Organizational Overview

Fonepay Payment Service Ltd is Nepal's largest retail payment network connecting Banks & Financial Institutions (BFIs), Digital Wallets, Payment Service Providers (PSPs), Consumers, & Merchants through its interoperable payment network. Incorporated as a Public Limited Company under the Companies Act 2063 from the Office of the Company Registrar on Ashwin 14, 2076 (October 1, 2019), with registration no. 226298/076/07, the company is licensed by Nepal Rastra Bank as a Payment System Operator (PSO) with license number 9/2076/77 on February 9, 2020, in accordance with the Payment and Settlement Act, 2075.

As Nepal's leading fintech enterprise licensed as a Payment System Operator (PSO) by Nepal Rastra Bank, Fonepay stands at the core of the nation's digital payment transformation. Our strategic priorities encompass the following core domains, built upon the pillars of strong governance, transparency, & responsible innovations:

Digital Payment Processing & Switching:

Fonepay operates as Nepal's national interoperable payment switch, connecting banks, financial institutions, merchants, and consumers. It facilitates Person-to-Person (P2P) and Person-to-Merchant (P2M) transactions across diverse digital channels, including mobile banking and wallet application, ensuring operational efficiency, transaction security and real-time payment experiences across the ecosystem.

Financial Inclusion & Digital Public Infrastructure (DPI):

Aligned with the national vision of inclusive digital growth, Fonepay actively bridges the gap between urban and rural economies. We empower Micro, Small, and Medium Enterprises (MSMEs), small merchants, and underserved communities by expanding access to affordable digital financial services thereby bridging the digital divide. Through initiatives such as virtual credit cards and our interoperable network, we promote equitable participation for both banked and unbanked populations, advancing financial inclusion at scale.

Interbank & Merchant Payment Infrastructure:

Fonepay is a cornerstone of Nepal's Digital Public Infrastructure, facilitating seamless interoperability among banks, PSPs, corporates, government entities, and fintech innovators through a unified ecosystem. Operating the National QR Network under the NepalQR Standardization Framework of the Central Bank, we are catalyzing the shift toward a cashless economy and facilitating QR-based payments, interbank fund transfers, and mobile banking interoperability in real time, contributing to a robust, connected digital economy.

Innovations & Latest Technology:

As Nepal's leading PSO, we envision a future-ready payment ecosystem that leverages technology to create seamless, secure, and intelligent financial interactions. Fonepay continues to invest in next-generation digital infrastructure, integrating global advancements in artificial intelligence, machine learning, and cybersecurity to enhance operational resilience, fraud prevention, and user experience, including consent-based data exchange that empowers consumers, enables innovation for financial institutions, and lays the foundation for open banking and digital credit ecosystems. Our innovation strategy is guided by principles of trust, transparency, and regulatory alignment, ensuring that every technological leap contributes to the nation's fintech evolution, remains globally benchmarked, and locally impactful.

Core Purpose, Vision & Mission



Core Purpose

Building an inclusive financial infrastructure where FinTech's can co-create & innovate for economic progress and individual prosperity.



Vision

Transforming lives through digital innovation
To provide the best platform for the digital revolution and serve every Nepali citizen every single day.



Mission

Empowering Nepal through seamless digital connectivity
To connect people to digital financial services across Nepal in simple, affordable, and secure ways.

Our Core Values (*TIGER*) standing atop our Culture Pillars (*CLIFF*)



TIGER
ON A
CLIFF

CORE VALUES

We start with

Trust

We are committed to honesty and reliability in all our relationships to ensure that we trust each other and our customers trust us.

We are driven by

Integrity

We are committed to honesty and reliability in all our relationships to ensure that we trust each other and our customers trust us.

We work with

Grit

We strive for excellence and remain focused and resilient to overcome all challenges even when faced with adversity.

We embrace

Empathy

We put ourselves in the shoes of others to understand their feelings and perspectives to create an environment for human-centric relationships and customer-centric innovations.

We stand for

Respect

We recognize that every individual is unique and treat everyone with dignity regardless of gender, class, opinion or creed.

CULTURE PILLARS

A culture of

Collaboration

Individuals work collectively towards a greater common goal by sharing knowledge, ideas and resources with mutual *Trust* for one another.

A culture of

Learning

Gritty individuals and teams embrace each challenge and setback as an opportunity to adapt, re-strategize and grow.

A culture of

Innovation

Everyone is focused on creating leading-edge solutions based on *Empathy* by putting customers at the core of everything.

A culture of

Fair

Individuals demonstrate *Integrity* to participate in interactions and decisions that are impartial, unprejudiced and unbiased.

A culture of

Fun

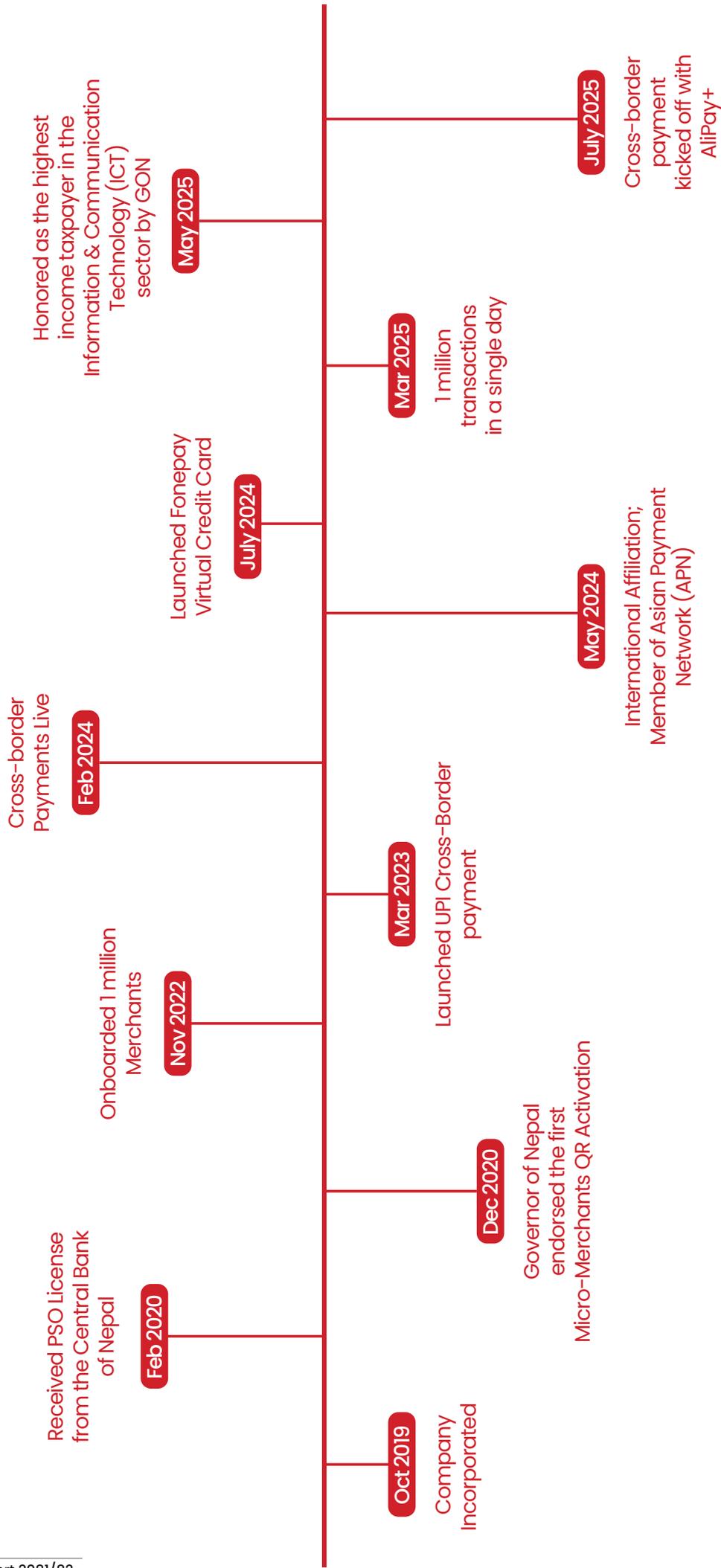
Individuals feel valued and treat each other with *Respect* to nurture a vibrant and inclusive workplace with an enjoyable experience.

Achievements & Milestones

Fonepay has built one of the most inclusive networks in Nepal's payment industry. Fonepay has been relentlessly working toward developing a self-sustained domestic payment ecosystem with future opportunities for cross-border payments. Key achievements of Fonepay include:

1. 2019 October: Company Incorporated
2. 2020 February: Received PSO License from the Central Bank of Nepal
3. 2020 December: The governor of Nepal endorsed the first micro merchants' QR Activation
4. 2022 November: Onboarded 1 million Merchants
5. 2023 September: Launched UPI Cross-Border payment program at Global Fintech Fest, India
6. 2024 February: Cross-border Payments Live from Indian Customers (P) to Nepalese Merchants (M)
7. 2024 May: International Affiliation; Member of Asian Payment Network (APN)
8. 2024 July: Launched Fonepay Virtual Credit Card
9. 2025 March: 1 million successful QR transactions in a single day
10. 2025 May: Honored as the highest income taxpayer in the Information and Communication Technology (ICT) sector by Government of Nepal
11. 2025 July: Cross-border payment kicked off with AliPay+

Growth & Milestones achieved



Other Key achievements & Milestones:

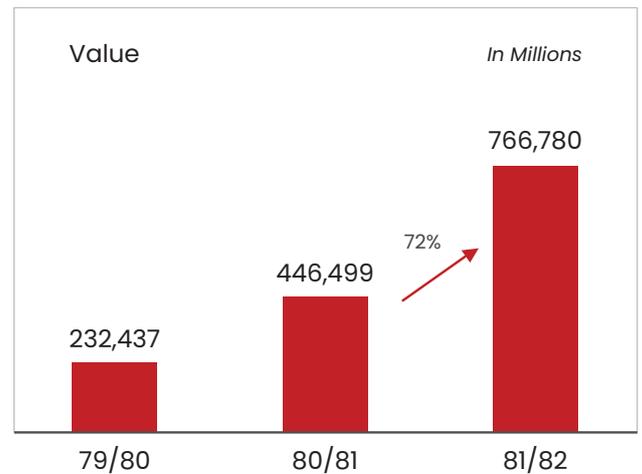
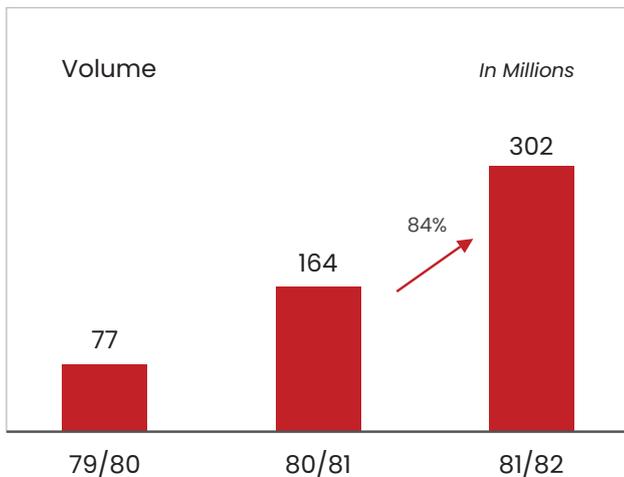
1. 2020 March: Onboarded 100K Merchants
2. 2021 March: Network-to-Network Agreement with NPCI, India, for enabling cross-border transactions
3. 2021 September: Reached 500K merchant network with 50+ member BFIs
4. 2022 April: Settled 3.5 Arba Volume worth of transactions a day
5. 2023 February: Launched offline payment features "FoneTAG" and Virtual Vouchers
6. 2023 May: MOU for cross-border payments collaboration with LankaPay, Srilanka

Associations with International Partners

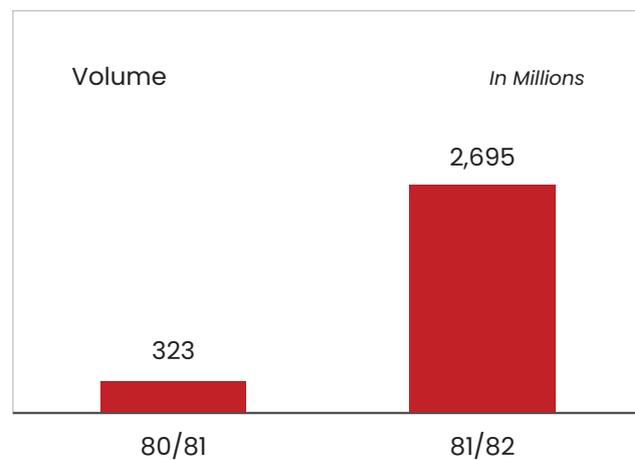
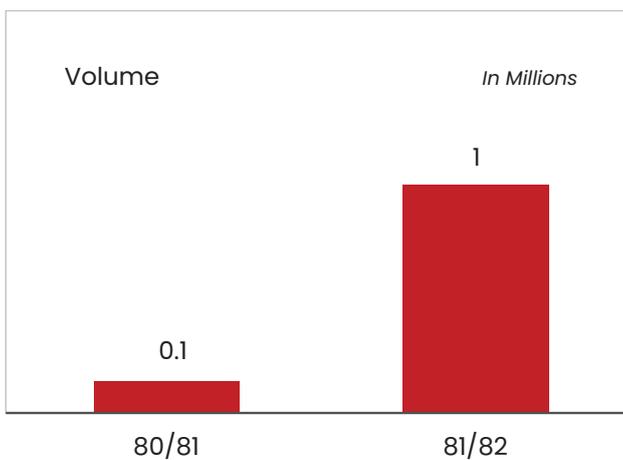
S.N.	Partners List	MOU Signed	Go Live
1	Alipay+	✓	✓
2	NPCI International Payments Limited	✓	✓
3	LankaPay	✓	
4	Mastercard	✓	
5	NetStars Co. Ltd. (WeChat Pay)	✓	
6	Union Pay	✓	
7	VISA	✓	

Key Performance Indicators

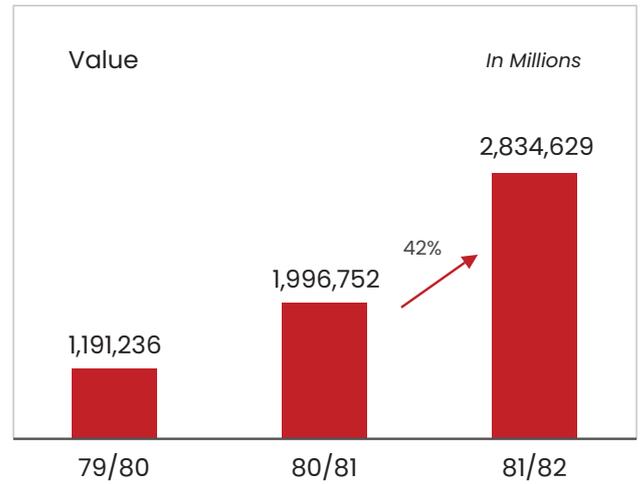
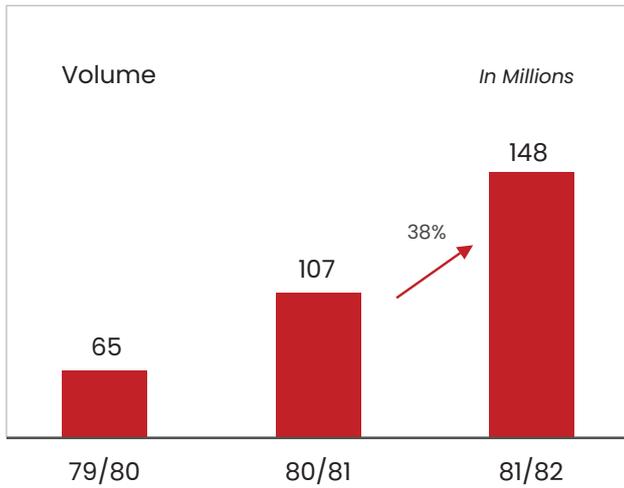
QR Payments – Domestic transactions



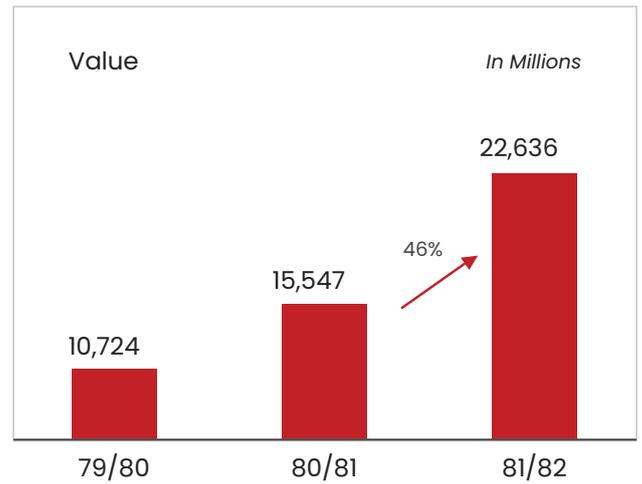
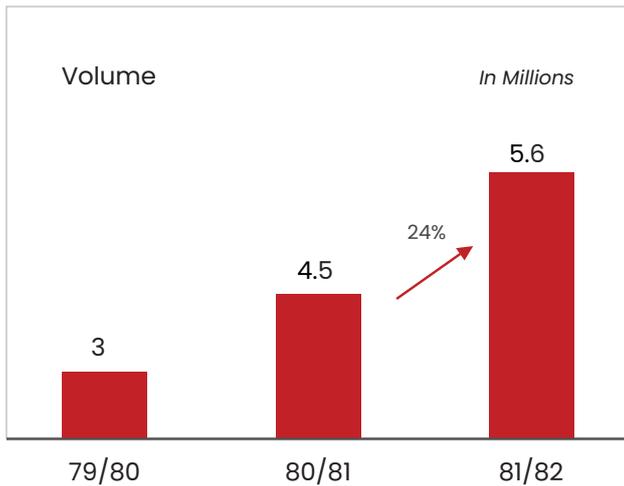
QR Payments – Cross border Payments



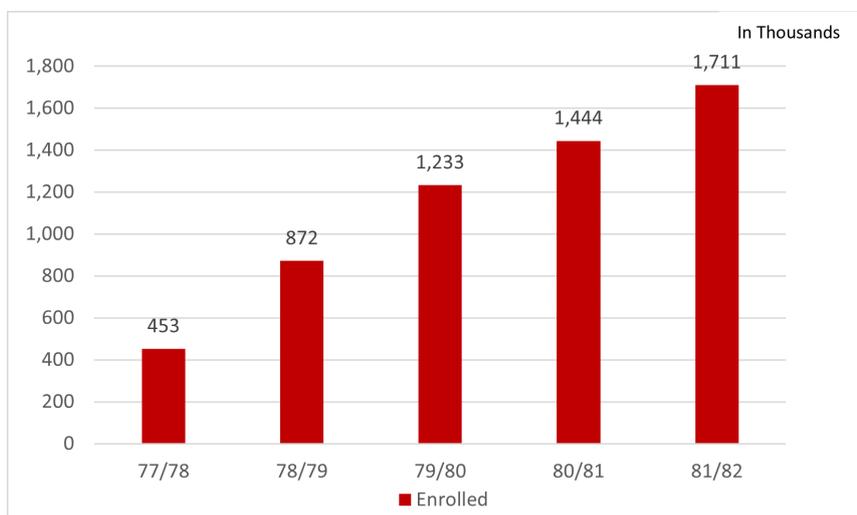
Interbank Fund Transfer (IBFT)



Fonepay Bills



Merchant Network



Message from the CHAIRMAN

Dear Shareholders,

It is an immense pleasure to welcome you all to the 6th Annual General Meeting (AGM) of FY 2081/82 of Fonepay Payment Service Ltd. On behalf of the Board of Directors, I am pleased to present the company's status, performance, and key achievements during the year FY 2081/82.

Our digital payment ecosystem has demonstrated robust adoption across all channels.

- QR payments surged by 84%, underscoring the continued shift toward cash-free, real-time transactions.
- Inter-Bank Funds Transfer (IBFT) volumes grew by 38%, further solidifying Fonepay's position as a core pillar within Nepal's financial system.
- Online bill payments rose more than 24%, reflecting deeper adoption of digital services in day-to-day household and business activities.
- Cross-border QR transactions expanded over seven times, aligning with our strategic agenda to support international digital commerce and enhance regional financial links.
- Revenue from operations increased by 34% to NPR 97.32 crores, compared to NPR 72.65 crores last year, supported by higher transaction activity and broader service offerings.
- Operating profit rose 57% year-on-year to NPR 54 crores from NPR 34 crores, pointing to disciplined cost control while scaling.



Sashin Joshi Chairman

- Net profit grew 67.8% to NPR 31.5 crores, up from NPR 18.77 crores, demonstrating strong financial delivery and value generation.
- Retained earnings and reserves nearly tripled to NPR 39.90 crores from NPR 13.72 crores, enhancing capital strength and supporting long-term growth.

With the current paid up capital of NRs 51.50 Cr, with phenomenal progressive growth seen, have recommended to propose a cash dividend of 19% of the paid-up capital for your consideration and approval. Following the Central Bank's guideline to create a dividend policy, this decision has been taken after segregating 10% of current year's profit to different reserves.

I am pleased to inform you that following a comprehensive inspection by the Central Bank, Fonepay's Payment System Operator (PSO) license was successfully renewed and extended another five years i.e. till B.S. 2086/10/25, reaffirming compliance with all supervisory and operational standards.

Given Cash Dominance still exists along with the Market Competition and Pricing Pressures, we were able to achieve 1 million successful QR transactions in a single day during the year. After the successful and go-live of crossborder transactions with NPCI, India, Cross border payment was also kicked off with AliPay+, China enabling foreign tourists seamlessly perform merchant payments.

We also hosted 21st APN (Asian Payment Network) Forum in Kathmandu, whereby we were able to demonstrate our capabilities and growing stature in the regional payments ecosystem and with the working groups, we got access to collaborate with leading payment systems across Asia.

We were honored as the highest income taxpayer in the Information and Communication Technology (ICT) sector by Government of Nepal during a special ceremony held on Friday in Kathmandu to mark the 8th National ICT Day 2025.

As we reflect on the year gone by, we are delighted to have contributed meaningfully to the realization of the Government of Nepal's Digital Nepal Framework, in alignment with Nepal Rastra Bank's National Payment System Strategy. As part of our long-term vision, Fonepay is actively working to provide more accessible international payment options for Nepalese businesses and consumers. Our ongoing partnerships have been instrumental in creating a more robust and inclusive digital payment ecosystem, and we look forward to strengthening these relationships in the coming years.

On behalf of the Board of Directors and the entire team at Fonepay, I would like to express our sincere gratitude to the Government of Nepal, Nepal Rastra Bank, our shareholders, our partners, the users and all our other stakeholders for their continued trust, support and commitment in advancing the digital payments landscape in Nepal.

I would also like to take this opportunity to thank the members of the Board, and the Fonepay team for their unwavering dedication and tireless work in helping us achieve another year of growth and success. Together, we have built a strong foundation, and I am confident that with your continued support, we will take Fonepay to even greater heights.

Thank you once again for your trust and confidence. We look forward to continuing this journey together and making a lasting impact on Nepal's digital economy.

Message from the Chief Executive Officer

It is with immense pride and gratitude that I present to you the financial and operational insights through this report for the fiscal year 2081/82, a year marked by exponential growth, innovation, and significant milestones.

In the financial year 2081/82, the Company processed over NPR 3.6 trillion worth of transactions through its platform, a 48% increase compared to the previous year. This impressive growth in transaction value was driven by more than 457 million transactions, marking a 65% increase from FY 2080/81. As a result of the substantial increase in digital transaction volume, the Company's Profit from Operations and Net Profit grew by 57% and 68%, respectively, compared to the previous year. We are especially pleased to inform that we have been able to reward our shareholders with cash dividend this year also. This accomplishment is a direct result of our strong financial performance and the unwavering dedication of the exceptional team that powers Fonepay.

Throughout the year, we have continued to strengthen our role in Nepal's digital payment ecosystem by offering innovative, reliable, and secure solutions. Our strategic focus on operational efficiency has led to remarkable improvements in system performance.



Diwas Kumar
Chief Executive Officer

Downtime and transaction failure rates have been significantly reduced, ensuring a seamless, fast, and secure payment experience for our users.

These enhancements, powered by advanced technology and continuous optimization, have made digital transactions smoother and more convenient than ever. Today, more than 1.7 million merchants are enrolled in our payment system ranging from small vendors to large enterprises. Our platform continues to see growing adoption across the country, with a sharp rise in transaction volumes reflecting the increasing trust placed in digital payments.

This year, we also made a groundbreaking leap in cross-border transactions in collaboration with the National Payments Corporation of India (NPCI), India.

This partnership has allowed Indian mobile application users to make payments directly to Nepali merchants, fostering stronger financial ties between the two nations. In FY 2081/82, over 982 thousand cross-border transactions took place with the transaction value of NRs. 2.695 billion. Beyond facilitating payments, these cross-border flows provide valuable insights into tourist visits, spending patterns, and cross-border economic activity..

This has also contributed to the national planning for tourism, trade, and foreign exchange management.

At the core of our success lies a spirit of continuous innovation. We are proud to launch Nepal's first-ever Virtual Credit Card, Fonepay Virtual Credit Card. This pioneering product provides users with seamless access to credit facilities, promoting financial independence and flexibility. With just a click, customers can experience empowered financial transactions, reinforcing our commitment to driving financial inclusion.

Our collaboration with key stakeholders, including government agencies, financial institutions, and private sector partners, has played a vital role in advancing our goals. We continue to align closely with the Government of Nepal's Digital Nepal Framework and the strategic initiatives outlined by Nepal Rastra Bank, which have been instrumental in strengthening the nation's payment infrastructure.

Looking forward, our focus remains unwavering: to provide faster, more reliable, and user-centric digital payment solutions. As digital and neo banking models evolve, we are prepared to meet emerging needs with tailored services and innovative offerings. Our vision is to position Fonepay as the preferred digital payment platform for businesses and consumers alike.

I would like to extend my heartfelt thanks to our BFIs, strategic partners, merchants, customers, shareholders, and most importantly, our dedicated team whose trust, collaboration, and belief in our mission continue to inspire and propel us forward. Together, we are shaping the future of digital payments and financial empowerment in Nepal.

Thank you for being part of this journey.

Corporate Governance

At Fonepay, we have built a culture of strong corporate governance because we know that innovation, financial inclusion, & sustainable growth can only thrive when underpinned by transparency, accountability, and integrity. Our governance framework ensures that every strategic decision, every technological initiative, & every operational step aligns with the long-term interests of our stakeholders.

As shareholders, the role in governance is clear: to appoint the Board of Directors and auditors and to ensure that a robust oversight framework is in place. Our Board takes this responsibility seriously, overseeing strategy, risk, compliance, and ethical conduct across the company.

We also see governance as an enabler of innovation. By embedding risk management, regulatory compliance, and ethical standards into our processes, we create space to experiment responsibly, adopt emerging technologies, and expand cross-border and data-driven services; all while maintaining trust and resilience.

Board of Directors

The company's Board of Directors is structured in accordance with the regulations set out in the Companies Act 2063. The board members are distinguished individuals with expertise in various pioneering domains. The Board of Directors is responsible for offering strategic direction, protecting the investors' interests, and overseeing the company's financial health and internal control mechanisms, conducting comprehensive reviews to ensure effective governance.

Board Composition



Mr. Sashin Joshi

Chairman/ Independent Director

With extensive experience in strategic planning & business execution, he has held senior management positions in several prominent companies in Nepal.

Mr. Joshi brings over 32 years of experience in the banking industry, including a notable tenure of more than 17 years as CEO of some of Nepal's largest commercial banks. In addition, he held the role of Group Executive Director & senior advisor at Jawalakhel Group of Industries for over six years. He holds a Master of Business Administration (MBA) degree from the Symbiosis Institute of Business Management, Pune, India. Mr. Joshi has also served as President of the Nepal Bankers' Association (NBA), Chairman of Nabil Investment Banking Ltd, Chairman of Credit Information Bureau Ltd, Director of Nepal Clearing House Ltd. & as Chairman of the National Banking Institute (NBI).

Mr. Sashin Joshi was appointed as an Independent Director at Fonepay in September 2021.



Mr. Siddhant Thakuri

Director

Mr. Siddhant Thakuri completed his master's degree in business administration and management from Kathmandu University School of Management in 2013. He has over 18 years of experience in the banking sector in Nepal. He also served as the Chief Operating Officer at Fonepay Payment Service Limited for a year. Following his dedication, expertise, and contributions, he was responsible for handling the operations of FISOFT Group as Group Chief Operating Officer and currently, holds the position of Group President at FISOFT Group of companies.

Mr. Thakuri has been representing FISOFT International Pvt. Ltd., parent company of Fonepay Payment Service Ltd. as Director at Fonepay since December 2023.



Mr. Sambhav Sirohiya

Director

Mr. Sambhav Sirohiya is the Managing Director of Kantipur Media Group (KMG), Nepal's largest and most influential media organization. He is leading KMG's transformation from a legacy print powerhouse into a modern, AI-driven, multi-platform media company shaping how Nepalese consume news and ideas. He is also the founder of Movers & Shakers' Growth Partners (MSGP), a permanent-capital investment firm focused on high-growth, high-impact sectors in Nepal, spanning fintech, education, and consumer brands. Through both KMG and MSGP, Sambhav champions a vision of ethical capitalism, innovation, and storytelling as catalysts for national transformation and long-term value creation.

Mr. Sirohiya was appointed as Director in December 2023.

Management Team



Mr. Diwas Kumar

Chief Executive Officer

Mr. Diwas Kumar assumed the role of CEO at Fonepay in April 2022. With an extensive background in the technology and banking sectors, he has played a crucial role in the growth and success of the company. He initially joined Fonepay as the Chief Technology Officer in August 2019 and was later promoted to Assistant CEO in November 2021. As the CEO of Fonepay, he is responsible for making strategic corporate decisions and overseeing the overall operations and resources of the company. He also serves as the main point of communication between the board of directors and the executive team.

Mr. Kumar's career commenced as an IT Officer at Everest Bank, one of Nepal's leading commercial banks, in 2007. He gained a decade of experience in the Banking and Financial Sector before spending two years as a System Manager at a national-level Payment System Operator.

With an MBA from Pokhara University & an MSc. in IT from Sikkim Manipal University, Mr. Kumar possesses a perfect combination of knowledge in technology and management.

This blend of expertise has played a pivotal role in Fonepay's flourishing growth over the past three years. Under his leadership, Fonepay has achieved significant milestones and positioned itself as a prominent player in the industry.



Mr. Paras Kunwar

Chief Operating Officer

Mr. Paras Kunwar, Fonepay's Chief Operating Officer since March 2023, contributes over 19 years of expertise in banking and financial services. He adeptly oversees the company's daily operations, ensuring seamless functionality across all departments including People and Culture, General Administrations along with Business Academy.

Before his tenure at Fonepay, he held the esteemed position of Head of International Business and Transaction Banking at Nabil Bank Ltd. His extensive expertise in transactional banking, electronic payments, treasury management, and international relations has been pivotal in optimizing Fonepay's operational efficiency. Mr. Kunwar brings strategic leadership and a wealth of industry knowledge to his role, contributing significantly to Fonepay's operational scale and success. Mr. Kunwar holds a Master's Degree in Management from Himalayan Whitehouse Intl College.



Mr. Subash Thapa

Chief Technology Officer

Mr. Subash Thapa assumed the role of Chief Technology Officer at Fonepay in May 2022. Presently at Fonepay, Mr. Thapa holds the vital responsibility of devising and executing strategic plans for the technology department. He ensures alignment between technical initiatives and the overarching business objectives while overseeing the pivotal domains of Product Development, Quality Assurance, and Infrastructure Departments.

With over a decade of specialized experience in FinTech, Mr. Thapa previously served as the Head of Product and System Development at NCHL before joining Fonepay. His educational background includes a Master's degree in Computer Application (MCA) from Purbanchal University and an Executive Course on Fintech and Regulatory Innovation from Cambridge Judge Business School, which has shaped his technical prowess and strategic leadership in the realm of technology and finance.



Mr. Subodh Sharma

Chief Strategy Officer

Mr. Subodh Sharma joined Fonepay as the Chief Strategy Officer in February 2022. His career began as a Brand Executive at Gorkha Brewery, where he developed a strong foundation in Marketing. He later ventured into the e-commerce domain, serving as marketing manager at eSewa Pasal, part of the F1Soft Group, and later as Fulfillment Center Operations lead at Picnic, a leading online grocery platform in Netherlands.

With over 15 years of rich experiences across diverse industries, Mr. Sharma leads Business Strategy, Marketing and Product Growth departments at Fonepay, as CSO. He plays a pivotal role in shaping the company's strategic direction, driving key initiatives, and ensuring alignment with organisational goals. Mr. Sharma holds an MBA degree from XLRI Jamshedpur.



Mr. Sumit Das

Chief Business Officer

Mr. Sumit Das assumed the role of Chief Business Officer at Fonepay in April 2022, bringing with him over 15 years of invaluable managerial and leadership experience.

Throughout his career, he has demonstrated a consistent track record of success in retail expansion, market penetration, profit generation, brand elevation, and fostering strong industry relationships.

Currently at Fonepay, Mr. Das holds the reins of the Partner Relations, Business Growth and Merchant Relations Departments. His responsibilities include spearheading overall market expansions, steering all sales efforts and managing relationships with the clients. His extensive expertise spans across the FMCG and Advertising industries, cultivated during an illustrious tenure of more than 11 years at Coca-Cola Beverages Nepal in various commercial verticals. During his tenure there, he excelled in various roles focused on market penetration and expansion strategies.



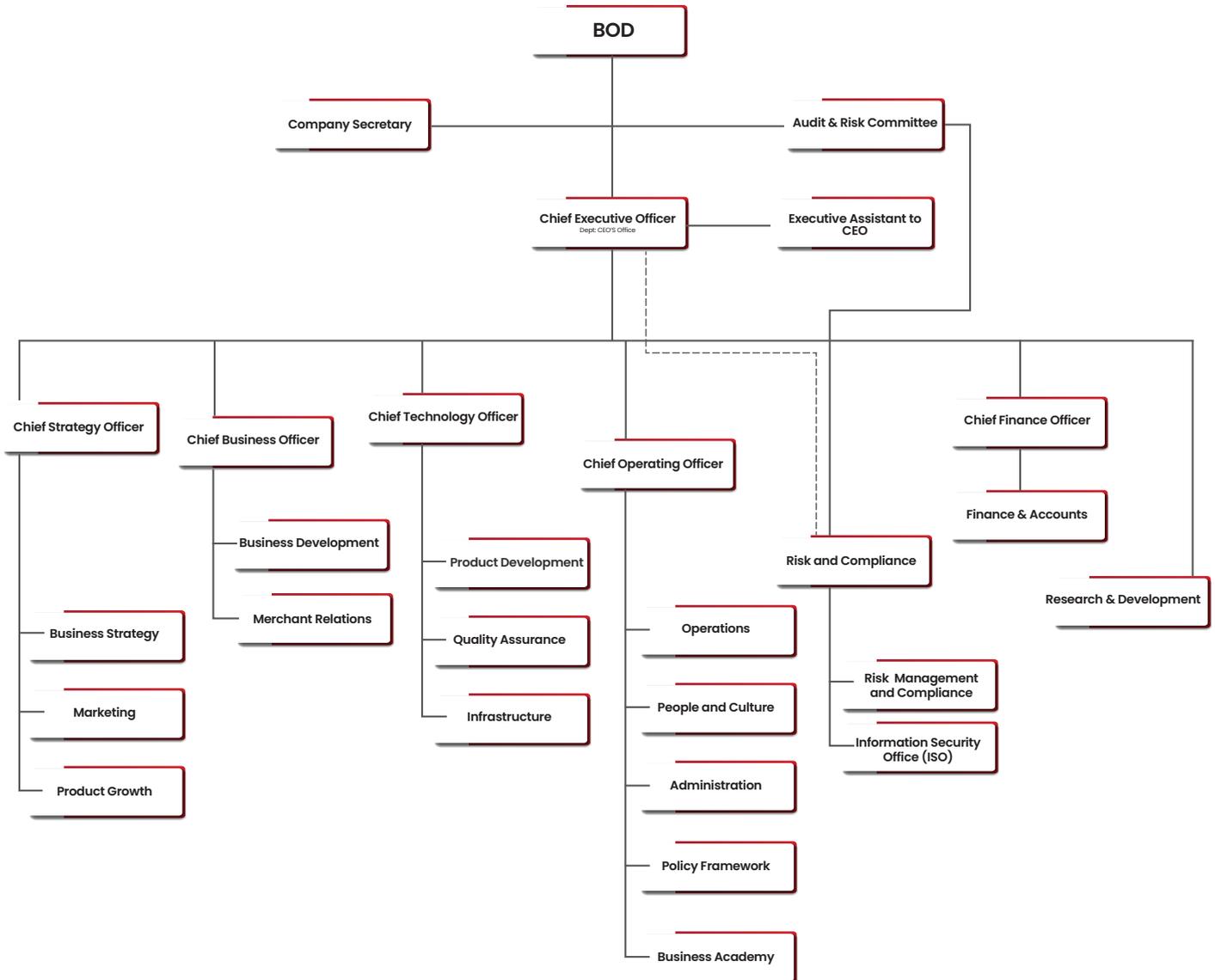
Mr. Basanta Pandey

Chief Finance Officer

Mr. Basanta Pandey has been leading the Finance and Accounts Department at Fonepay since April 2022. A Fellow member of the Association of Chartered Certified Accountants (ACCA), Mr. Pandey boasts more than 15 years of comprehensive expertise in Finance, Risk & Compliance, Information System Audit, and Operations. Commencing his career as an Auditor (Financial) in an esteemed Audit Firm, he gradually diversified his skills into Information Technology through the Implementation of control frameworks and Assessment of Information Systems of different Corporate Houses. He has done Certified Information Systems Auditor (CISA) and has been certified with ISO 27001: 2013.

Before his tenure at Fonepay, Mr. Pandey served as a Senior Manager at Thakral One Group and, thereafter, as an Information System Auditor at CryptoGen Nepal. He holds a strong belief in mentorship and has been an esteemed faculty member at the British College since 2016, and is a Registered Mentor at Oxford Brookes University (UK) for BSc Applied Accounting Degree. In his current capacity, Mr. Pandey plays a pivotal role in overseeing all finance and accounts functions at Fonepay. His proficiency lies in strategic inputs, precise financial reporting, meticulous handling of financial statements, and liaising for audits with expertise and precision.

Organizational Structure of Fonepay



Fonepay’s organizational structure has been developed in line with the nature of its operations. Fonepay is led by the Chief Executive Officer with a team of CXOs. Each CXO holds different departments as per their expertise. The Chief Finance Officer looks after Finance & Accounts. The Chief Operating Officer looks after Operations, People & Culture, Policy Framework, Business Academy, and Administration Departments, and the Chief Strategy Officer takes care of Product, Strategy, and Marketing. Chief Business Officer takes care of Business Development and Merchant Relations functions. Chief Technology Officer takes care of Product Management, Project Management, Quality Assurance, System – Technical, System and Network Support. Risk & Compliance Unit reports to the Audit & Risk Committee.

Department/Unit Heads

S.N	Name	Department
1	Ms. Aishwarya K.C	Information Security Office
2	Mr. Anish Bhurtel	Risk Management & Compliance
3	Mr. Asmit Pandey	Network
4	Mr. Binod Bhandari	Product Engineering
5	Mr. Karunesh Gupta	Product Growth
6	Mr. Kushal Bhakta Joshi	Product & Project Management
7	Mr. Maitri Ratna Bajracharya	System
8	Mr. Mukesh Maskey	Research & Development
9	Mr. Prabesh Shrestha	People & Culture
10	Mr. Prajjwal Kant Acharya	Merchant Relations
11	Ms. Pratima Shrestha	Operations (Business Operations)
12	Ms. Priyanka Sharma Neupane	Operations (Customer Support)
13	Mr. Regan Maharjan	Quality Assurance
14	Mr. Rushant Shrestha	Partner Relations
15	Ms. Salina Nakarmi	Marketing
16	Ms. Samikshya Sharma	Business Academy
17	Mr. Santosh Ramtel	Administration
18	Mr. Sunil Prasad Ghimire	DevOps & System Integration

Policies and Bylaws of the company

The Board has formulated a set of internal policies, which are implemented by Management in its day-to-day operation. Internal policies and the associated procedures, manuals/guidelines are crucial because they provide a structured framework for the company's operations, ensuring consistency, compliance, and alignment with strategic goals. By formulating and ensuring these policies are implemented, the Board ensures effective governance, risk management, and operational efficiency. Regular reviews by the Board help adapt policies to changing business environments, legal requirements, and market conditions, promoting continuous improvement and maintaining organizational integrity.

Committees in Fonepay

Management Committee (ManCom)

The Management Committee (ManCom) is a team of CXOs for overseeing the day-to-day operations of the company. The committee serves as a decision-making body, resolving key issues, reviewing progress towards objectives, and ensuring proper execution of policies. It is instrumental in fostering collaboration, maintaining operational excellence, and supporting strategic growth.

With the Convenor being the Chief Executive Officer (CEO), ManCom consists of the following :

1. Chief Finance Officer (CFO) (Member Secretary)
2. Chief Operating Officer (COO)
3. Chief Strategy Officer (CSO)
4. Chief Technology Officer (CTO)
5. Chief Business Officer (CBO)

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC), chaired by Board Director Mr. Thakuri, plays a pivotal role in upholding Fonepay's financial integrity and governance standards. The Committee oversees the effectiveness of internal controls through internal and external audits, monitors enterprise-wide risk management practices, & ensures robust safeguards against fraud & operational inefficiencies. By fostering sound governance, proactive risk mitigation, and strong financial oversight, the ARMC safeguards stakeholder interests and reinforces the company's financial sustainability.

Its oversight function has strengthened transparency, accountability, and long-term business resilience, contributing significantly to Fonepay's strategic and operational excellence.

The ARMC consists of the following members:

1. Mr. Siddhant Thakuri – Board Director, Convenor
2. Mr. Anish Bhurtel – Manager – Risk Management & Compliance, Member Secretary
3. Mr. Avish Acharya – Expert Member
4. Mr. Basant Pandey – Permanent Invitee

Change Advisory Board (CAB)

The Change Advisory Board (CAB) is a group of key stakeholders and experts within an organization who provide advice and guidance on proposed changes to processes, systems, or services. The CAB plays a pivotal role in evaluating the impact, risks, and benefits of any critical changes, recommended by Change Management Committee, before they are implemented/deployed in the Live Environment, ensuring that changes align with the organization's objectives and do not disrupt operations.

The CAB consists of the following members:

1. Chief Executive Officer – Convenor
2. Manager- Risk Management & Compliance- Member Secretary
3. Chief Finance Officer
4. Chief Operating Officer
5. Chief Technology Officer
6. Chief Strategy Officer
7. Chief Business Officer

Change Management Committee (CMC)

The Change Management Committee (CMC), composed of different cross-functional roles, is responsible for overseeing and managing changes within an organization, ensuring that they align with business objectives and are implemented smoothly. The CMC plans, approves, monitors changes, assesses risks, and communicates with stakeholders to minimize disruption. By managing change effectively, the CMC helps the organization adapt to new processes or systems, ensuring continued efficiency, reduced resistance, and long-term success.

The CMC with Chief Technology Officer (CTO) as Convenor and a provision of inviting additional members as & when needed, consists of different team members from cross-functional departments including:

1. Operations
2. Project Management Office
3. Business Development
4. System & Infrastructure
5. Risk & Compliance
6. Quality Assurance

Recruitment, Selection & Compensation Committee (RSCC)

The Recruitment, Selection & Compensation Committee (RSCC) is responsible for overseeing the recruitment and selection process, ensuring that the organization attracts and hires the right talent. The committee also establishes compensation structures, including salary, benefits, and incentives, to ensure they are competitive and aligned with organizational goals. By focusing on effective talent acquisition and fair compensation, the RSCC helps ensure that the company maintains a motivated, skilled workforce that drives business success.

The RSCC consists of the following members:

1. Chief Operating Officer - Convenor
2. Head - People and Culture- Member Secretary
3. Chief Finance Officer
4. Chief Technology Officer
5. Chief Strategy Officer
6. Chief Business Officer

Occupational Safety & Health Committee (OSHC)

The Occupational Safety & Health Committee (OSHC) is responsible for overseeing and ensuring the health, safety, and well-being of employees within the organization. The committee develops, implements, and monitors safety policies, procedures, and practices to minimize workplace hazards and ensure compliance with health and safety regulations. By fostering a safe working environment, the OSHC helps prevent accidents and injuries, contributing to the overall productivity and well-being of employees.

The OSHC, with Chief Operating Officer (COO) as Convenor and a provision of inviting additional members as and when needed, consists of different team members from cross-functional departments representations including:

1. Management Representative, Chief Operating Officer (Convenor)
2. Female Representative, Member Secretary
3. Representative from Officer Level or below
4. Departmental Representations
 - Risk Management & Compliance
 - People & Culture (Human Resource)
 - Administrations

Procurement Evaluation Committee (PEC)

The Procurement Evaluation Committee (PEC) is responsible for overseeing and evaluating the procurement process within an organization in line with the Company's Administration Policy. This committee ensures that all procurement activities are conducted fairly, transparently, and in compliance with the company's policies and regulations. The PEC reviews and evaluates bids or proposals from suppliers, assesses their compliance with the required specifications, and makes recommendations on the selection of vendors or service providers. The goal of the PEC is to ensure that the organization receives the best value for its purchases while maintaining high standards of integrity and accountability in the process, supporting effective procurement decisions.

The Committee consists of the following members:

1. Chief Operating Officer
2. Chief Finance Officer
3. Administration Manager

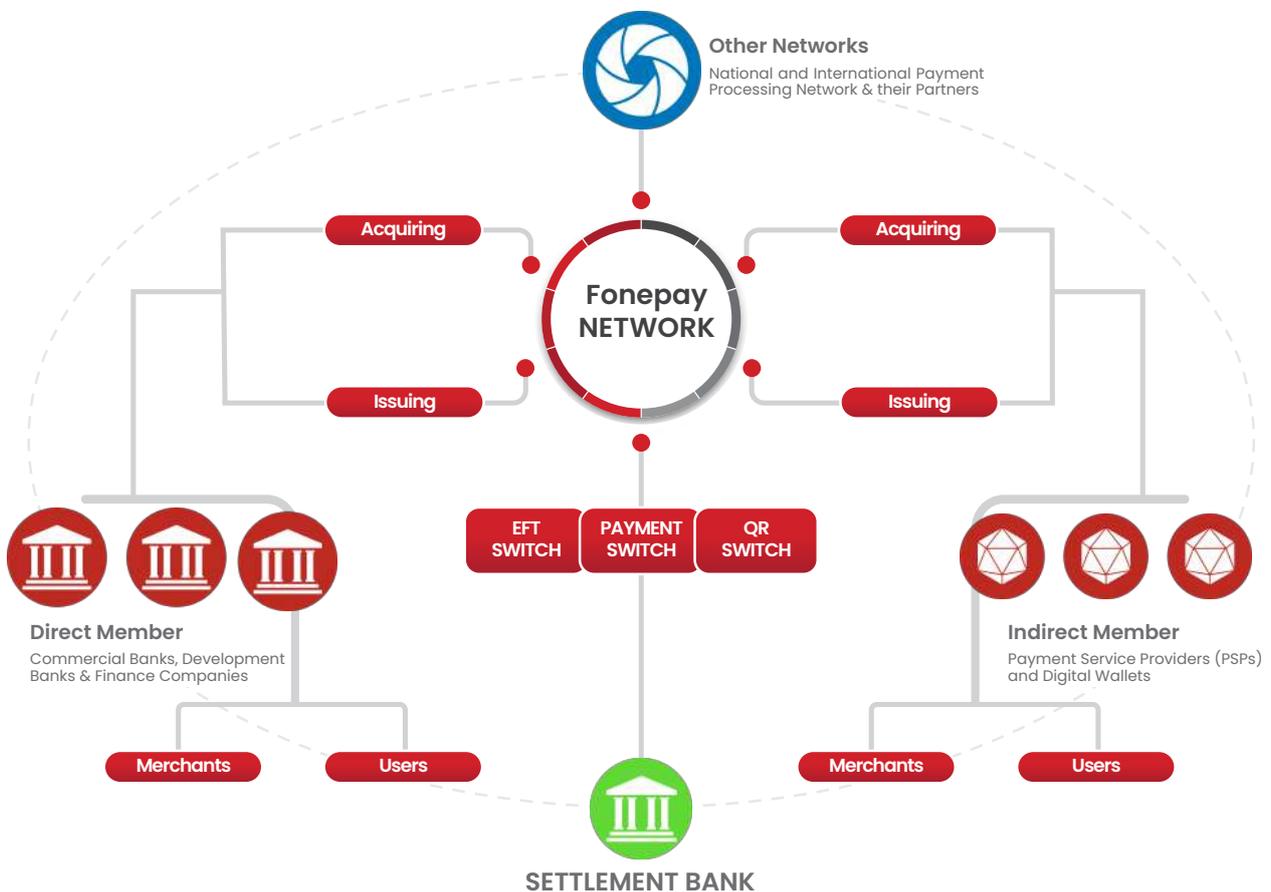
Fonepay Architecture

Fonepay as a Network

Fonepay, Nepal's largest interoperable retail payment network, operates as a licensed Payment System Operator (PSO) under the regulatory oversight of Nepal Rastra Bank. The network acts as a national digital payment infrastructure, connecting banks, financial institutions, payment service providers, merchants, and consumers within a unified ecosystem.

While Fonepay may appear to directly issue QR codes to merchants or mobile banking applications to end users, its core function lies in enabling interoperability by providing the switching, routing, and settlement infrastructure that facilitates seamless transactions across multiple use cases, including:

- Fonepay QR – enabling interoperable merchant payments across member banks and PSPs.
- Fonepay Direct (IBFT) – facilitating real-time account-to-account fund transfers between financial institutions.
- Fonepay Bills – integrating billers and service providers for instant digital bill payments through member bank channels.
- Cross-Border Payments – supporting international interoperability through partnerships with regional networks (e.g., NPCI, India).



At its core, Fonepay operates as an interoperable switching network, seamlessly connecting diverse stakeholders across Nepal's digital payment ecosystem. As an interoperable national switch, Fonepay enables seamless integration among Banks and Financial Institutions (BFIs) and Payment Service Providers (PSPs) for multiple payment use cases, including P2P transfers, merchant QR payments, and bill settlements. When a consumer initiates a transaction, whether by sending money using a mobile number or account details or scanning a QR code, the information securely traverses through the Fonepay Network, ensuring real-time, safe, and reliable payment processing.

In person-to-person (P2P) transactions, Fonepay facilitates the secure exchange of transaction data between the Originating Depository Financial Institution (ODFI), the sender's bank, and the Receiving Depository Financial Institution (RDFI), the receiver's bank. Similarly, in merchant payment transactions, Fonepay routes the information between the Issuing Bank (consumer's bank) and the Acquiring Bank (merchant's bank), enabling instant and frictionless payments.

A brief overview of how Fonepay functions as a national payment network is as follows:

- **Transaction Initiation:** A user initiates a Fonepay Direct (IBFT) or Fonepay QR transaction through a mobile banking or payment application, which sends the transaction request to the user's Issuing Bank.
- **Authorization:** The Issuing Bank transmits transaction details to Fonepay, which routes them to the respective RDFI or Acquiring Bank. Upon receiver verification, the response is relayed back through Fonepay to the Issuer Bank for authorization. The Issuer Bank then approves or declines the transaction and communicates the outcome through Fonepay's secure network.
- **Clearing and Settlement:** Once authorized and is approved, Fonepay facilitates clearing (verification and reconciliation) and settlement (fund transfer) between participating banks. Currently, three settlement cycles are processed daily through a designated settlement bank, ensuring timely fund movement and operational efficiency.

As an interoperable network, Fonepay acts as a central switching system to facilitate various types of payments between users and merchants from various Banking and Financial Institutions (BFIs) and Payment Service Providers (PSPs). The figure below presents the participants of the Fonepay Network.

Fonepay Memberships

Fonepay has been offering various types of payment programs since its inception. While Fonepay started with the Interbank Fund Transfers Program and QR Payment Program, these payment methods and services have been extended towards different schemes and programs from time to time with the help of the latest technology and solutions. All the licensed BFIs, PSPs, PSOs or any other institutions that intend to participate in the Fonepay Network, submit membership intent/application to Fonepay, which are then assessed for their eligibility and value propositions to the Network.

Currently, any institutions based on the following eligibility criteria can become a member of Fonepay:

- **Direct Membership:** The Issuing Bank sends the receiver details to Fonepay, which then sends it to the respective RDFI or Acquiring Bank. Once the receiver is verified, Fonepay communicates this message to the Issuer Bank. The Issuer Bank then approves or declines the transaction and communicates it to its users and RDFI or Acquiring Bank through Fonepay.

- **Indirect Membership:** Applicable to PSPs, PSOs, D-class institutions licensed by Nepal Rastra Bank, and other Non-Banking Financial Institutions licensed by the Nepal Government.
- **Technical Membership:** Technical members are non-bank financial institutions that have a communication link and are fully integrated with Fonepay Switch, enabling the member to exchange transfer messages with other members, but do not have a settlement account at the settlement bank specified by Fonepay to settle its financial obligations. Such members shall settle their transactions through a Direct Member as settlement bank.

Fonepay Members & Partners – Services Wise

Membership Type-Direct

	Member Banks List	IBFT	QR	BILLS	NPCI	VCC #
CLASS "A"	Agriculture Development Bank	✓	✓	✓	✓	
	Citizens Bank International Limited	✓	✓	✓	✓	✓
	Everest Bank Limited	✓	✓	✓	✓	✓
	Global IME Bank Limited	✓	✓		✓	
	Kumari Bank Limited	✓	✓	✓	✓	✓
	Laxmi Sunrise Limited	✓	✓	✓	✓	✓
	Machhapuchchhre Development Bank	✓	✓	✓	✓	
	Nabil Bank Limited	✓	✓	✓	✓	
	Nepal Bank Limited	✓	✓	✓	✓	
	Nepal Investment Mega Bank Limited	✓	✓	✓	✓	
	Nepal SBI Bank Limited		✓	✓	✓	
	NIC Asia Bank Limited	✓	✓	✓	✓	
	NMB Bank Limited	✓	✓	✓	✓	
	Prabhu Bank Limited	✓	✓	✓	✓	
	Prime Commercial Bank Limited	✓	✓	✓	✓	
	Rastriya Banijya Bank Limited	✓	✓	✓	✓	
	Sanima Bank Limited	✓	✓	✓	✓	
Siddhartha Bank Limited	✓	✓	✓	✓		
Standard Chartered Bank Limited			✓			

	Member Banks List	IBFT	QR	BILLS	NPCI	VCC #
CLASS "B"	Excel Development Bank Limited	✓	✓	✓	✓	
	Garima Bikas Bank Limited	✓	✓	✓	✓	
	Green Development Bank Limited	✓	✓	✓	✓	
	Jyoti Bikas Bank Limited	✓	✓	✓	✓	
	Kamana Sewa Bikas Bank Limited	✓	✓	✓	✓	
	Karnali Development Bank Limited**	✓	✓	✓	✓	
	Lumbini Bikas Bank Limited	✓	✓	✓	✓	
	Mahalaxmi Bikas Bank Limited	✓	✓	✓	✓	
	Miteri Development Bank Limited	✓	✓	✓	✓	
	Muktinath Bikas Bank Limited	✓	✓	✓	✓	
	Saptakoshi Bikas Bank Limited	✓	✓	✓	✓	
	Shangrila Development Bank Limited	✓	✓	✓	✓	
	Shine Resunga Development Bank Limited	✓	✓	✓	✓	✓
Sidhu Bikas Bank Limited	✓	✓	✓	✓		

	Member List	IBFT	QR	BILLS	NPCI	VCC
CLASS "C"	Best Finance Limited	✓	✓	✓	✓	
	Central Finance Limited	✓	✓	✓	✓	
	Goodwill Finance Limited	✓	✓	✓	✓	
	Guheshwori Merchant Banking & Finance LTD.	✓	✓	✓	✓	
	Gurkhas Finance Limited	✓	✓	✓	✓	
	ICFC Finance Limited	✓	✓	✓	✓	
	Manjushree Finance Limited	✓	✓	✓	✓	
	Multipurpose Finance Limited	✓	✓	✓	✓	
	Nepal Finance Limited	✓	✓	✓	✓	

	Pokhara Finance Limited	✓	✓	✓	✓	
	Progressive Finance Limited	✓	✓	✓	✓	
	Reliance Finance Limited	✓	✓	✓	✓	
	Samriddhi Finance Limited	✓	✓	✓	✓	
	Shree Investment and Finance Co. Limited	✓	✓	✓		

Membership Type-InDirect

	Member List	IBFT	QR	BILLS	NPCI	VCC
CLASS "D"	Laxmi Laghubitta Bittiya Sanstha Limited		✓			
	Nirdhan Utthan Laghubitta Bittiya Sanstha		✓			
PSPs	Cellcom Private Limited		✓		✓	
	City Wallet Pvt. Ltd.**		✓		✓	
	eSewa Limited		✓		✓	
	IME Khalti Limited*		✓		✓	
	Nepal Digital Payments Company Ltd.		✓		✓	
	Pay Nep Pvt. Ltd.**		✓		✓	
	Smart Card Private Limited		✓		✓	

* Both Khalti Pvt. Ltd. (Khalti) and IME Digital Solution Ltd. (IME Pay) were Fonepay members, and following the acquisition and merger, they are being operated as one.

** Prabhu Technology Private Limited (Prabhu Pay) and Sulav Pay Pvt. Ltd. (Sulav Pay) have been removed from the list following the Central Bank's public notices. Wallets like City Pay and Moru have been functional at Fonepay Network after FY 2081/82 onwards. Karnali Development Bank has been recently taken over by the Nepal Rastra Bank due to its unstable financial conditions. Though Corporate Development Bank is also a Direct Member to Fonepay, it is yet to be live to public customers.

Except for Citizens Bank International Ltd, Virtual Credit Card Issuance from other members were fully functional only after FY 2081/82 onwards.

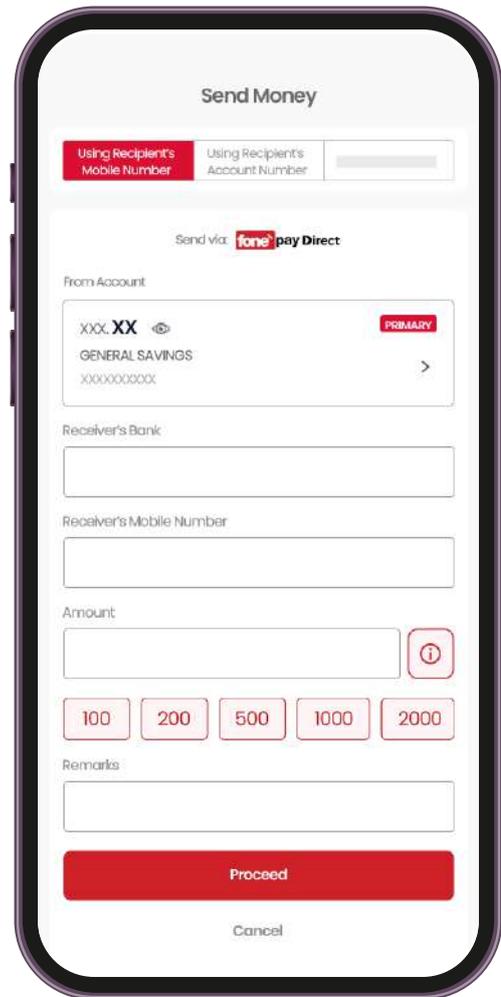
Fonepay Products and Services

Fonepay has been offering various payments & fund transfer services covering Person-to-Person and Person-to-Merchant exchanges, such as:

1. Interbank Fund Transfer – IBFT (Fonepay Direct)

While the users can perform bank transfers using the recipient's Account Name, Account Number and Bank, the easier way is that the user can opt to transfer the fund by only inputting the 10-digit mobile number and the destination bank. This service is known as Fonepay Direct as users can send money directly by using only the mobile number of the recipient.

Fonepay Direct has been one of the popular services offered by Fonepay since its first year of operations, and it was the first one to initiate transfers from a unique personal identification number as a mobile number. Fonepay Direct started with a couple of hundred transactions in its initial year. In Fiscal Year 2081/82, Fonepay has processed more than 148 million transactions amounting up to 2.834 trillion Nepali Rupees.



2. QR- Based Merchant Payments

Fonepay introduced Fonepay QR, a QR-based payment solution that enables users to make secure, instant, and convenient transactions directly from their mobile banking apps or other payment applications by simply scanning QR codes at the merchant's point of sale. This Fonepay QR is EMV-compliant, aligning with the NepalQR Standardization Framework and Guidelines 2021 issued by Nepal Rastra Bank. It ensures full interoperability with any other EMVCo-enabled QR payment system and reinforces the highest global standards of security and reliability.

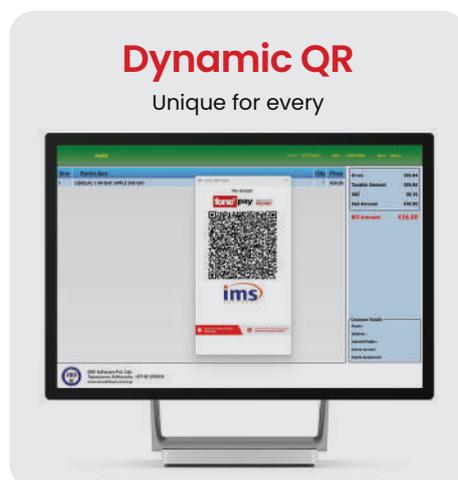
QR payments represent the most popular and widely adopted form of digital payment in Nepal. QR Transactions have seen tremendous growth in the past couple of years. As the adoption is on the rise, we witnessed 84% growth in transaction count from FY 80/81 to FY 81/82, representing a growth of 72% in transactional value.

- **Domestic QR Payments**

Over 1.7 million merchants across Nepal accept Fonepay QR, making it the most extensive and trusted digital payment channel in the country, allowing users to make cashless payments by scanning a QR code displayed at a merchant's outlet through their respective bank or wallet app.

Merchants can also integrate their billing systems directly with Fonepay QR to generate Dynamic QR codes for every transaction, ensuring real-time payment accuracy and efficiency. With minimal infrastructure cost and simple onboarding, Fonepay QR is accessible to merchants of all sizes, from large businesses to MSMEs, all over Nepal.

Furthermore, third-party businesses such as billing software providers, e-Commerce platforms, and mobile applications can register with the Fonepay network and integrate seamlessly through secure APIs. This integration enables direct acceptance of Fonepay QR payments from all partner banks and payment service providers (PSPs) within the network.



- **Cross-Border QR Payments**

With its interoperability and ease of adoption, Fonepay QR has become a leading enabler of Nepal's digital economy, bridging consumers, merchants, and financial institutions into a single, seamless payment ecosystem. QR payment has been expanded beyond Nepal to accept payments from international users and facilitate cross-border payments.



Building on the strategic partnership established in 2024 between Fonepay and NPCI (National Payments Corporation of India), this initiative enabled interoperability between Fonepay QR and UPI-based applications. This cross-border payment solution allows Indian consumers to make payments at Nepali merchants using their existing UPI-enabled apps. The collaboration laid the foundation for safe, efficient, and cost-effective cross-border transactions benefiting citizens, travelers, and businesses in both countries. Beyond its immediate convenience, the service marks the beginning of a broader regional integration vision, setting the stage for future interoperability with other neighboring countries and strengthening Nepal's position in the evolving digital payments landscape. In the FY 2081/82, Fonepay processed more than 982 thousand cross-border QR transactions worth 2.69 billion Nepali Rupees. This is a tremendous growth with a 726% of growth in transaction count.

Fonepay's cross-border interoperability continues to expand, with Alipay+ integration complementing existing NPCI India connectivity from FY 2082/83 onwards, further enhancing merchant acceptance and facilitating foreign customer transactions in real-time.

3. Fonepay Bills

Features for Users



Unified Service

Aggregates utilities, telecom, DTH, insurance, and more into one platform



Scalability

Handles high transaction volumes and supports future growth.



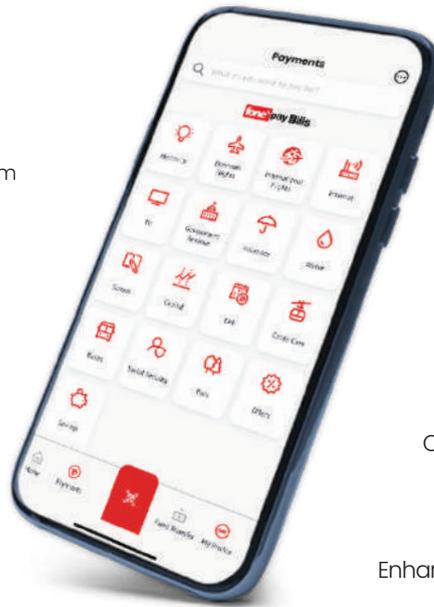
Seamless Experience

Consistent and reliable payments for all billers



Single Integration

One integration enables all issuers to access the service.



Benefits for Issuers

Streamlined Integration

Streamlines onboarding & reduces technical overhead



Enhanced Reach

Offers a wider range of bills payment services



Increased Efficiency

Centralized system reduces operational complexity



Improved Retention

Enhances customer satisfaction and loyalty



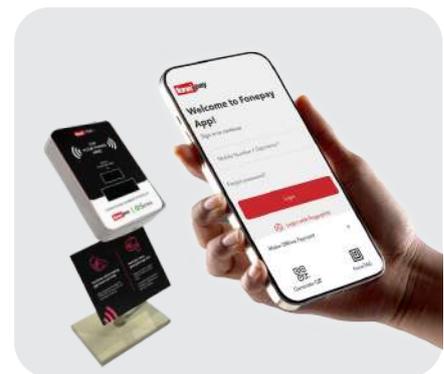
Another form of Merchant Payment offered by Fonepay is the Online Payment Platform Service. Commonly known as Fonepay Bills or Hub, it is all-in-one merchant marketplace that lets customers directly pay for their bills such as Electricity, Water, TV, Internet, EMI, Government Revenue, Education, Airlines, and more. Users can use online payment systems from the web or mobile banking apps of Fonepay Members and select various banks to make payments.

In Fiscal Year 2081/82, Fonepay processed more than 5.6 million Fonepay Bills transactions worth 22 billion Nepali Rupees.

4. FoneTAG (Fonepay Tap and Go)

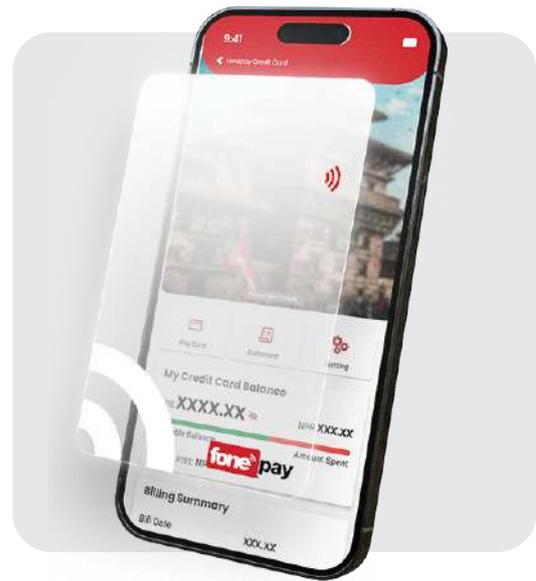
With previous QR payments, there was a need of Customers being online & customers always initiating the transactions. FoneTAG, an offline payment feature, was introduced to address the pain point of expensive mobile data, unreliable or unavailability of internet connections during online transactions in Nepal.

FoneTAG utilizes the Tokenization Technology to make successful payment transactions, and is also a form of Pull-based Payments, where merchants are the ones who initiate the transaction. It is Nepal's first offline payment solution that enables customers to make merchant payments by presenting NFC (Near Field Communication) or a CPQR code (customer presented QR code) from a mobile banking app, even in areas with limited or no internet connectivity. Merchants are connected to the system online through the POS (Point of Sales) Devices or the Fonepay Business App, through which they can initiate payments.



5. Fonepay Card Solutions:

Fonepay's Card Solutions provide an integrated ecosystem for digital credit and card management, combining consumer convenience with partner bank enablement. Through the Virtual Credit Card (VCC), users enjoy instant, secure, and fully digital payments, while the Card Management System (CMS) empowers banks with a scalable, managed platform to administer card lifecycle operations efficiently.



- **Virtual Credit Card (VCC)**

Fonepay's Virtual Credit Card (VCC) is a fully digital credit instrument issued under the Fonepay Card Program, designed to deliver convenience, security, and control for everyday payments. Available through partner banks' mobile or payment applications, the card enables instant issuance and secure storage on a user's device, eliminating the need for a physical card. Denominated in Nepalese Rupees (NPR), the VCC supports domestic digital transactions across Fonepay's extensive merchant network of over 1.7 million merchants nationwide, making it the most widely accepted credit card in Nepal. Within its first year of launch in September 2024, the card has already attracted over 10,000 users across all 77 districts.

The VCC aims to revolutionize access to credit in Nepal, empowering individuals with financial freedom and enabling seamless digital transactions. Key features include real-time transaction tracking, customizable PINs, card freeze/unfreeze options, and secure authentication, ensuring safe, transparent, and user-controlled credit management.

For partner banks, the program provides opportunities to issue or acquire licenses and extend modern digital credit solutions, supporting Nepal's evolving digital financial ecosystem.

- **Card Management System (CMS)**

Fonepay's Card Management System (CMS) is a scalable, multi-tenant managed platform enabling banks and financial institutions to manage the full lifecycle of credit cards with flexibility and control. The CMS supports end-to-end processes, including onboarding, issuance, activation, operations, transaction monitoring, and closure, all within a secure and configurable environment. Role based access ensures appropriate rights for super admins, central users, and branch operators, while integration with bank APIs allows seamless coordination between central operations and branch level activities. Its modular workflows, including rule based card closures and digital self service activation, reduce manual intervention and enhance operational efficiency.

As a managed service, Fonepay's CMS allows partner banks to focus on customer experience while leveraging a robust, compliant, and continuously evolving card infrastructure, reinforcing Fonepay's position as a full-stack digital payments enabler.

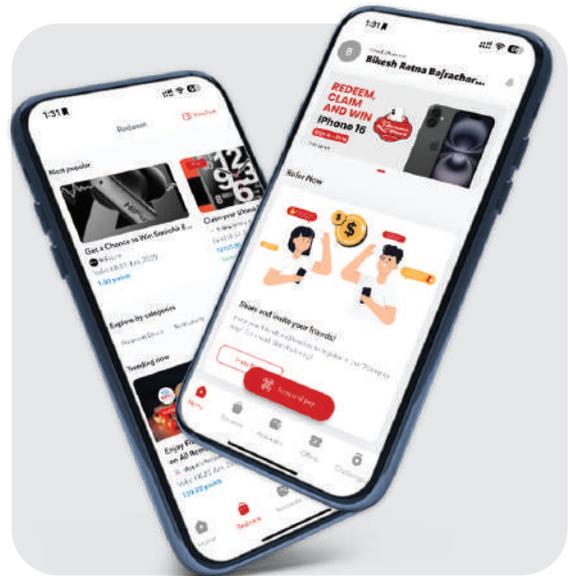
6. Fonepay App

The Fonepay App is a Fonepay user-facing digital platform whereby, users can complete secure, interoperable payments at different merchants, leveraging FoneTAG and other QR-enabled features. Users can link their bank account from available Fonepay Member Banks and PSPs and send money and make merchant payments directly from the application.

While its primary purpose is to enable consumers to transact seamlessly, the app also serves as a proving ground for innovation, allowing Fonepay to test and refine new functionalities before integrating them into member's mobile applications or similar other instruments.

Being the in-house app, Fonepay has been leveraging this app for research and development of innovative products and service programs, such as Offline Payments. This ensures that innovations are reliable, user-friendly, and ready for broader adoption across the ecosystem.

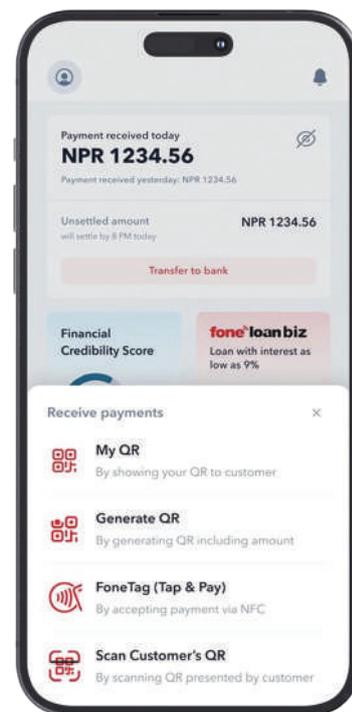
Users can also view their complete details of Loyalty Points collected from the use of Fonepay Services and redeem the points on various offers provided in the application.



7. Fonepay Business App

The Fonepay Business App is a versatile, user-friendly digital payment solution designed to enhance the merchant experience across Nepal. Tailored for businesses of all sizes, the app enables merchants to accept payments via QR codes and provides real-time tracking of transactions, offering complete visibility over daily collections and financial activity.

Merchants can monitor and manage payments, streamline accounting, and access multiple settlement options, including on-demand withdrawals, improving liquidity and operational control. Real-time voice and push notifications ensure merchants are promptly alerted when payments are received, enhancing transparency and reducing reliance on traditional SMS alerts.



Fonepay Business Academy: Empowering the Ecosystem

The Fonepay Business Academy (FBA) is a strategic initiative of Fonepay Payment Service Limited, established to empower and uplift its ecosystem of partners, merchants, and users by bridging the knowledge gap in digital payments. As a PSO, Fonepay's success depends on the effectiveness of all stakeholders across its network, including issuers/ODFIs, acquirers/RDFIs, service teams, consumers, and merchants. While marketing initiatives generate awareness, the real driver of lasting adoption and engagement is the ability of service teams and partners to deliver reliable, informed, and high-quality service. Recognizing this, FBA was founded as a dedicated learning and enablement hub to provide timely, structured, and comprehensive capacity-building support. It equips both partner institutions and internal teams with the knowledge, tools and confidence required to navigate Fonepay's products, features, risks, processes, and the evolving digital payments landscape.



Beyond its core training modules, FBA advances ecosystem literacy, strengthens partner engagement and addresses the "Social" pillar of the ESG framework by empowering communities through digital-literacy programs across provinces, engaging underserved groups and uplifting merchants and by investing in the development and well-being of internal employees. Through interactive workshops and tailored digital-literacy programs, FBA delivers hands-on training in payment platforms, customer-service handling, fraud prevention, and upcoming fintech products.

Through interactive sessions, peer learning and targeted support, we have enabled hundreds of women across Nepal to adopt digital payment methods with confidence, broaden their business reach and foster greater financial independence.

A series of targeted capacity-building workshops has been conducted for our member clients, equipping them with the practical knowledge and operational tools to elevate service delivery in the digital payments ecosystem. These workshops have spanned: Fundamentals of Payment Service Programs & Customer Service Handling, Digital Payment Operations: Payment Processing, Reconciliation & Dispute Management, and Cross-Border Payments: Opportunities, Risks & Challenges. These workshops have empowered our clients to sharpen their operational efficiency, improve customer-facing capabilities and confidently navigate both domestic and international payments landscapes.

The Academy stepped forward to engage Nepal’s youth in the journey toward digital-financial empowerment through “DigiSmart Nepal” campaign during Global Money Week 2025, leveraging quizzes, interactive sessions, regional outreach and QR-payment promotion to nurture thoughtful digital-finance habits among the youths. The sessions were conducted covering essentials such as the evolution of payments, the benefits of bank accounts and digital wallets, smart spending, cybersecurity and safeguarding against online fraud.

Client Focused Workshop Activities

Reached and trained	116+ individuals
Provinces Covered	2 provinces
Total Capacity building workshop Held	3 workshops

Digital Payment Literacy Activities

Reached and trained	1,689 individuals
Women Reached	449 women
Provinces Covered	3 provinces



Disclosure of Information required as per the Company Act 2063

(Director's Report under Section 109)

Dear Shareholders,

It is an immense pleasure to welcome you all to the 6th Annual General Meeting (AGM) of FY 2081/82 of Fonepay Payment Service Ltd. On behalf of the Board of Directors, I am pleased to present the company's status, performance, and key achievements, along with the financial statements for the period from Shrawan 1, 2081 to Asar 31, 2082 (FY 2081/82). In accordance with Section 109 of the Nepalese Company Act 2063, the company ensures timely and transparent disclosure of material information to shareholders, regulators, and stakeholders. The following sections outline the key statutory and operational disclosures:

a. Performance Review of Last Year

A key highlight of the Company has been included below; more details have been included in our audited financial and its notes sections:

Key Transactional Highlights

Fonepay Product/ Services (Transactional Info)	Change in Counts	FY 2081/82		FY 2080/81	
		Volume (In Thousands)	Value (In Cr)	Volume (In Thousands)	Value (In Cr)
QR	183.90%	302,091	76,670	164,268	44,617
IBFT	138.31%	148,490	283,603	107,362	199,675
Bills(Online Payments)	24.37%	5,659	12,497	4,550	1,554
Cross-Border QR	726.42%	982	269	135	32

Key Financial Highlights

Particulars	FY 2081/82 (In Cr)	FY 2080/81 (In Cr)	% Change
Revenue From Operations	97.32	72.65	33.95%
Operating Expenditure	(38.48)	(29.97)	28.41%
Profit from Operation	54.03	34.42	56.96%
Total Comprehensive Income	31.51	18.77	67.87%
Retained Earnings & Reserves	39.90	13.72	190.93%
Total Equity Attributable to Shareholders (Including Share Capital)	91.76	64.22	42.89%

b. Effect, if any, caused on the transactions of the company from the national and international situation:

- **Cash Dominance and Adoption**

Despite the company's impressive last five-years growth trajectory, the predominance of cash transactions remains a significant barrier. Widespread adoption of digital payment solutions continues to be crucial for maintaining growth momentum in the coming years.

- **Market Competition and Pricing Pressure**

In a relatively small market, nine Payment System Operators (PSOs) compete intensively for the same customer segments. The growing perception that digital services should be free threatens the ecosystem's ability to generate sustainable revenue.

- **Investment and Innovation Sustainability**

Digital payment infrastructure requires substantial and continuous capital investment in technology, innovation, and R&D. The challenge lies in balancing competitive pricing with the need to generate sufficient revenue to support ongoing technological advancement and system maintenance.

- **Cybersecurity Concerns**

As a fundamental challenge in modern banking technology and digital financial services, cybersecurity remains a critical concern. These security challenges significantly impact user trust and adoption rates across the digital payment ecosystem.

c. Achievements in the current year as at the date of report and opinions of the board of directors on matters to be done in the future:

- Achieved 1 million successful QR transactions in a single day
- Honored as the highest income taxpayer in the Information and Communication Technology (ICT) sector by Government of Nepal
- Cross-border payment kicked off with AliPay+, China
- Research was conducted to bring new innovations in the market in the field of Tap and Pay service, blockchain, Account aggregation, and open banking services.

d. Industrial or professional relations of the company:

Fonepay's continued success is underpinned by the strong collaboration and shared commitment among its stakeholders, fostering a unified approach toward innovation and sustainable growth.

Fonepay maintains a constructive and collaborative relationship with its licensing authority, the Central Bank of Nepal (Nepal Rastra Bank), marked by regular communication and regulatory alignment. Following a comprehensive inspection by the Central Bank, Fonepay's Payment System Operator (PSO) license was successfully renewed and extended, reaffirming compliance with all supervisory and operational standards.

Fonepay is a member of the Asian Payment Network (APN). In 2025, Fonepay hosted the 21st APN Forum in Kathmandu, underscoring Nepal's growing stature in the regional payments ecosystem and through our active participation in APN-forums and working groups, we collaborate with leading payment systems across Asia to advance secure, efficient cross-border retail payment flows.

Fonepay continues its active participation as a member of the Federation of Nepalese Chambers of Commerce & Industry (FNCCI), contributing to policy dialogues and initiatives that promote financial inclusion, digital innovation, and the broader national digital economy agenda.

e. Alterations in the board of directors and the reasons therefore:

No such Change during the year.

f. Major things affecting the transactions:

The Company's business is majorly dependent on the behavior and acceptance of the Consumers using the network for making payments to the Merchants.

g. If there are any remarks in the audit report, the comments of the board of directors on such remarks:

Management to comply with the recommendations proposed by the Auditors

h. Amount recommended for payment by way of dividend:

A 19% of the paid-up capital (NRs 9,78,50,000/-) Cash Dividend has been proposed for FY 2081/82, subject to approval from AGM.

i. In the event of forfeiture of shares, details regarding the number of forfeited shares, face value of such shares, total amount received by the company for such shares prior to the forfeiture thereof, proceeds of sale of such shares after the forfeiture thereof, and refund of amount, if any, made for such forfeited shares:

No such details are available during the year.

j. Progress of transactions of the company and of its subsidiary company in the previous financial year and review of the situation existing at the end of that financial year:

There is no any subsidiary of the company.

k. Major transactions completed by the company and its subsidiary company in the financial year, and any material changes that took place in the transactions of the company during that period:

There is no any subsidiary of the company.

l. Disclosures made by the substantial shareholders of the company to the company in the previous financial year:

No such information is provided by the shareholders.

m. Details of shareholdings taken by the directors and officers of the company in the previous financial year and, in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect:

Details of Shares held by the Directors and the Officers as on Ashad end, FY 81/82:

Names of Directors and the Officer	Share Units held
Sambhav Sirohiya, Director	10,000.00
Diwas Kumar, CEO	100,000.00

n. Details of disclosures made about the personal interest of any director and his/her close relative in any agreements related to the company during the previous financial year:

No such details available during the year.

o. In the event that the company has bought its own shares (buy-back), the reasons for such buyback, number and face value of such shares, and the amount paid by the company for such buy-back:

No such details are available during the year.

p. Whether there is an internal control system in place or not; and details of such system, if it is in place:

Internal Control Mechanisms are in place and governed by:

- a. Administration Policy
- b. People & Culture Policy
- c. Financial Administration Policy
- d. Information Security Policy
- e. AML/CFT Policy
- f. Risk Management Policy
- g. Dividend Policy
- h. Compliance Policy

In addition to it, the Internal Auditor, outsourced to an external audit firm, reviews any control gaps/lapses and provides necessary suggestions to improve.

q. Details of total management expenses during the previous financial year:

Summary of the total management expenses category wise:

- a. Administration and similar expenses: Rs 81,289,279.36
- b. Employee Benefit and similar expenses: Rs 181,899,201.60
- c. Business Development and similar expenses: Rs 121,607,424.62

r. Name-list of the members of audit committee, remuneration, allowances, and facilities received by them, details of the functions performed by that committee, and details of suggestions, if any, made by that committee:

Details of functions and duties carried out by the Audit Committee are as per the Terms of Reference approved by the Board of Directors.

Details of the Committee members and remuneration in the capacity of Audit Committee are as follows:

Committee Members	Remuneration & allowances
Siddhant Thakuri, Chairman	Not Taken
Avish Acharya, Expert Member	Not Taken
Anish Bhurtel, Member Secretary	Not Taken
Basanta Pandey, Permanent Invitee	Not Taken

s. Amount, if any, outstanding and payable to the company by any director, managing director, chief executive, substantial shareholder or his/her close relative or by any firm company, corporate body in which he/she is involved:

No such information is available, other than regular business transactions.

t. Amount of remuneration, allowances and facilities paid to the director, managing director, chief executive officer

Details as below:

Name	Capacity	Salary & Benefits	Board Meeting Allowance
Mr. Sashin Joshi	BOD Chair (Current)		180,000
Mr. Sambhav Sirohiya	BOD Member (Current)		150,000
Mr. Siddhant Thakuri	BOD Member (Current)		140,000
Mr. Diwas Kumar	CEO	8,103,424.66	

u. Amount of dividends remaining unclaimed by the shareholders:

None

v. Details of sale and purchase of properties pursuant to Section 141:

Land with area of 2-8-1-0 (R-A-P-D) located at Kathmandu Metropolitan City, Ward no-05 has been purchased during the FY 2081/82.

w. Details of transactions carried on between the associated companies pursuant to Section 175:

Details of the Related Party transactions are summarized below:

Name of Party	Nature of Transaction	Opening Balance Payable/ (Receivable)	Transaction (Sales)	Transaction (Purchases)	Closing Balance Payable/ (Receivable)
Parent Company					
Flsoft International Pvt. Ltd.	Purchase	(3,13,51,050.82)	-	55,30,18,153.99	-
Common Holding Company					
ExtensoData Pvt. Ltd (Subsidiary of the Parent)	Purchase	-	-	1,20,00,000.00	-
Fonepoints Pvt. Ltd. (Subsidiary of the Parent)	Purchase/Sale	(1,58,20,000.00)	95,419.59	2,09,46,873.48	75,70,628.92
FoneNxt Pvt Ltd (Subsidiary of the Parent)	Sale	-	10,000.00	-	-
eSewa Ltd. (Associates of the Parent)	Purchase/Sale	69,96,279.99	8,35,27,501.51	5,17,38,879.54	1,48,07,755.12
Other Entities					
Kantipur Media Group, (Common Director)	Purchase	31,08,596.53	-	11,38,555.75	37,464.00

x. Any other matters required to be set out in the report of the board of directors under this Act and the prevailing law:

Necessary Information has been disclosed in the Annual Report and under Financial Statement disclosures.

y. Other necessary matters

Corporate Social Responsibility:

- Allocated NPR 3,150,575.34 out of the current year's profit to CSR Reserve/Fund. This reserve shall be utilized for an impactful CSR activity in the upcoming days.
- Besides different digital payment awareness, training, and workshops organized from time-to-time throughout the year, Fonepay took the initiative to lead the Global Money Week (GMW) movement in Nepal through a specially crafted campaign: "DigiSmart Nepal". The theme for GMW 2025, "Think Before You Follow, Wise Money Tomorrow," emphasizes financial decision-making in the digital age. As young people increasingly receive financial information through AI-generated content, influencers, and social media platforms, Fonepay identified the urgent need to help them critically evaluate sources and strengthen their financial literacy to avoid emotional and herd-driven decisions and therefore conducted this initiative to set the foundation for a long-term behavioral shift toward digital finance conducting nationwide digital financial literacy, on-ground activations, and a mass awareness campaign through both digital and traditional media channels.

Mr. Siddhant Thakuri
Director

Mr. Sambhav Sirohiya
Director

Mr. Sashin Joshi
Chairman

Financial Position & Performance

The Financial Performance of the company from its incorporation till FY 2081/82 is presented in the following table:

Particulars	FY 2076/77	FY 2077/78	FY 2078/79	FY 2079/80	FY 2080/81	FY 2081/82
Share Capital	100,000,000	100,000,000	505,000,000	505,000,000	505,000,000	515,000,000
Reserves & Surplus	-16,135,103	-16,828,446	-67,913,418	-48,152,442	137,161,094	402,578,128
Shareholders Fund	83,864,897	83,171,554	437,086,582	456,847,558	642,161,094	917,578,128
Net worth Per Share	83.86	83.17	86.55	90.46	127.16	178.17
Total Current Assets	88,499,173	64,614,227	414,781,256	329,825,701	625,257,436	553,739,940
Total Non-Current Assets	2,096,542	53,332,600	117,749,086	297,060,930	357,904,492	809,623,593
Total Current Liabilities	6,730,818	34,775,273	95,443,759	97,429,548	259,378,876	367,696,266
Total Non-Current Liabilities	-	-	-	72,609,525	81,621,959	78,089,140
Profit from Operation	-17,763,952	12,907,264	-44,075,905	65,009,014	344,205,094	540,279,804
Profit/Loss for the Year	-16,135,103	-693,343	-51,124,169	19,680,328	187,634,109	315,057,534
Earnings Per Share	(16.14)	(0.69)	(10.12)	3.90	37.16	62.32
Annual Bonus for Staff (On Average)				10 Days	2.6 Months	3.8 Months
Proposed Dividend	-	-	-	-	10.53%	19.00%

The financial results for the year reflect a period of substantial growth and strategic investment, positioning the company for continued long-term success. Our share capital has seen a modest increase of 2%. The company further plans to increase its capital base at least to NPR 80 Cr by Ashad end, FY 2084/85 by different means, including issuing of an initial public offering (IPO) to general shareholders in the upcoming fiscal years.

In terms of reserves and surplus, we experienced a remarkable growth of 194%, highlighting our strong performance in generating retained earnings. This increase reflects our commitment to reinvesting profits back into the business, ensuring a robust financial foundation that supports future growth and strengthens our overall position. The BOD of the company has decided to propose a 19% cash dividend for the fiscal year 2081/82 from the Retained Earning Reserves. Similarly, shareholders' funds grew by 43%, showcasing our ability to enhance the value we deliver to you, our valued shareholders, through improved profitability and prudent financial management. In addition to it, a bonus of 3.8 months of gross salary is an exceptional compensation package that significantly enhances Fonepay's ability to attract and retain top-tier talent engineers, security experts, and strategists who are critical for maintaining the company's market dominance and continuous innovation. It reinforces a culture where employees are directly rewarded for the company's overall achievement, boosting morale and productivity.

Our revenue from operations has grown by 34%, a testament to the strength of our business model and the continued demand for our products and services. This was achieved through aggressive digital awareness campaigns and brand-building activities, even reaching remote areas, thus reducing the digital divide. Focused on inclusiveness, retail payment was at the core of the operation for Fonepay. QR payment got widely accepted because of its convenience and reach. Given the context of Nepal with geographical constraints, QR payment soon became everyday necessity. QR transaction volume rose almost fourfold within the last 3 years reaching 766 billion in yearly transactional value. With wider acceptance P2P payment also became popular among Nepali users. Inter-Bank Fund Transfer has become one of the most preferred services. Compound Annual Growth over the period of last 5 years for IBFT stands at 87% in terms of transactional growth in volume and 111% transactional growth in value. Over the years more services were added like Fonepay Bills, cross-border payments, card Management Schemes and other auxiliary services. The pandemic (which overlapped with this period) acted as an accelerator, shifting millions of users from cash to digital, validating Fonepay's strategic timing and widespread network coverage. This growth, combined with a 68% increase in net profit after taxes, is a clear reflection of our ability to drive both top-line and bottom-line growth reflecting disciplined cost control, scaling of transaction volumes, and monetization of existing and new products & services. Our capital expenditure, evidenced by the increase in Non-Current Assets, represents a commitment to futureproofing Fonepay's dominance. By prioritizing the development of a best-suited platform, cutting-edge security, and scalable infrastructure, we have built the capacity to handle the nation's accelerating digital appetite, successfully processing transactions worth NPR 13.38 Arba in a single day while upholding our unwavering promise of high service reliability and quality for years to come.

Our constant Research & Development activities is serving as the innovation engine for Nepal's digital economy, transforming complex financial theories into national scale infrastructure. We are developing a secure digital bridge that enables users to consolidate and share financial data with explicit digital consent. A block-chain based consent mechanism was tested by implementing a decentralized, tamper-proof ledger to manage user permissions. We further are researching in Open Banking, specially on standardized API frameworks that allow third-party developers to build niche applications on top of Fonepay's secure rails. We further are researching in translating complex transaction data into "human" conversation and actionable insights to the network merchants through specialized AI-driven Chatbots.

We are particularly proud of this achievement as it demonstrates our improved efficiency and profitability, ensuring that we continue to deliver value to our shareholders and other stakeholders. While we continue to focus on strategic investments and prudent management of our resources, we are confident that these results reflect a solid foundation for the future. We remain committed to increasing shareholder value and driving sustainable growth, while carefully managing our liquidity and long-term obligations.

- Management Team

Our Approach to Value Creation



1. People and Culture



The People & Culture Department at Fonepay reflects our commitment to recognizing employees as invaluable assets and fostering a robust organizational culture. As a rapidly growing fintech company, it is crucial for us to cultivate an environment that honors our legacy while aligning all team members with our mission, vision, and strategic goals.

The **"TIGER on a CLIFF"** theme symbolizes our dedication to agility and resilience, which are essential traits in the fast-paced fintech industry. Our focus on nurturing talent and fostering a vibrant culture is central to our mission of attracting, developing, and retaining exceptional individuals who drive our success and innovation.

Fonepay is committed to providing equal employment opportunities to all employees and applicants without regard to race, color, religion, sex, physical ability, genetic information, language, or any other category protected by law. Our diverse workforce, comprising professionals from various sectors, enriches our organizational culture and enhances our ability to meet strategic objectives. While the 33% female representation is a significant national benchmark, particularly mandated in areas like political structures and civil service quotas. We are proud to state that Fonepay has consistently maintained a gender balance that surpasses the 33% female representation benchmark across all fiscal years.

The People & Culture team is committed to creating an environment of continuous growth through innovative training and development programs, ensuring that our employees are well-equipped to thrive in a dynamic marketplace.

We prioritize a workplace culture that promotes well-being, collaboration, and inclusivity. Our initiatives celebrate diversity, encourage open communication, and support work-life balance, all while adhering to the prevailing Labour Act and Bylaws to maintain a fair environment for all.

Our talent strategy is fundamentally aligned with achieving maximum operational leverage and sustainable profitability. Though the overall payroll, excluding annual bonus, increased by 6.63%, the number of employees decreased by 2.44%, resulting in an increment in the average annual cost (salary and benefits) per employee. This means we have been able to retain highly skilled talent and reward high-value contributions; an average attrition rate consistently below 4% and specifically a recent rate of 1.53% denotes exceptionally high workforce stability. We successfully transitioned from a capital-intensive growth phase to a highly efficient, high-return enterprise managed by a stable, skilled workforce. While we strategically consolidated our team following the build-out of our core technology platform, our commitment to our talent remains evident in our exceptionally low average attrition rate, consistently indicating a positive and engaging work environment that retains critical institutional knowledge, allowing our stable core team to fully leverage automation and drive our record-breaking profitability.

Different Employee Engagement & Welfare Initiatives:

- **Vehicle Ownership Program:** Fonepay has introduced the vehicle ownership program for the employees from the officer level and above. There are 7 (seven) working employees who are enrolled in this program.
- **Employee Recognition Program:** Fonepay has always appreciated the extra efforts made by its employees. To honor these contributions, Fonepay has established different categories of employee recognition based on the duration of involvement and the impact of the contribution. These categories are:
 - a. Employee of the Year
 - b. Rising Star
 - c. TIGER Award
 - d. Quarterly Impact Award
 - e. High Five Award
 - f. Long Service Award
- **Staff Training and Development:** Every employee of Fonepay is developed with the required training for the optimum utilization of their skills. There are mandatory, general, and request-based training courses that boost the KSA (Knowledge, Skills, and Abilities) for effective and efficient results. At Fonepay, we target that each employee gets an opportunity to develop their capacity besides the company mandatory trainings. With a spending of over NPR 4.6 million during FY 81/82, we have been able to increase the average Learning Hours Per Employee to 28.90 hrs from 16.70 hrs from the last three years.
- **Workplace Safety:** Fonepay is committed to fostering a safe and healthy work environment through its "Zero is Possible" approach, aiming to eliminate employee injuries and illnesses. We prioritize protecting our team from workplace safety and health risks, with a strong focus on continuously improving our safety performance. Achieving a risk-free workplace requires collaboration, and we recognize the importance of collective effort in meeting our daily safety goals. The Occupational Safety and Health Committee (OSHC) plays a vital role in this mission, embodying the joint commitment of both management and employees to uphold a safe, cohesive, and responsible workplace.

- **Social Security:** Fonepay is registered under the Social Security Scheme in accordance with Labor Law, ensuring that every employee is covered by medical and accidental insurance. Additionally, the insurance coverage extends to employees' spouses, with contributions made to the Social Security Fund (SSF).
- **Engagement and Refreshment Activities:** Fonepay supports a healthy work-life balance by encouraging employees to enjoy life beyond the workplace. The company has been a pioneer in organizing engaging and refreshing activities that foster a sense of community. Annual sports events, including Futsal, Cricket, and Basketball reveal the hidden sportsmanship among team members. Additionally, company-sponsored outings, vacations, and dinner programs bring an extra layer of excitement and connection among employees.
- **Culture and Traditions:** Fonepay has always embraced diversity, treating everyone equally regardless of their attributes, gender, religion, or cultural background. The company actively celebrates the festivals of various ethnic groups and ensures that employees receive the appropriate holidays. Many of these celebrations also take place within the office, promoting a sense of inclusion and joy. Dashain is marked with a festive Dashain Fest, while Tihar is celebrated by making Rangolis. Holi and Teej are observed with equal enthusiasm. During the month of Ramadan, Muslim employees are provided with a clean and dedicated prayer space, reflecting Fonepay's commitment to respecting all faiths and practices.

2. Process & Technology

Fonepay is focused on two strategic priorities: expanding its network through global payment integrations and developing future-ready, innovative payment solutions, while simultaneously ensuring strict adherence to approved policies and procedures.

At the core of Fonepay's operations are process integrity, technological innovation, and regulatory compliance. These pillars drive our commitment to building a secure, seamless, and scalable digital payment ecosystem. Our dual focus is supported by a strong governance framework that aligns with Fonepay's IT policies, ISO 27001:2022, PCI/DSS standards, and the guidelines set by Nepal Rastra Bank. This comprehensive compliance foundation ensures risk mitigation, robust security, and operational resilience, reinforcing stakeholder trust in every transaction we power.

Fonepay's enterprise-grade infrastructure is engineered for high availability, fault tolerance, and scalability, enabling millions of secure transactions daily. We leverage on hyper-converged infrastructure solutions and enterprise grade database systems to optimize resource utilization, enhance performance, and ensure business continuity. Our network security is reinforced by advanced solutions from industry leaders, providing robust end-to-end protection of critical financial data. For real-time data management and analytics, we utilize industry-renowned database solutions, delivering precision-driven insights to support operational efficiency.

Our SRE and automation strategy ensures seamless integration, deployment, and monitoring. Using automated CI/CD pipelines and Orchestration solutions, we enable rapid deployment, system integrity & failover, and minimal downtime. Real-time monitoring, Application Performance Management (APM) is driven by the latest tech-enabled solutions, while Security Information and Event Management (SIEM) tools enable proactive incident detection. Implementation of asynchronous architecture in core systems has enhanced scalability, reliability, and efficient inter-service communication whereas careful planned SDLC has helped in shortening the product development timelines.

Fonepay's market-driven strategy supports data-led business intelligence, customer behavior analysis, and informed decision-making. Business teams rely on BI tools, in-house dashboards, and analytics to track KPIs, optimize campaigns, and improve customer engagement. Our digital-first marketing approach, powered by Campaign Manager, Meta Business Suite, Google Analytics, and AI-driven content creation tools, boosts brand visibility and promotes the adoption of digital payments.

Internally, our People & Culture team drives organizational growth using HRIS platforms, payroll automation, LinkedIn-based recruitment, and targeted employee engagement initiatives, ensuring a skilled and motivated workforce.

Our technology and processes are not merely operational tools; they are the primary engines of value creation and the fundamental driver of our performance. The successful execution of our technology roadmap has created massive operational leverage, directly converting market scale into shareholder return. Our focus remains on continuous process reengineering to identify and automate repetitive tasks, thus allowing our skilled workforce to focus on strategic development and system enhancement.

3. Risk Management & Compliance

Fonepay holds a license issued by the Nepal Rastra Bank, designating it as a Payment System Operator (PSO). The company operates under the purview of different laws & regulations along with its latest amendments. Key laws impacting Fonepay's core roles, nature, and functions are:

- Companies Act, 2063
- Payment and Settlement Act, 2075
- Payment and Settlement Bylaw, 2077
- Payment System Related Unified Directives, 2081
- Licensing Policy for PSPs/PSOs, 2079
- Cyber Resilience Guidelines, 2080 (2023)
- Income Tax Act, 2058
- Labor Act, 2074

Fonepay has established a strong compliance framework, adhering to regulatory standards for digital financial services. The company formulates and implements policies for daily operations and strategic decisions, ensuring transparency, and accountability.

Fonepay prioritizes risk management through robust oversight mechanisms that align with international best practices and regulatory guidance. Through various committees, sub-committees, teams, and groups, Fonepay has fostered a risk-aware culture within the organization. The company's Risk & Compliance Unit, which includes a Risk & Compliance Officer and Information Security Officer, manages the company's risk register, regularly updating it and reporting the risks faced by the business to the Audit & Risk Audit Committee.

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S.N	Risk Category	Risk Management Strategies
1	<p>Legal & Compliance Risk</p> <p>Risks related to non-compliance with NRB directives, laws, regulations, and industry standards.</p>	<p>Fonepay has maintained a compliance calendar to track and ensure timely reporting/submission to NRB and relevant authorities.</p> <p>Fonepay conducts an internal audit periodically, statutory audit and reports the observations to the Audit & Risk Committee for necessary feedback and recommendations.</p> <p>Fonepay maintains proactive communication with NRB to clarify ambiguities and demonstrate compliance culture.</p>
2	<p>Business & Strategic Risk</p> <p>Risks arising from decisions related to Fonepay's overall strategy, market positioning, and business model.</p>	<p>Fonepay prepares an annual business plan and budget that aligns with regulatory and technological trends, with approval from the BOD.</p> <p>Fonepay continuously monitors fintech innovations and adjusts strategies accordingly, and overall KPIs are reviewed in every quarter by the BOD meeting for feedback and necessary instructions.</p>
3	<p>Settlement & Credit Risk</p> <p>Risks arising when network participants are unable to settle their obligations leading to the possibilities of flow of the transaction does not complete as expected and a potential financial exposure.</p>	<p>Fonepay has mandated a pre-funding mechanism for all of its members with settlement account maintained at the settlement bank designated by Fonepay and encourages its members from time to time to avoid any negative consequences arising from such failures.</p>
4	<p>Reputational Risk</p> <p>Risks that could damage Fonepay's reputation, including customer dissatisfaction, negative media coverage etc.</p>	<p>Fonepay has established a customer support center for quick resolution of complaints and disputes and also assigned a separate Grievance handling officer for handling customer grievances.</p> <p>Fonepay has established a strong governance practice which ensures ethical conduct, data integrity, and transparent operations.</p> <p>Fonepay also tracks public sentiments through its various social media handles and also from news media and prepare a communication plan to address those issues.</p>

5	<p>Cyber Security & Systemic Risk Information security and cyber risks arising from technological failures & threats affecting Fonepay's IT systems, networks, and data. This includes hardware malfunctions, software vulnerabilities, data breaches, cyberattacks, & unauthorized access to sensitive information.</p>	<p>Fonepay has maintained ISO 27001:2022 and PCI DSS Certifications with are the international standards for data security and card operations.</p> <p>Fonepay has formed incident response team for Incident management & Communication Protocol which ensures transparent & timely resolution and communication during incidents.</p> <p>Fonepay has implemented the Principle of Least Privilege for all employees & enforced the use of multi-factor authentication (MFA) for all critical systems.</p> <p>Fonepay has established a separate Information Security Office & assigned an ISO for regular monitoring and threat detection.</p> <p>Fonepay has conducted regular Vulnerability Assessments & Penetration Testing (VAPT) of its internal & external systems.</p>
6	<p>Operational Risk Risks related to the internal processes, people, systems, and external events that could disrupt Fonepay's day-to-day operations.</p>	<p>Fonepay has formulated and implemented Business Continuity & Disaster Recovery Plan (BCP/DRP) for continuity of its operations.</p> <p>Fonepay has established an Incident Management Framework with defined SOP, escalation matrix, and also RCA (Root Cause Analysis) process.</p> <p>Fonepay has a separate change management committee which ensures a proper risk analysis and validation before any changes are implemented. And operation team members post the changes and implemented for continuous monitoring, support and escalations wherever and whenever required.</p> <p>Fonepay conducts regular staff training and updates its standard operating procedures in a timely manner.</p>
7	<p>Financial, Sustainability & Liquidity Risk Risks related to liquidity, credit, market fluctuations, fraud, and financial reporting.</p>	<p>Fonepay has daily, weekly, and monthly forecasting models that incorporate stress scenarios; it maintains minimum cash reserves that exceed the required reserve as per regulatory guidelines.</p> <p>Fonepay has implemented an industry leading ERP system for recording financial transactions with enforced segregation of duties with four-eye principle.</p> <p>Fonepay conducts an internal audit periodically through an independent audit firm for necessary feedback, corrections and recommendations for continuous improvements.</p>

Adherence to Global Standards: The PFMI Commitment

Fonepay operates a multilateral system that provides clearing and settlement services for digital payments (QR, fund transfers, etc.) between numerous participating institutions (64+ Banks and Financial Institutions), and as a major retail payment backbone connecting most commercial banks and handling high-volume daily transactions, Fonepay's operational stability is critical to the smooth functioning of Nepal's financial system. An operational failure could cause significant financial disruption across the country, Fonepay has been identified as Systemically Important Payment Systems (SIPS).

NRB, the Central Bank, is mandated to oversee, regulate, and develop the country's payment systems, ensuring alignment with international standards like the PFMI. To manage the systemic risk inherent in the role played, Fonepay has embraced the Principles for Financial Market Infrastructures (PFMI), the international standards for safety and efficiency in payment systems, as set by the CPMI and IOSCO. As a part of best practices, Fonepay has completed a comprehensive self-assessment against the full set of PFMI principles and submitted the **applicable PFMI disclosure reports to the NRB.**

AML/CFT Compliance:

Fonepay's commitment to compliance extends beyond internal operations. The company applies rigorous Know Your Customer (KYC), Anti-Money Laundering (AML), and Financial Crime Prevention practices, performing due diligence for its network members, international partners, and employees through Know Your Vendor (KYV) and Know Your Employee (KYE) procedures. Suspicious Activity Reporting (SAR) is also conducted in full compliance with regulatory bodies.

Internal Audit:

Fonepay's Internal Audit, outsourced to a third-party firm, ensures the accuracy and reliability of the company's financial reporting, operational effectiveness, and compliance with laws and regulations. The audit is conducted quarterly, covering various departments and functions. Insights from these audits inform decisions that improve governance and risk management practices.

The Internal Audit of the company for the FY 2081/82 was done by **PKF T R Upadhy & Co.**, a firm established in 1971 with over 50 years of professional experience in the field of audit, tax, business and financial advisory services in Nepal.

IS Audit & ISO Certification: Fonepay is ISO 27001 certified, demonstrating adherence to internationally recognized information security standards. This certification validates the company's commitment to safeguarding sensitive data, ensuring confidentiality, integrity, and availability. The company also prioritizes data privacy and security, employing secure communication channels to protect customer and business information.

The IS Audit of Fonepay was conducted by **Vibrant Consult Private Limited**, New Baneshwor, Kathmandu, Nepal and the ISO Certification 27001 was issued by Amtivo Group Limited.

As a part of regular security enforcement, ISO Office conducts regular internal audit on Information Security Management System in-line with security standards and further an external assessment are also carried out by an external independent firm, **Eminence Ways Pvt. Ltd.** including deep Vulnerability Assessment and Penetration Testing (VAPT).

Statutory/External Audit:

The statutory auditor, appointed during the Annual General Meeting, conducts the external audit to provide an unbiased opinion on the company's financial health, confirming its compliance with accounting standards. The audit opinion and detailed financial statements, along with notes to accounts, are incorporated into the financial information section of this report.

The statutory audit of Fonepay for FY 2081/82 was conducted by **N. B. S. M. & Associates, Chartered Accountants**.

Business Continuity, Disaster Recovery:

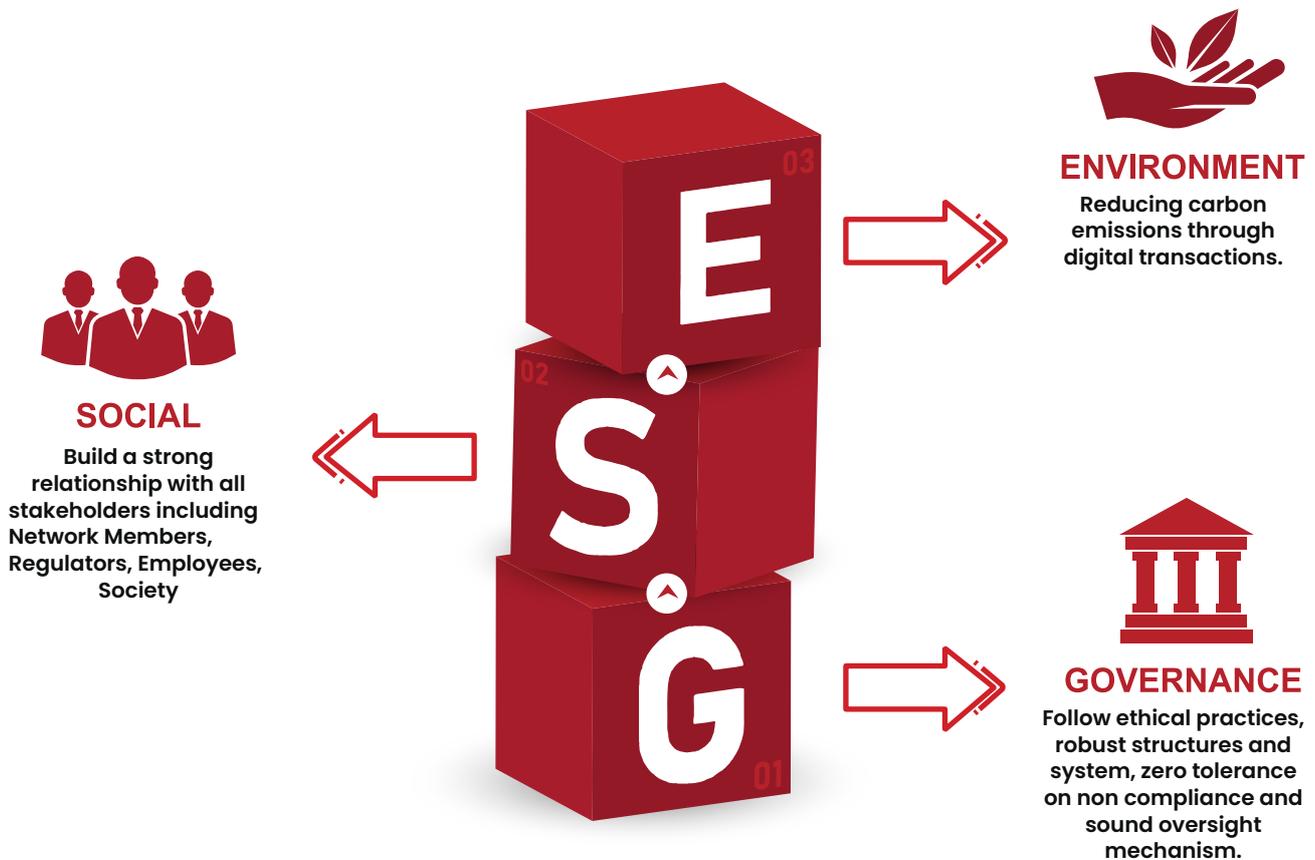
Fonepay's Business Continuity and Disaster Recovery (BCDR) framework is another key component of its risk management strategy. The company is committed to maintaining uninterrupted services and protecting its systems from disruptions, including natural disasters, cyber threats, and other risks. Regular updates to data backups, infrastructure resilience, and recovery procedures ensure that Fonepay can swiftly restore services, minimize downtime, and maintain customer trust, guaranteeing a seamless payment experience even in the face of unforeseen circumstances.

Fonepay's governance practices are reinforced by an independent board structure, further ensuring strong oversight, transparent reporting, and accountability in line with compliance and business transparency. This holistic approach positions Fonepay as a responsible and secure player in the digital financial services industry.

ESG Vision & Commitment

At Fonepay, sustainability is not a peripheral initiative, it is embedded within our corporate DNA and operational philosophy. As Nepal's leading payment network driving the nation's digital economy, we recognize that sustainable business success is driven by comprehensive management of material Environmental, Social, and Governance (ESG) factors. Our strategy is built on integrating digital payment innovation with responsible corporate stewardship. This section outlines our performance and commitment across the three core pillars that create long-term value for our shareholders, partners, and the nation while ensuring that growth remains ethical, equitable, and environmentally sound.

Our ESG approach reflects our commitment to embedding environmental stewardship, social inclusion, and strong governance into every facet of our operations and ecosystem. While this represents our first formal ESG disclosure, it also marks the beginning of a structured journey towards responsible growth aligned with the United Nations Sustainable Development Goals (SDGs) and Nepal's Green Finance and Digital Economy agendas. Where historical data is not available, we present baselines (FY 2081/82) and commit to progressive measurement and external assurance in subsequent periods.



FY 2081/82 key baselines & achievements

These metrics establish our FY 2081/82 reporting baseline for future performance comparability:

- Merchant & Banking Coverage: Network of >1.7 million merchants; connectivity across 99% of Banks & Financial Institutions (BFIs) in Nepal.
- Transaction Volume & Value: 457 million transactions processed; NPR 3.626 trillion transaction value.
- Paper savings: Estimated 2,285.81 tonnes of paper saved through digital substitution.

Estimation basis: The estimated paper saving of approximately 2,285 tonnes is derived using a transaction-substitution model based on Fonepay's FY 2081/82 total digital transactions (457 million). The model assumes that each digital payment replaces one paper-based transaction (Bank transaction slip avg. weight 5 grams of paper). The conversion factor of 1 tonne = 1,000,000 grams is applied. This estimation provides an indicative environmental impact measure and will be refined in future disclosures through empirical studies of merchant receipt behavior and data from partner banks.

- Adoption trends: QR payments account for ~75% of registered business usage; QR transaction CAGR ~100% (last 5 years).
- Operational targets (set for next fiscal): Digital transaction growth target 20%, System uptime target 99%, Cybersecurity incidents target 0, Paper usage reduction target 1,900 kg (FY+1 target).

a. Environmental strategy – “digital-first, carbon-aware”

Positioning: As a digital infrastructure provider, our primary environmental levers are transaction dematerialization, IT energy efficiency, and responsible device lifecycle management.

Actions completed / in progress:

- Enabled broad paperless transactions and promoted e-statements / digital receipts to merchants and consumers
- Managed energy efficient office design, open office set up, sunlight friendly design to lower power consumption, and green office set up.
- Work-In-progress for the memo management system, eliminating manual, paper-based internal communications and approvals.
- Implemented energy optimization initiatives like cloud-based collaboration tools, reducing dependence on physical office movements.
- Encouraged the transition to electric mobility through the Vehicle Ownership Program by providing preferential benefits for EVs compared to fossil fuel vehicles.
- Introduced the first-ever virtual card scheme, minimizing plastic usage over the use of physical card programs.

Our commitments

- Launch a vendor take-back / certified e-waste recycling program.
- Evaluate renewable energy procurement options for critical infrastructure.
- Promote a low-carbon culture across teams by embedding digital habits aligned with the company's sustainability roadmap.

b. Social Strategy – “Inclusive Growth, Empowered Communities”

Positioning: Financial inclusion is central to Fonepay's value proposition; broad merchant access and low-cost digital transactions drive formalisation and economic participation.

Actions completed / in progress:

- Continued expansion of merchant network across rural and underserved districts, targeted onboarding campaigns for micro-merchants. Managed Energy efficient office design, open office set up, sunlight friendly design to lower power consumption, and green office set up.
- Digital literacy & fraud-awareness programs delivered in partnership with different institutions like BFIs, educational institutions, and NGO partners including Nationwide Campaigns like Digi Smart Nepal.
- Promoted Women's Financial Empowerment by conducting Campaigns like Sakshyam Nari to address digital financial literacy and adoption, ensuring equitable access to the digital economy.

Introduced Employee welfare frameworks, including Social Security Fund (SSF) coverage, professional development, and health & safety policies.

Our commitments

- Research for Publishing disaggregated inclusion metrics: number of merchants onboarded in underserved areas; % transactions from remote districts; demographic indicators (gender split among merchants/agents).
- Drive Digital Inclusion by promoting a cashless and formalized economy.
- Institutionalise agent & merchant training curriculum and track training hours through the Fonepay Business Academy unit.

c. Governance Strategy – “Ethical by Design, Resilient by Structure”

Positioning: Robust governance and regulatory compliance underpin platform trust and commercial sustainability.

Actions completed / in progress:

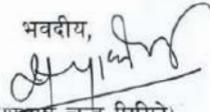
- Enforced strong cybersecurity & data privacy policies and procedures for continuous monitoring, periodic third-party penetration testing, and incident response capabilities.
- Proactive engagement with regulators like NRB on payments oversight, consumer protection and digital economy objectives.
- Rigorous due diligence for network members & international partners, vendors, and employees.
- A dedicated website created for the disclosure ESG practices aligned with Sustainable Development Goals.

Our commitments

- Integration of ESG themes in oversight of operational resilience, cyber risk, and compliance agenda of Audit & Risk Committee (ARC).
- Research for incorporating ESG criteria to be embedded into supplier onboarding and periodic performance evaluations.
- Establish a “Sustainability Team” to monitor, implement, and report the ESG related matters and targets.

Disclosure regarding Fonepay's ESG can further be found from <https://fonepay.com/esg-initiatives>

NRB AGM Clearance Approval

 नेपाल राष्ट्र बैंक भुक्तानी प्रणाली विभाग	केन्द्रीय कार्यालय बालुवाटार, काठमाडौं फोन: ०१ ५७१९६४१, ५७१९६४२ E-mail : psdept@nrb.org.np , psdos@nrb.org.np Web : www.nrb.org.np Ext. 1346
पत्रसंख्या : भु.प्र.वि./गै. नि/०८२/८३ चलानी नं.: १८०	मिति : २०८२/०६/२४
श्री फोनपे पेमेन्ट सर्भिस लिमिटेड पुल्चोक, ललितपुर ।	
विषय: नगद लाभांश वितरण तथा वार्षिक वित्तीय विवरण प्रकाशन गर्न स्वीकृति प्रदान गरिएको सम्बन्धमा ।	
<p>बाह्य लेखापरीक्षक श्री एन.बी.एस.एम. एसोसिएट्स (चार्टर्ड एकाउन्टेन्ट्स) बाट लेखापरीक्षण सम्पन्न गराई तयार गरिएको त्यस संस्थाको आर्थिक वर्ष २०८१/८२ को वित्तीय विवरणहरु प्रस्तुत/सार्वजनिक गर्ने तथा नगद लाभांश वितरण गर्ने अनुमतिका लागि अनुरोध भई आएको सम्बन्धमा भुक्तानी तथा फर्स्यौट ऐन, २०७५ को दफा २५ को उपदफा ३ बमोजिम देहायबमोजिमका निर्देशनहरु पालना गर्नेगरी वित्तीय विवरणहरु प्रकाशन गर्न र चुक्ता पुँजीको १९ प्रतिशतले हुने रकम रु. ९ करोड ७८ लाख ५० हजार बराबरको नगद लाभांश (कर समेत) वितरण गर्न स्वीकृति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।</p>	
निर्देशनहरु:	
<p>(क) संस्थाले लेखापरीक्षण गराउँदा वित्तीय विवरणको अतिरिक्त नीतिगत व्यवस्था, यस बैंकबाट दिइएका निर्देशनहरुको पालनाको अवस्था, लेखा नीतिहरुको पालनाको अवस्था एवं System Audit मा देखिएका कौफियतहरु र सोको कार्यान्वयनको अवस्था समेत Audit Scope मा समावेश गरी लेखापरीक्षण गराउने व्यवस्था मिलाउनुहुन ।</p>	
<p>(ख) स्थलगत निरीक्षणको प्रतिवेदन-२०८१ मा दिइएका निर्देशनहरुमध्ये कार्यान्वयन हुन बाँकी निर्देशनहरु कार्यान्वयन गर्नुहुन ।</p>	
<p>(ग) बाह्य लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका कौफियतहरु सुधार गर्नुहुन ।</p>	
<p>(घ) उपरोक्तानुसारका निर्देशनहरु शेरधनीको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशन गर्नुहुन ।</p>	
<p>भवदीय,  (शुभाष चन्द्र घिमिरे) निर्देशक</p>	

Independent Auditor's Report

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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 32, 2082 [July 16, 2025] 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 32, 2082 (July 16, 2025) 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 The company works in a heavily regulated financial technology industry. The nature of these operations involves:</p> <ul style="list-style-type: none"> • Inter-Bank Fund Transfer (IBFT – Person to Person) • Online Payments (Bills/Utilities Merchant Payments – Person to Merchant) • Digital/Online Payments through QR Technology (Merchant Payments – Person to Merchant) 	<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: Assessed the company's internal control over revenue recognition, including IT-systems controlling transaction data. Evaluated regulatory compliance processes in regard to the regulation of cross-border transactions and their alignment with revenue recognition processes.</p>

- Digital/Online Payments through Virtual Credit Card Technology (Merchant Payments – Person to Merchant)

- Cross-border transactions (India Person to Nepal Merchant)

These services are delivered after on-boarding banking and financial institutions as it's member and merchants under its network.

Revenue generating multiple sources including transaction fees, subscription services. Multi-jurisdictional complex contract structures, many of which have different legal regimes. Material judgments in identifying revenue, such as identifying performance obligations, allocate contract prices, and recognize revenue at a point 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.

The risk for revenue being recognized in an incorrect period presents a key audit matter due to the financial significance and nature of net sales in the financial statements.

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 to Merchants 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 any revenue for the company in the current financial year.

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/negligible transaction price, no contract liability from reward point has been recognized during this year.

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.

2. Contract Analysis: 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 estimate esrelated 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

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.

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

The accounting for reward points involves significant management judgment in estimating the provision, including assumptions regarding customer redemption behavior, timing, and the expected cost of fulfilling these obligations. Due to the inherent uncertainty in these estimates and the materiality of the provision, this area was considered to be of most significance in our audit.

3. Defined Benefit Obligations (DBO) and Actuarial Valuation

As per the Provisions of NAS-19, Employee Benefits, Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment [Except Payment in long-term plans covered under NFRS-2], which includes Short-term employee benefits, Post Employment benefits, Other long-term employee benefits and Termination benefits.

Other long-term employee benefits include items such as the following, if not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service: (a) long-term paid absences such as long-service or sabbatical leave; (b) jubilee or other long-service benefits; (c) long-term disability benefits; (d) profit-sharing and bonuses; and (e) deferred remuneration.

The Company has recognized a Defined Benefit Obligation (DBO) of NPR 2.73 million as at Ashad 32, 2082, based on an actuarial valuation performed in accordance with NAS 19.

Due to the inherent complexity and subjectivity involved in the actuarial valuation process, even small changes in these assumptions could materially impact the obligation recognized in the financial statements. As a result, the accounting for defined benefit obligations was considered to be a key area of focus in our audit.

4. Impairment of Financial Assets (ECL Model)

As per the provisions of NAS-32, Financial Instruments, A financial asset is any asset that is:

- a) Cash,
- b) an equity instrument of another entity
- c) a contractual right :
 - i. to receive cash or another financial asset from another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or

Following Audit Procedure have been followed by us:

- Evaluation of Actuary's Competence Capability and Objectivity.
- Assessment of Key Assumptions.
- Testing of Source Data.
- Review of Accounting Treatment Presentation & Disclosure.

Following Audit Procedure have been followed by us:

- Obtained an understanding of the entity's ECL model, including segmentation of receivables (e.g., bank vs. non-bank).
- Reviewed the methodology used for calculating ECL, including the use of provision matrices and forward-looking information.

d) a contract that will or may be settled in the entity's own equity instruments.

As per NFRS-9, An entity shall recognize a loss allowance for expected credit losses on a financial asset that is measured in accordance with paragraphs 4.1.2 or 4.1.2A, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply in accordance with paragraphs 2.1(g), 4.2.1(c) or 4.2.1(d).

The Entity has recognized lifetime expected credit losses (ECL) of NPR 284,348 for trade receivables, contract assets, and lease receivables, determined using a matrix model.

The determination of ECL involves significant judgment, including the selection of appropriate credit risk parameters, the use of historical loss rates, and the adjustments for macroeconomic conditions. Given the subjectivity in these estimates and the potential impact on the financial statements, the impairment of financial assets was a key area of focus in our audit.

- Assessed the reasonableness of Probability of Default (PD), Loss Given Default (LGD) & Adjustment Factors (AF).
- Compared assumptions with historical loss data and industry benchmarks.
- Review of Accounting Treatment Presentation & Disclosure.

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.

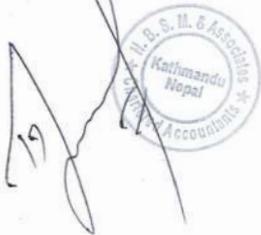
Report on Other Legal and Regulatory Requirements

To the best of our knowledge and according to explanations given to us and from our examination of the books of accounts of the company necessary for the purpose of our audit to the extent for the scope of our audit.

- a) 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.
- b) 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.

- c) 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.
- d) 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

Date: 04th Septemeber, 2025
Place: Kathmandu, Nepal

UDIN: 250905CA00461svSNP

Statement of Financial Position

As at Ashad 32, 2082

Notes	Particulars	Ashad end 2082 (NPR)	Ashad end 2081 (NPR)
	Assets		
	Non-Current Assets		
3.07	Property, Plant and Equipment	559,777,842.27	121,443,164.09
3.08	Investment Property		
3.12	Right of Use Asset	65,132,502.45	74,265,565.61
3.09	Assets Under Development	22,902,885.00	85,145,137.84
3.09	Intangible Assets	119,106,439.41	47,580,031.62
3.06	Deferred Tax Asset	38,894,724.24	25,661,393.33
5	Other Assets	3,809,200.00	3,809,200.00
	Financial Assets		
3.11	Investment in Subsidiaries and Associates		
	Total Non-Current Assets (A)	809,623,593.37	357,904,492.49
	Current Assets		
3.1	Inventory	5,376,928.73	8,367,383.81
5	Other Assets	188,587,426.43	76,765,322.82
	Financial Asset		
3.11	Trade and Other Receivables	22,801,394.52	60,042,917.05
3.11	Cash and Cash Equivalents	336,974,190.64	480,081,812.37
	Total Current Assets (B)	553,739,940.32	625,257,436.05
	Total Assets (A+B)	1,363,363,533.69	983,161,928.54
	Equity, Reserves and Liabilities		
7.01	Share Capital	515,000,000.00	505,000,000.00
	Share Premium	3,536,000.00	-
7.2	Reserves & Surplus	399,042,128.01	137,161,093.84
	Total Equity Attributable to Shareholders	917,578,128.01	642,161,093.84
	Non-Current Liability		
3.6	Deferred Tax Liabilities		
4	Lease and Other Liabilities	78,089,140.07	81,621,958.86
	Financial Liabilities		
3.11	Non-Current Financial Liabilities		
3.11	Long Term Borrowings		
	Total Non-Current Liability (D)	78,089,140.07	81,621,958.86
	Current Liability		
3.11	Creditors & Trade Payables	41,660,534.17	24,923,015.49
6	Taxes and Other payables	73,268,932.67	54,860,039.23
4	Lease and Other Liabilities	6,260,160.79	5,202,182.73
3.14	Provisions	246,506,637.98	174,393,638.39
	Financial Liabilities		
3.11	Current Financial Liabilities		
	Total Current Liability (C)	367,696,265.61	259,378,875.84
	Total Liability (C+D)	445,785,405.68	341,000,834.70
	Total Equity and Liabilities	1,363,363,533.69	983,161,928.54

As per our attached report on even date

Basanta Pandey, FCCA
CFO

Diwas Kumar, CEO

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

Siddhant Thakuri
Director

Sambhav Sirohiya
Director

Sashin Joshi
Chairman

Statement of Profit or Loss
For the year ended 32 Ashad 2082

Notes	Particulars	FY 2081/82	FY 2080/81
	Income		
3.01	Revenue from Operations	973,174,344.12	726,537,722.83
9	Direct Expenses	(48,519,615.96)	(82,798,320.18)
	Gross Profit	924,654,728.16	643,739,402.65
14	Other income	560,477.88	100,000.00
3.07	Gain/(Loss) on Disposal of NCA	(139,496.83)	-
	Operating expenditure	(384,795,905.58)	(299,634,308.77)
10	Administrative Expenses	(81,289,279.36)	(81,880,548.28)
3.05	Employee Benefit Expenses	(181,899,201.60)	(157,157,622.60)
11	Marketing and Branding Expenses	(121,607,424.62)	(60,596,137.89)
	Profit from Operation	540,279,803.63	344,205,093.88
12	Finance Income	13,609,559.72	16,138,270.70
13	Finance Cost	(8,566,200.49)	(8,857,150.27)
3.07	Depreciation Expenses	(30,905,260.33)	(29,058,628.72)
3.09/3.1 2	Amortization Expenses	(23,529,395.38)	(12,523,864.61)
3.11	Impairment Gain/(Loss)	(284,348.86)	-
3.14	Other Expenses	(70,168,213.41)	(49,693,584.60)
	Profit (Loss) Before Tax	420,435,944.88	260,210,136.38
	Tax Expense		
3.06	Current Tax	(118,611,741.62)	(78,548,789.55)
3.06	Deferred Tax	13,233,330.91	6,021,018.92
	Profit/ (Loss) for the year	315,057,534.17	187,682,365.75
	Other Comprehensive Income		
	Exchange gains/(losses) on re-translations	-	-
	Actuarial gains/(Losses) on Defined Employee Benefits (Net of Taxes)	-	-
	Other Comprehensive Income for the year (B)	-	-
	Total Comprehensive Income (A+B)	315,057,534.17	187,682,365.75
7.02	Basic Earnings per share	62.32	37.16

As per our attached report on even date

Basanta Pandey, FCCA
CFO

Diwas Kumar, CEO

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

Siddhant Thakuri
Director

Sambhav Sirohiya
Director

Sashin Joshi
Chairman

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Cash flow Statement

For the year ended 32 Ashad 2082

Particulars	FY 2081/82	FY 2080/81
Operating Activities		
Net Profit/(Loss) before tax	420,435,944.88	260,210,136.38
Adjustments		
Depreciation/Amortizations/Impairments	54,719,004.57	41,582,493.33
Income Tax Adjustments		
Non-Cash/Provisions Adjustments	7,431,343.28	42,832,126.97
Unrealized Gains	-	-
Profit/Loss on Disposal of assets	139,496.83	
Finance Income	(13,609,559.72)	(16,138,270.70)
Finance Expenses (Discounting)	8,566,200.49	8,857,150.27
Cash flows from Operation before Working Capital Changes	477,682,430.33	337,343,636.25
Increase/Decrease in Inventory	2,990,455.08	5,483,339.96
Increase/Decrease in Receivables	36,957,173.67	(45,355,630.45)
Increase/Decrease in Other Assets	(111,822,103.61)	(64,627,796.72)
Increase/Decrease in Liabilities	35,146,412.12	40,364,603.51
Lease/Rental Payment & Other Adjustments	13,577,663.02	(12,682,011.76)
Cash Generated from Operations	454,532,030.61	260,526,140.79
Taxes Paid	(78,548,789.55)	
Operating Cash flow (A)	375,983,241.06	260,526,140.79
Investing Activities		
Investment		
Purchase of PPE/WIP/Intangibles	(493,155,342.10)	(85,813,763.70)
Proceeds from Sale/Disposal of PPE	95,419.59	
Dividend Received	-	
Interest (on FD) Received	13,609,559.72	16,138,270.70
Investing Cash flow (B)	(479,450,362.79)	(69,675,493.00)
Financing Activities		
Proceeds from Issue of Shares	13,536,000.00	
Borrowings/Settlement of Borrowings		
Interest Paid		
Other Loans		
Dividend Paid	(53,176,500.00)	
Financing Cash Flow (C)	(39,640,500.00)	-
Net Cash Flow From All Activities (A+B+C)	(143,107,621.73)	190,850,647.79
Opening Cash and Cash Equivalents	480,081,812.37	289,231,164.58
Closing Cash and Cash Equivalents	336,974,190.64	480,081,812.37

As per our attached report on even date

Basanta Pandey, FCCA
CFO

Diwas Kumar, CEO

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

Siddhant Thakuri
Director

Sambhav Sirohiya
Director

Sashin Joshi
Chairman

Statement of Changes in Equity
For the year ended 32 Ashad 2082

Particulars	Share Capital	Share Premium	Retained Earnings	Accounting Reserves	CSR Reserve	General Reserve	Risk Bearing Reserves	Infrastructure Development Reserves	Total
Balance as at Shrawan 1, 2080	505,000,000.00		(58,941,995.68)	8,420,723.77	196,803.28				454,675,531.37
Issued Share Capital									-
Profit/(Loss) For the Year			187,682,365.75						187,682,365.75
Exchange Gain/Loss arising on translation									-
Dividend Paid									-
Movement in Actuarial Reserve			(6,021,018.92)	6,021,018.92					-
Movement in Deferred Tax Reserves			(1,876,823.66)		1,680,020.38				(196,803.28)
Movement in Other Reserves									
Balance as at Ashad 31, 2081	505,000,000.00		120,842,527.49	14,441,742.69	1,876,823.66				642,161,093.84
Prior Period Adjustment* (Note 3.13)									-
Restated Balance as at Shrawan 1, 2081	505,000,000.00		120,842,527.49	14,441,742.69	1,876,823.66				642,161,093.84
Issued Share Capital	10,000,000.00								10,000,000.00
Share Premium		3,536,000.00							3,536,000.00
Profit/(Loss) For the Year			315,057,534.17						315,057,534.17
Dividend Paid			(53,176,500.00)						(53,176,500.00)
Movement in Actuarial Reserve			(673,993.50)	673,993.50					-
Movement in Deferred Tax Reserves			(24,452,981.55)	24,452,981.55					-
Movement in Other Reserves			(31,505,753.42)		3,150,575.34	12,602,301.37	6,301,150.68	9,451,726.03	-
Balance as at Ashad 32, 2082	515,000,000.00	3,536,000.00	326,090,833.19	39,568,717.74	5,027,399.00	12,602,301.37	6,301,150.68	9,451,726.03	917,578,128.01

As per our attached report on even date

Basanta Pandey, FCCA
CFO

Diwas Kumar, CEO

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

Siddhant Thakuri
Director

Sambhav Sirohiya
Director

Sashin Joshi
Chairman

Significant Accounting Policies and Notes to the financial statements

1. Reporting Entity

1.1. General Information

Fonepay Payment Service Limited (Fonepay) is a public limited company incorporated under the Companies Act 2063 on 2076/06/14 B.S. (October 01, 2019). The registered office of the company is LMC-01, Lalitpur. The company is Payment System Operator (PSO) licensed by Nepal Rastra Bank (License No: 9/2076/77) on 2076/10/26 B.S.

The company is a subsidiary company of FISoft International Pvt. Ltd.

1.2. Financial Statements

The Financial Statements for the year ended 16th July 2025 comprises Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Notes to the Financial Statements, Significant Accounting Policies and explanatory notes.

1.3. Audit Period

The audit period covers for the Period 16th July 2024 (Shrawan 1, 2081) to 16th July 2025 (Ashadh 32, 2082).

1.4. Principal Activities and Operations

Fonepay Payment Service Limited is pioneer PSO in Nepal and has been providing the service since its inception as a digital payment processor that connects consumer, banking and financial organization and merchants in an interoperable network to facilitate mobile banking/digital payments.

It is a clearing and settlement house for the members under its network and has been providing wide range of services which includes:

- Inter-Bank Fund Transfer (IBFT – Person to Person)
- Online Payments (Bills/Utilities Merchant Payments – Person to Merchant)
- Digital/Online Payments through QR Technology (Merchant Payments – Person to Merchant)
- Cross-border transactions (India Person to Nepal Merchant)
- Fonepay Credit Card Scheme Operations (Transaction Switching, Clearing & Settlements)

These services are delivered after on-boarding banking and financial institutions as it's member and merchants under its network. As a leading Fin-Tech company, Fonepay provides clearing and settlement services to ease and facilitate its member for managing their merchants based on the requests made by its members on need-basis.

2.1 Basis of Preparation

2.1. Statement of Compliance

This Separate Financial Statement (hereafter referred as the financial statement) has been prepared in accordance with Nepal Financial Reporting Standards 2018 (NFRS) developed by the Accounting Standard Board (ASB) and pronounce by the Institute of Chartered Accountants of Nepal. These financial statements comply with the regulatory requirement and disclosures required by the prevailing Acts, Rules and Guidelines.

2.2. Reporting Period and Approval of the Financial Statement

The accompanying financial statement cover annual reporting period from 16th July 2024 to 16th July 2025 and the status is reported as the year end date of 16th July 2025. These financial statements have been approved by the Board of Directors at the board meeting dated on September 04, 2025 (B.S. 2082.05.19) .

2.3. Functional and Presentation Currency

The financial statements are prepared in Nepalese Rupees, 16th July 2025 which is the company's functional currency. All the financial information presented in Nepalese Rupees has been rounded to the nearest ones, except otherwise indicated.

2.4. Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets and liabilities have been measured at fair value or at amortized cost.
- Available for sale financial assets are measured at fair value.
- Investment property is measured at fair value.
- Liabilities for cash settled share-based payment arrangements are measured at fair value
- The defined benefit asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

2.5. Use of estimates and judgments

The preparation of the financial statements in conformity with NFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant areas of assumptions and estimation applied in the application of

accounting policies that have the most significant effect on the amounts recognized in the financial statements are listed hereinafter and their description follows:

- Fair value of financial instruments
- Classification of financial assets and liabilities
- Impairment losses of financial and non-financial assets.
- Useful economic life of Non-Current Assets
- Deferred Tax
- Provisions for liabilities, commitments and contingencies

2.6. Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern, such as restrictions or plans to curtail operations. Therefore, the financial statements of the company continue to be prepared on a going concern basis.

2.7. Comparative Information

Accounting policies are consistently applied across all periods reported. The presentation and classification of financial figures relating to previous period are regrouped or reclassified where relevant to facilitate consistent presentation and better comparability.

3. Notes & Significant Accounting Policies

3.1. Revenue Recognition

At contract inception the entity assesses the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer either:

- a. A good or service
- b. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A series of distinct goods or services has the same pattern of transfer to the customer if both of the following conditions are met:

- a. Each distinct good or service in the series that the entity promises to transfer to the customer would meet the criteria as set out in NFRS 15 to be a performance obligation satisfied over time; and
- b. In accordance with NFRS 15, the same method would be used to measure the entity's progress towards satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

The entity considers the effects of the nature, timing and amount of consideration promised by the customer for estimation of the transaction price. When determining the transaction price, the entity considers the effects of all of the following:

- a. Variable consideration
- b. Constraining estimates of variable consideration
- c. The existence of a significant financing component in the contract
- d. Non Cash consideration
- e. Consideration payable to a customer

For the purpose of determining the transaction price, the entity assumes that the goods and services will be transferred to the customer as promised in accordance with the existing contract and the contract will not be cancelled, renewed or modified. Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amount collected on behalf of third parties.

If the consideration promised in a contract includes a variable amount, the entity estimates the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. The entity estimates the amount of variable consideration by using the most likely amount method. The most likely amount is the single most likely amount in the range of possible consideration amounts.

At the end of each reporting period, the entity updates the estimated transaction price to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The entity recognizes revenue when it transfers control of a product or service to a customer.

The major revenue recognized is as:

Services (Fees & Charges)	FY 2081/82	FY 2080/81
Clearing & Settlement Fees	1,599,046,549.56	1,164,348,947.93
<i>Inter-Bank Fund Transfer (IBFT)</i>	<i>1,471,136,086.40</i>	<i>1,056,837,735.93</i>
<i>Bills/Online Payments</i>	<i>118,529,044.19</i>	<i>106,344,579.17</i>
<i>Virtual Credit Card</i>	<i>1,459,575.00</i>	-
<i>Cross-Border Payments</i>	<i>5,248,339.25</i>	<i>589,640.49</i>
<i>Others</i>	<i>2,673,504.72</i>	<i>576,992.34</i>
Less: BFI's Share	(636,889,765.44)	(468,549,895.10)
Revenue from Transactional Fees	962,156,784.12	695,799,052.83
License/Program Fees	3,520,000.00	10,000,000.00
Other Fees	7,497,560.00	20,738,670.00
Total Fees	973,174,344.12	726,537,722.83

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 to Merchants 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. These transactions did not generate revenue for the company in the current financial year. 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/negligible transaction price, 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, hereunder on Notes 3.14.

3.2. Foreign Currencies

In preparing the financial statements of the entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions.

Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency

are not retranslated. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date i.e. USD 1= NPR 137.00.

Particulars	FY 2081/82	FY 2080/81
Bank Balance at the Reporting Date as per Books	4,368,503.00	2,223,331.50
Add: Exchange Gain (Foreign Currency Translation)	53,994.00	37,120.50
Bank Balance at the Reporting Date (Re-Translated)	4,422,497.00	2,260,452.00

Exchange differences are recognized under Administrative Expenses, in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3.3. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

There are no such Borrowing costs during the year.

3.4. Government Grants

Government grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Entity recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Entity with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives

of the assets concerned.

There are no such Government grants during the year.

3.5. Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. When an employee has rendered service to an entity during an accounting period, the entity recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- a. as an expense, unless another NFRS requires or permits the inclusion of the benefits in the cost of an asset
- b. as a liability (accrued expense), after deducting any amount already paid.

Employee benefits include:

- a. Short-term employee benefits, (other than termination benefits) such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
 - (i) wages, salaries and social security contributions;
 - (ii) paid annual leave and paid sick leave;
 - (iii) profit-sharing and bonuses; and
 - (iv) non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;
- b. Post-employment benefits, (other than termination benefits and short-term employee benefits) that are payable after the completion of employment, such as the following:
 - (i) retirement benefits (eg pensions and lump sum payments on retirement); and
 - (ii) other post-employment benefits, such as post-employment life insurance and post-employment medical care;
- c. Other long-term employee benefits, all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits, such as the following:
 - (i) long-term paid absences such as long-service leave or sabbatical leave;
 - (ii) jubilee or other long-service benefits; and

- (iii) long-term disability benefits;
- d. Termination benefits, employee benefits provided in exchange for the termination of an employee's employment as a result of either:
 - (a) an entity's decision to terminate an employee's employment before the normal retirement date; or
 - (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Employee benefit expenses contain expenses made on behalf of employee from the company as:

Employee Benefit Expenses	FY 2081/82	FY 2080/81
Short-term employee benefits		
Salary & Allowance Expenses	124,519,486.50	114,164,230.10
Stipend Intern & Wages	167,275.65	1,948,338.54
Staff Bonus	42,057,500.00	26,017,300.00
Post-employment benefits		
Defined Contribution Plan, SSF	7,374,720.10	7,718,060.57
Other long-term employee benefits	(73,815.00)	1,126,544.32
<i>Current Service Cost (Actuarial Valuations)</i>	<i>824,843.00</i>	
<i>(Gain)/(Loss) on actuarial valuation</i>	<i>(898,658.00)</i>	
<i>Leave Encashment Expenses</i>		<i>1,126,544.32</i>
Other Payroll Expenses		
Staff Welfare Expenses	3,158,949.19	2,522,376.90
Training Expenses	4,695,085.16	3,660,772.17
Total	181,899,201.60	157,157,622.60

Post-employment benefits Plans

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Defined contribution plans are post-employment benefit plans under which an entity

pays fixed contributions into a separate entity (a fund, here *Social Security Fund (SSF)*) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

- (a) pool the assets contributed by various entities that are not under common control; and
- (b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Other long-term employee benefits

Accumulating paid absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. Any unused or remaining Annual & Sick Leave balance can be accumulated to the maximum of 90 days and 45 Days. The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. Accumulating paid absences may be either vesting (in other words, employees are entitled to a cash payment for unused entitlement on leaving the entity) or non-vesting (when employees are not entitled to a cash payment for unused entitlement on leaving). An obligation arises as employees render service that increases their entitlement to future paid absences.

The obligation exists, and is recognized, even if the paid absences are non-vesting, although the possibility that employees may leave before they use an accumulated non-vesting entitlement affects the measurement of that obligation. These employees' benefits are determined by the length of their service and the entity have no realistic means of withdrawing from the plan without paying a contribution for the benefits earned by employees up to the date of withdrawal and fall under Defined Benefit Plan. Such a plan creates actuarial risk for the entity: if the ultimate cost of benefits already earned at the end of the reporting period is more than expected, the entity will have

either to increase its contributions or to persuade employees to accept a reduction in benefits.

Accounting by an entity for defined benefit plans involves the following steps:

- (a) determining the deficit or surplus; using an actuarial technique, discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost, deducting the fair value of any plan assets from the present value of the defined benefit obligation
- (b) determining the amount of the net defined benefit liability (asset)
- (c) determining amounts to be recognized in profit or loss

For other long-term employee benefits, the entity recognizes the net total of the following amounts in profit or loss, except to the extent that another NFRS requires or permits their inclusion in the cost of an asset:

- (a) service cost.
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset)

Entity has used Actuarial valuations from a professional actuary in order to determine the Defined Benefit obligations and the associated matters as:

Particulars	FY 2081/82
Defined Benefit Obligation, Beginning of Period	2,838,682.00
Current Service Cost	824,843.00
Interest Cost	190,719.00
Actual Plan Participants' Contributions	-
Actuarial (Gains)/Losses	(898,658.00)
Acquisition/Business Combination/Divestiture	-
Actual Benefits Paid	(228,244.00)
Past Service Cost	-
Changes in Foreign Currency Exchange Rates	-
Loss / (Gains) on Curtailments	-
Liabilities Extinguished on Settlements	-
Defined Benefit Obligation, End of Period	2,727,342.00

Particulars	FY 2081/82
Defined Benefit Obligation (DBO)	2,727,342.00
Fair value of plan Assets	
Funded Status - (Surplus)/Deficit	2,727,342.00
Unrecognized Past Service Cost / (Credit)	
Unrecognised Asset	
Liability/(Asset) Recognised in the Balance Sheet	2,727,342.00
<i>Current Liability</i>	330,259.00
<i>Non-Current Liability</i>	2,397,083.00

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies. There is no Plan Assets in the entity and neither any return nor any Fair Value change has been accounted for.

Particulars	FY 2081/82
Current Service Cost	824,843.00
Interest Cost	190,719.00
Expected Return on Plan Assets	
Past Service Cost	
Net Actuarial Losses/(Gains)	(898,658.00)
(Gain)/Loss due to Settlements/Curtailments/Acquisitions/Divestitures	
Unrecognised Asset	
Total Expense/(Income), in Statement of Profit & Loss	116,904.00

Actuarial Assumptions used by the Professional Actuary

	FY 2081/82
Financial Assumptions	
Discount Rate	7.00%, YTM on government bonds (June, 2025)
Salary Escalation Rate	5.00%
Expected Return on Assets	0.00%
Demographic Assumptions	
Mortality Table	Nepali Assured Lives Mortality (2009)
Withdrawal Rate	10%
Retirement Age	60 Years

Timing Related Assumptions	
Time of Retirement	Immediately on achieving normal retirement
Salary Increase frequency	Once a year
Plan Information	
Eligibility	All Permanent Employees
Qualifying Salary	Monthly Basic Salary
Retirement Benefit/Withdrawal Benefit/Death Benefit	Last drawn qualifying salary / 30 x Leave Balance
Vesting Period	None
Maximum Accumulation	90 days for Annual Leave and 45 days for Sick leave
Yearly Entitlement	13 days for Annual leave and 12 days for Sick Leave

3.6. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the

corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Entity intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless

the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Entity's investment property portfolios and concluded that none of the Entity's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to NAS 12 is not rebutted. As a result, the Entity has not recognized any deferred taxes on changes in fair value of the investment properties as the Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Income Taxes - Income (Expenses)	FY 2081/82	FY 2080/81
Current Tax		
SOPL	(118,611,741.59)	(78,548,789.55)
OCI	-	-
Deferred Tax		
SOPL	13,233,330.94	6,021,018.92
OCI	-	
Total	(105,378,410.65)	(72,527,770.63)

Particulars	Accounting Base	Tax Base
Property, plant and equipment	559,777,842.27	574,310,733.88
Intangible Assets	119,106,439.41	117,432,023.44
Carry forward of unused tax credit		
Accumulated FCY Translation Gain	184,509.00	
Right of Use Asset	65,132,502.45	
Lease Liabilities	(84,349,300.98)	
Prepaid Rent		-
Provision for expenses	(246,506,637.95)	(122,818,506.03)
Total	413,345,354.20	568,924,251.29
Deductible Temporary Difference		155,578,897.09
Deferred tax asset @ 25% (Closing Balance)		38,894,724.27
Opening Deferred tax asset of 2081.82		25,661,393.33
Deferred Tax Income/(Loss)		13,233,330.94

3.7. Property, plant and equipment

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

- a. it is probable that future economic benefits associated with the item will flow to the entity; and
- b. the cost of the item can be measured reliably.

Land and buildings held for use in the production or supply of goods or services for rental to others (excluding investment properties), or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and

buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Assets held under leases has been recognized and measured as per NFRS 16 Leases.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Gain/(Loss) on Disposal/Derecognition	FY 2081/82	FY 2080/81
Sale/Proceeds	95,419.59	
Cost of Assets	(215,044.14)	
Accumulated Depreciation	200,665.89	
Gain/(Loss) on Disposal of Assets	81,041.34	-
Sale/Proceeds	-	
Cost of Assets	(3,832,634.15)	
Accumulated Depreciation	3,612,095.98	
Gain/(Loss) on Derecognition of Assets	(220,538.17)	-
Total Gain/(Loss)	(139,496.83)	-

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straightline method, on the following bases:

Particulars	Useful Life (Years)
Pool A (Land & Building)	20
Pool B (Furniture & Fixtures)	5
Pool B (Computer – Tech, Smartphones)	3
Pool B (Computer – Non-Tech)	4
Pool B (Office Equipment)	5
Pool C (Office Vehicle)	5
Pool D (Server, Switches & Accessories)	6
Pool D (Other Plant & Machineries)	10
Pool E (Leasehold Asset)	Over the Lease period

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Particulars	Pool A	Pool A	Pool B	Pool C	Pool D	Pool E	Total
	Land	Building	Furniture & Fixtures, Computer & Office Equipment	Vehicles	Servers & Accessories, Plant & Machinery	Leaseholds	
Cost							
As at Shrawan 1, 2081	-	-	60,478,324.89	7,405,400.00	91,249,964.94	17,536,961.09	176,670,650.92
Additions	442,260,000.00		4,300,623.96		22,614,935.60	299,295.37	469,474,854.93
Disposals			(215,044.14)				(215,044.14)
Write-offs/Derecognition			(3,827,634.15)		(5,000.00)		(3,832,634.15)
Revaluation							-
Transfer Adjustments			(20,073,347.35)		19,984,497.71	88,849.64	(0.00)
Balance as at Ashad 32, 2082	442,260,000.00	-	40,662,923.21	7,405,400.00	133,844,398.25	17,925,106.10	642,097,827.56
Depreciation and Impairment							
Accumulated as at Shrawan 1, 2081	-	-	23,732,499.56	3,880,987.33	25,413,471.68	2,200,528.26	55,227,486.83
During the year			8,972,919.23	1,493,839.78	18,670,183.31	1,768,318.01	30,905,260.33
Disposals			(200,665.89)				(200,665.89)
Write-offs/Derecognition			(3,609,258.24)		(2,837.74)		(3,612,095.98)
Impairment losses							-
Impairment reversal							-
Transfer Adjustments			(5,021,717.89)	-	5,008,475.64	13,242.25	-
Balance as at Ashad 32, 2082	-	-	23,873,776.77	5,374,827.11	49,089,292.89	3,982,088.52	82,319,985.29
Net Carrying Amount							
As at Ashad 31, 2081	-	-	36,745,825.33	3,524,412.67	65,836,493.26	15,336,432.83	121,443,164.09
As at Ashad 32, 2082	442,260,000.00	-	16,789,146.44	2,030,572.89	84,755,105.36	13,943,017.58	559,777,842.27

3.8. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. All of the Entity's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

There has been no such assets classified as an Investment Property for the year.

3.9. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset has been recognized initially at cost, if and only if:

- a. it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- b. The cost of the asset can be measured reliably.

After initial recognition, an intangible asset has been carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful lives.

The cost of a separately acquired intangible asset comprises:

- a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- b. Any directly attributable cost like costs of employee benefits, professional fees, costs of testing etc of preparing the asset for its intended use.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets – research and development expenditure

Research or development expenditure (a) relates to an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset; and (b) is incurred after the acquisition of that project.

No intangible asset arising from research (or from the research phase of an internal project) shall be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred. In the research phase of an internal project, if an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits, is recognised as an expense when it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where NO internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance has not been recognised as intangible assets.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management including costs of materials and services used, costs of employee benefits, fees to register a legal right, amortisation of patents and licences that are used to generate the intangible asset. However, the following are NOT considered as components of the cost of an internally generated intangible asset:

- (a) selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use;
- (b) identified inefficiencies and initial operating losses incurred before the asset achieves planned performance; and
- (c) expenditure on training staff to operate the asset.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

De-recognition of intangible assets

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is de-recognized.

Amortization

Intangible Assets including Patents and trademarks, if any, are measured initially at acquisition cost and are amortized on a straight line basis over their estimated useful lives.

Particulars	Useful Life (Years)
Pool E (Intangible Asset)	Life of the Asset

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Entity estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest entity of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Particulars	Intangible Assets								Total
	A	B	C	D	E	G	H		
Cost									
As at Shrawan 1, 2081	250,000	2,450,000	8,000,000	3,500,000	41,114,388	1,514,943			56,829,331
Acquisition/Additions/Capitalisation									-
Disposals									-
Write-offs									-
Revaluation									-
Transfer/ adjustments								85,922,740	85,922,740
Balance as at Ashad 32, 2082	250,000	2,450,000	8,000,000	3,500,000	41,114,388	1,514,943		85,922,740	142,752,071
Depreciation and Impairment									
Accumulated as at Shrawan 1, 2081	179,346	1,596,476	5,348,889	1,461,370	247,813	415,406		-	9,249,300
Depreciation/Amortisation	50,115	491,179	1,603,813	701,258	8,245,406	338,461		2,966,100	14,396,332
Disposals									-
Write-offs									-
Impairment losses									-
Impairment reversal									-
Transfer/ adjustments									-
Balance as at Ashad 32, 2082	229,461	2,087,655	6,952,702	2,162,628	8,493,219	753,868		2,966,100	23,645,632
Net Carrying Amount									
As at Ashad 31, 2081	70,654	853,524	2,651,111	2,038,630	40,866,575	1,099,537		-	47,580,032
As at Ashad 32, 2082	20,539	362,345	1,047,298	1,337,372	32,621,169	761,076		82,956,640	119,106,439

Intangible Assets

- A) Fonepay Website
- B) Fonepay Merchant/Offer Platform
- C) Fonepay Business Intelligence (BI)
- D) Fonepay Points/Loyalty System
- E) Fonepay Switch Platform
- G) MS Dynamics 365 Business Central
- H) Card Management Solution

Particulars	Assets under Development										Total				
	F	I	H	J	K	L	M								
Cost															
As at Shrawan 1, 2081	12,779,890	5,608,520	66,756,728												85,145,138
Acquisition/Additions/Capitalisation	1,068,900		19,166,012	1,421,995	565,000	1,046,280	412,300								23,680,487
Disposals															-
Write-offs															-
Revaluation															-
Transfer/ adjustments			(85,922,740)												(85,922,740)
Balance as at Ashad 32, 2082	13,848,790	5,608,520	-	1,421,995	565,000	1,046,280	412,300								22,902,885
Depreciation and Impairment															
Accumulated as at Shrawan 1, 2081															-
Depreciation/Amortisation															-
Disposals															-
Write-offs															-
Impairment losses															-
Impairment reversal															-
Transfer/ adjustments															-
Balance as at Ashad 32, 2082	-	-	-	-	-	-	-								-
Net Carrying Amount															
As at Ashad 31, 2081	12,779,890	5,608,520	66,756,728	-	-	-	-								22,902,885
As at Ashad 32, 2082	13,848,790	5,608,520	-	1,421,995	565,000	1,046,280	412,300								22,902,885

Assets Under Development

- F) Fonepay Payment App (User)
- I) Fonepay Business App (Merchant)
- J) Dispute Management System
- H) Card Management Solution

- K) IBFT for Business
- L) Fonepay Circle
- M) Tourist App

3.10. Inventories

Inventories are assets:

- a. held for sale in the ordinary course of business;
- b. in the process of production for such sale; or
- c. in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The closing inventory represents the company's cost of purchase of QR Standee, Stickers and accessories items necessary for printing and distribution services along with other stationery and consumable items for the purpose required to be consumed through the period for process for rendering of services of as at the year end.

Particulars	FY 2081/82	FY 2080/81
Inventory & Similar	5,376,928.73	8,367,383.81
Total	5,376,928.73	8,367,383.81

3.11. Financial Instruments

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. As per NFRS 9, Financial assets and financial liabilities are recognized in the Entity's statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial Assets

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;

(c) a contractual right: (i) to receive cash or another financial asset from another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets have been classified as Financial Assets in line with NFRS 9, subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- a. the entity's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

A financial asset has been measured at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Whereas the financial asset has been measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash and cash equivalents	FY 2081/82	FY 2080/81
Balance in wallet	76,671.59	49,895.93
Fixed Deposit	100,000,000.00	200,000,000.00
Bank Balance	236,897,519.05	280,031,916.44
Total	336,974,190.64	480,081,812.37

Impairment of financial assets

The Entity recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate such as:

Trade Receivables	Adjustment Factor	Definition of Default
Bank Receivables – The receivables from banking partner members, licensed by NRB as BFIs.	The entity has assessed the credit risk to be negligible. Incorporate forward-looking information based on past historical information as per NFRS 9, a 0.5 adjustment factor for the receivable which due dates has crossed more than 180 days.	The entity has assumed 50% and 100% Loss on Default for the receivable which due dates has crossed more than 180 days and 365 days and above respectively.
Other Receivables - The receivables other than Bank Receivables including Wallet/Indirect Members & technical member.	the entity has applied a 1 (100%) adjustment factor considering a deliberate and prudent measure taken to protect against potential risks, given their current and foreseeable economic conditions regardless of their outstanding dues.	The entity has assumed 25%, 50% and 100% Loss on Default for the receivable which due dates has crossed more than 90 days, 180 days and 365 days and above respectively.

In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and

forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental and regulatory bodies, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations. The assessment of the probability of default is based on the historical data adjusted by forward looking information as suitable and available as :

Receivable from Bank Receivables

Days	Outstanding Dues	Adjustment Factor (AF)	LD (Loss by Default)	Probability of Default (PD)	Calculated ECL
0-30	762,765.80	-	0.00%	0%	-
31-90	1,449,615.86	-	0.00%	0%	-
91-180	1,105,998.78	-	0.00%	8%	-
181-365	935,616.36	0.50	50.00%	8%	19,685.36
365++	1,065,230.00	0.50	100.00%	40%	215,123.09
Total (A)	5,319,226.80				234,808.46

Receivable from Other Receivables

Days	Outstanding Dues	Adjustment Factor (AF)	LD (Loss by Default)	Probability of Default (PD)	Calculated ECL
0-30	1,654,518.13	1.00	0.00%	0%	-
31-90	183,196.24	1.00	0.00%	0%	-
91-180	305,620.85	1.00	25.00%	5%	3,908.10
181-365	-	1.00	50.00%	5%	-
365++	136,896.90	1.00	100.00%	33%	45,632.30
Total (B)	2,280,232.12				49,540.40

Outstanding Due Amount (A+B) as on FY 2081/82 Year End	7,599,458.92
Average Loss Rate	3.74%
Impairment Loss, Expected Credit Loss Allowances (A+B), SOPL	284,348.86

Particulars	FY 2081/82	FY 2080/81
Bank and Local Debtors (-) Impairment Loss, Expected Credit Loss	7,599,458.92 (284,348.86)	60,042,917.05
Trade Receivables	7,315,110.06	60,042,917.05
Advance Payments	15,486,284.46	
Total	22,801,394.52	60,042,917.05

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write Off

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate and thereafter the Approval of Board if any. Any recoveries made are recognized in profit or loss.

Derecognition of financial assets

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received, and receivable is recognized in profit or loss.

Financial Liability

A financial liability is any liability that is:

(a) a contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An entity has classified all financial liabilities as subsequently measured at amortised cost in line with NFRS 9, except for: (a) financial liabilities at fair value through profit or loss (FVTPL). Such liabilities, including derivatives that are liabilities, has been subsequently measured at fair value. (b) financial liabilities that arise when a transfer of

a financial asset does not qualify for derecognition or when the continuing involvement approach applies. (c) financial guarantee contracts.

Particulars	FY 2081/82	FY 2080/81
Sundry Creditors & Other Payables	37,101,172.17	24,923,015.49
Advance Payments Received	4,559,362.00	
Total	41,660,534.17	24,923,015.49

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Entity has no such designated Equity Instruments during the year.

Compound instruments

The component parts of convertible loan notes issued by the Entity are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying

amount of the liability component and are amortized over the lives of the convertible loan notes using the effective interest method.

Entity has no such designated Compound Instruments during the year.

3.12. Lease

The entity shall account for Lease as per prevailing NFRS 16 Leases.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An entity shall determine the lease term as the non-cancellable period of a lease, together with both:

- (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, an entity shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability.

At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- (a) the amount of the initial measurement of the lease liability, as described in NFRS16;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model. To apply a cost model, a lessee shall measure the right-of-use asset at cost:

- (a) less any accumulated depreciation and any accumulated impairment losses; and
- (b) adjusted for any remeasurement of the lease liability.

A lessee shall apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the

commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

A lessee shall apply NAS 36 Impairment of Assets to determine whether the right of-use asset is impaired and to account for any impairment loss identified.

After the commencement date, a lessee shall measure the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications specified in NAS 36, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, a lessee shall recognise in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both:

- (a) interest on the lease liability; and
- (b) variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

	Ashad end 2082	Ashad end 2081
Assets		
Right of Use Assets	91,380,675.75	91,380,675.75
Accumulated Amortisation (ROUA)	(26,248,173.30)	(17,115,110.14)
Right of Use Assets C/FWD	65,132,502.45	74,265,565.61
Finance Cost (Leases)	8,375,481.49	8,857,150.27
Present Value of Lease Liabilities		
Current Lease Liabilities	5,929,901.79	5,202,182.73
Non-Current Lease Liabilities	75,692,057.07	81,621,958.86
Total Lease Liabilities	81,621,958.86	86,824,141.59

The Company has taken Lease (Alice Building – 2nd & 3rd Floor) at Bakhundole Area, Lalitpur-03 for 10 Years and equivalent expenses, assets and liabilities has been

accounted for NFRS 16. The effective interest rate has been referred to average base rate of commercial banks as interest rates of 10.18 percent as per the NRB's Review of Monetary Policy for 2022/23 taking base on the Lease commenced Year.

3.13. Accounting policies, changes in accounting estimates and errors

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

A change in accounting estimates is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a. Was available when financial statements for those periods were authorized for issue; and
- b. Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

3.14. Provisions and contingent liabilities

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is possible obligation that arises from the past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that the outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

Provisions	FY 2081/82	FY 2080/81
Opening Provisions	174,393,638.39	53,012,721.87
Add: Current Period Provision Adjustments	32,050,047.52	42,832,126.97
<i>Reward Expenses</i>	48,193,246.38	49,547,681.60
<i>Other Operating Expenses</i>	(16,143,198.86)	(6,715,554.63)
Add/Less: Income Tax Provision Adjustments	40,062,952.07	78,548,789.55
Provision for Expenses	246,506,637.98	174,393,638.39

Current Year Expenses Adjustments Includes provision set out for the redemption of Reward Points, the loyalty points (*refer Note 3.01*) 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, presented under Other Expenses in Statement of Profit & Loss.

	Amount	FY 2081/82
Provision for Loyalty Program, Opening Balance		66,754,486.11
Add: Reward Expenses	70,168,213.41	
Less: Actual Paid	(21,974,967.03)	48,193,246.38
Provision for Loyalty Program, Closing Balance		114,947,732.49

4. Lease and Other Liabilities

The obligation towards Lease (Note 3.12) & Employee Benefit (Note 3.5) are presented as:

Particulars	FY 2081/82	FY 2080/81
Lease Liabilities	75,692,057.07	81,621,958.86
Defined (Employee) Benefit Obligations	2,397,083.00	-
Sub-Total, Non-Current Liabilities	78,089,140.07	81,621,958.86
Lease Liabilities	5,929,901.79	5,202,182.73
Defined (Employee) Benefit Obligations	330,259.00	-
Sub-Total, Current Liabilities	6,260,160.79	5,202,182.73

5. Other Assets

Other Assets includes margins and deposits held by the company at different entities along with similar assets and has been categorised based on their cash conversion estimates within a year.

Particulars	FY 2081/82	FY 2080/81
<u>Non-Current Assets</u>		
NRB Deposit	1,000,000.00	1,000,000.00
Rental Deposit	2,809,200.00	2,809,200.00
Sub-Total	3,809,200.00	3,809,200.00
<u>Current Assets</u>		
Prepaid Expenses	59,846,952.09	1,989,988.75
Advance Tax/ TDS Receivable	128,740,474.34	74,775,334.07
Sub-Total	188,587,426.43	76,765,322.82
Total	192,396,626.43	80,574,522.82

6. Taxes and Other Payables

Taxes and other payables consist of sundry creditors along with other payables. The detail is as given below:

Particulars	FY 2081/82	FY 2080/81
TDS/Taxes Payable	20,811,626.34	18,569,562.71
<i>TDS - Salary & SST</i>	1,204,093.78	1,499,423.91
<i>TDS - Others</i>	13,799,423.69	7,281,967.94
<i>TDS - Rent</i>	114,447.70	104,043.40
<i>VAT/Reverse Charge Payable</i>	5,693,661.17	9,684,127.46
Employee Retirement Fund	1,836,243.21	1,755,770.89
Audit Fee Payable	169,500.00	125,000.00
Salary & Bonus Payable	50,451,563.12	34,409,705.63
Total	73,268,932.67	54,860,039.23

7. Share Capital & Earnings Per Share

7.1. The detail of share capital is as below:

Particulars	FY 2081/82	FY 2080/81
<u>Authorised Share Capital;</u> 64,37,500 equity shares of Rs 100 per share	643,750,000.00	643,750,000.00
<u>Issued Share Capital</u> 64,37,500 equity shares of Rs 100 per share	643,750,000.00	643,750,000.00
Subscribed, Called & Paid-Up Share Capital 51,50,000 equity shares of Rs 100 per share	515,000,000.00	505,000,000.00

7.2. Earnings Per Share

Basic Earnings Per Share (EPS) of the company has been calculated as by dividing profit or loss attributable to ordinary equity holders (Total Comprehensive Income) by the number of ordinary shares outstanding during the period.

Particulars	FY 2081/82	FY 2080/81
Basic EPS (A/B)	62.32	37.16
Profit/ (Loss) for the year (A)	315,057,534.17	187,634,109.10
Weighted No. of Equity Shares Held (B)	5,055,479.45	5,050,000.00
Diluted EPS (A/(B+C))	62.32	36.43
<u>Additional Considerations</u> No. of Shares under Regulatory Approval (C)	-	100,000.00

As per NAS 33, Earnings Per share, Given the company is in the process of filing its financial statements with securities commission or other regulatory organisation for the purpose of issuing ordinary shares in a public market; for the purpose of calculating diluted earnings per share, the company has considered adjusted Profit/Loss and the number of shares outstanding, for the effects of all dilutive potential ordinary shares. Besides above 51,50,000 equity shares, there has no any additional equity shares held on the regulatory approval: resulting to be possibly diluting the Earning Per Share. Therefore, potential Diluted Earnings Per Share (DEPS), if considered for the current period, would be NRs 62.32 per share.

8. Reserve and Surplus

The detail of accumulated Reserve & Surplus is as below :

	FY 2081/82	FY 2080/81
Accumulated Retained Earnings	326,090,833.19	120,842,527.49
Deferred Tax Reserves	38,894,724.24	14,441,742.69
Actuarial Reserves	673,993.50	-
Accounting Reserves	39,568,717.74	14,441,742.69
CSR Reserve	5,027,399.00	1,876,823.66
General Reserve	12,602,301.37	
Risk Reserves	6,301,150.68	
Technology Reserves	9,451,726.03	
Other Reserves	33,382,577.08	1,876,823.66
Total, Accumulated Reserve & Surplus	399,042,128.01	137,161,093.84

The Accounting Reserves is calculated and create out of the adjustments due to change in accounting treatment during the year, accumulated (in Note 8) available for future re-adjustments. Once the gains/losses realise, the entity moves such reserve towards the retained earnings.

The CSR Reserves is maintained in line with statutory and regulatory requirements, ensuring full compliance with the Companies Act 2063, allocating 1% of the Net Profit each year. Its utilization goes beyond obligatory spending, channeling resources into initiatives that includes advancing financial inclusion, enhancing digital and financial literacy, supporting community welfare and disaster relief, promoting cybersecurity awareness, and driving sustainability- focused programs.

The General Reserves is maintained in accordance with statutory and regulatory requirements, through an annual appropriation equivalent to 4% from the Net Profit, in-line with the Entity's Board Approved Policy. The reserve serves as a capital buffer to absorb unforeseen losses, strengthen the company's financial base, and ensure long-term solvency and sustainability.

The Risk Bearing Reserves is maintained in accordance with statutory and regulatory requirements, through an annual appropriation equivalent to 2% from the Net Profit, in-line with the Entity's Board Approved Policy. The reserve serves as a safeguard against unexpected losses that may arise from operational, financial, technological, legal, systemic risks or any other risk that may arise within the company.

The Infrastructure Development Reserves is maintained in accordance with statutory and regulatory requirements, through an annual appropriation equivalent to 3% from the Net Profit, in-line with the Entity's Board Approved Policy. The reserve is dedicated to funding technology upgrades, digital innovation, cybersecurity enhancements, and emerging payment infrastructure initiatives to remain at the forefront of technological advancement, operational efficiency enhancement, security improvements, expansion of payment network and enable reinforcement of the company's capacity to deliver cutting-edge, secure, and scalable payment solutions.

9. Direct Expenses

The detail of direct expenses is given below:

Direct Expenses	FY 2081/82	FY 2080/81
SMS Notification Expenses	48,519,615.96	82,798,320.18
Total	48,519,615.96	82,798,320.18

10. Administrative Expenses

Administrative expenses contain indirect expenses and other office and administrative expenses. Detail of the same is given below:

Administrative Expenses	FY 2081/82	FY 2080/81
Audit Fees	169,500.00	125,000.00
Bank Charge / ex loss	267,174.88	68,695.08
Telephone and Communication expense	2,125,286.44	2,012,513.30
Printing, Stationary & Consumables	1,748,572.03	1,229,669.76
Data Handling and System Maint. Cost	25,892,634.51	23,025,267.56
Fooding & Lunch Expenses	3,762,799.19	4,570,482.89
Fuel Expenses	1,688,925.31	1,736,507.26
Office Expenses	712,968.04	223,466.40
Registration, Licenses, Subscription and Renewal Expenses	18,427,587.75	16,082,438.53
Rent Expenses (Lease)	-	-
Repair & Maintenance	5,512,723.80	4,302,722.77
Professional Consultancy Expenses	12,811,076.74	18,915,321.17
Travelling Expenses	4,134,269.21	6,031,741.60
Insurance Expense	24,126.98	30,769.29
Water & Electricity Expenses	1,724,202.80	1,546,932.00
Security & Cleaning Expenses	2,287,431.68	1,979,020.67
Miscellaneous Expenses	-	-
Total	81,289,279.36	81,880,548.28

11. Advertisement, Branding and Marketing Expense

Advertisement, Branding and Marketing Expense includes advertising, business promotions through campaign development along with branding related expenditures:

Advertisement, Branding and Marketing Expense	FY 2081/82	FY 2080/81
Advertisement Expense	14,962,386.12	9,768,376.68
Digital Literacy & Awareness Program Expenses	5,415,587.08	858,164.36
Branding, Business Promotion and Campaign cost	101,229,451.42	49,969,596.85
Total	121,607,424.62	60,596,137.89

12. Finance Income

Finance income includes the interest income received on Bank Balance held by the company as:

Finance Income	FY 2081/82	FY 2080/81
Interest Income on FD	13,609,559.72	16,138,270.70
Total	13,609,559.72	16,138,270.70

13. Finance Costs

Finance Costs includes the interest costs arising out of the discounting of the Present Value of the liability recognised during the year along with the interest payable against the loan liability to the Bank and financial institutions held by the company as:

Finance Costs	FY 2081/82	FY 2080/81
Lease Expenses (Discounting of Lease Liabilities)	8,375,481.49	8,857,150.27
Employee Benefits (Discounting of Actuarial Liabilities)	190,719.00	
Interest Costs for Financing Activities		
Total	8,566,200.49	8,857,150.27

14. Other income

Other income includes miscellaneous incomes including the non-refundable tender deposit fees and non-operating income collected during the year.

Other Income	FY 2081/82	FY 2080/81
Miscellaneous Income	560,477.88	100,000.00
Total	560,477.88	100,000.00

15. Events after Balance Sheet Date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. These events will result in the financial statements being adjusted, or where such events merely require disclosure within the financial statements. An entity should adjust the amounts recognised in its financial statements to reflect adjusting events after the balance sheet date as per NAS 10 Events After the Balance Sheet Date and the company has its accounts adjusted accordingly. If non-adjusting events after the balance sheet date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements and hence should be disclosed.

No such event exists which are material and requires to be disclosed.

16. Related Party

A related party is a person or entity that is related to the entity that is preparing its financial statements and A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. The information about these transactions and outstanding balances, including commitments, are necessary for users to understand the potential effect of the relationship on the financial statements.

The company has identified its parent company, companies within the group and members of governing board as related parties. Identified related parties and transactions are presented below:

Key Personnel: -

Name	Capacity	Salary, Benefits & Allowance	Outstanding Balance, if any
Mr. Sashin Joshi	BOD Members (Chairman/Independent Director)	NRs 180,000.00 <i>Board Meeting Allowance</i>	
Mr. Sambhav Sirohiya	BOD Members (Director)	NRs 150,000.00 <i>Board Meeting Allowance</i>	
Mr. Siddhant Thakuri	BOD Members (Director)	NRs 140,000.00 <i>Board Meeting Allowance</i>	
Mr. Diwas Kumar	CEO (1.94% Shareholder)	NRs 8,103,424.66 <i>Salary & Allowances Including Statutory Bonus of FY 8081</i>	NRs 4,163,289.51 Receivable Balance

Key Parties: -

Name of Party	Nature of Transaction	Opening Balance Payable/ (Receivable)	Transaction (Sales)	Transaction (Purchases)	Closing Balance Payable/ (Receivable)
Parent Company					
Flsoft International Pvt. Ltd.	Purchase	(3,13,51,050.82)	-	55,30,18,153.99	-
Common Holding Company					
ExtensoData Pvt. Ltd (Subsidiary of the Parent)	Purchase	-	-	1,20,00,000.00	-
Fonepoints Pvt. Ltd. (Subsidiary of the Parent)	Purchase /Sale	(1,58,20,000.00)	95,419.59	2,09,46,873.48	75,70,628.92
FoneNxt Pvt Ltd (Subsidiary of the Parent)	Sale	-	10,000.00	-	-
eSewa Ltd. (Associates of the Parent)	Purchase /Sale	69,96,279.99	8,35,27,501.51	5,17,38,879.54	1,48,07,755.12
Other Entities					
Kantipur Media Group, (Common Director)	Purchase	31,08,596.53	-	11,38,555.75	37,464.00

17. Regrouping of figures

The figures of the previous year have been regrouped/rearranged wherever necessary. The financial statements are exhibited to the nearest Rupee.

Strategic Lens :

As a licensed Payment System Operator serving 20 million+ users, Fonepay continually calibrates its strategy against Nepal's evolving macro-environment and internal dynamics. This snapshot synthesizes our FY 2024/25 outlook evaluating operational health and core competitive advantages against a maturing fintech landscape. By mapping internal **strengths, weakness** against emerging external **opportunities** and **threats**, we ensure our trajectory remains both resilient and growth-oriented.

Pillar Retail Dominance : Processes over 1 million QR transactions daily, commanding 99.1% share in the P2M QR segment.

Superior Network Effect : The Network with direct integration across 60+ BFIs, serving as the primary retail bridge for over 20 million users.

Best In Class Security & Compliance : An ISO 27001:2022 and PCI/DSS certified company; Licensed and regulated by Nepal Rastra Bank as a Payment System Operator (PSO) ensuring strong adherence to compliance and regulation.

Strong Growth : Demonstrated a resilient financial trajectory with NPR 3.63 trillion in total transaction value processed in FY 2081/82, with revenue from operations growing by 34%.

Commitment to Financial Literacy: Established the Fonepay Business Academy and initiatives like Sakshyam Nari to drive digital adoption and structured training for merchants and users.

Ecosystem Infrastructure Interdependency : As a multi-nodal, interoperable payment rail, Fonepay's end-to-end service continuity is inextricably linked to the technical responsiveness and systemic uptime of its 60+ partner Banks and Financial Institutions (BFIs). Fonepay utilizes real-time monitoring and a proprietary automated tracing mechanism to ensure high system availability.

Geographical Connectivity Headwinds: Deeper penetration into remote districts is sensitive to external factors such as inconsistent internet bandwidth and power stability. Fonepay has deployed **FoneTAG**, a specialized offline payment solution designed to facilitate secure transactions in low-connectivity areas without requiring active internet sessions at the point of sale.

Specialized Human Capital Scalability: The rapid evolution of the fintech landscape requires a constant intake of niche engineering and cybersecurity talent. Fonepay has institutionalized a robust "People & Culture" framework focused on identifying, cultivating, and retaining top-tier technical assets who are aligned with our mission of digital transformation.

Brand Attribution: Because services are often embedded within BFI banking apps, end-users may perceive Fonepay's innovations as bank features, which can dilute direct brand attribution. Fonepay uses its network ; By putting "Powered by Fonepay" QR stands in almost every shop in Nepal, the company makes itself the "face" of digital payments, even if the transaction happens inside a bank app. In addition to it, different marketing and awareness campaigns create an emotional connection, making people think of "Fonepay" as a brand that supports the financial literacy rather than just a module on their Mobile Apps.

Contextual Analysis

Market Deepening via Economy Formalization : Nepal is transitioning from a cash-based to a digital-first economy, a shift accelerated by the Government's "IT Decade" (2024–2034) vision. As the nation's leading retail payment rail, Fonepay is the primary engine for this formalization. By migrating millions of users and merchants away from physical-cash, we are integrating them as core stakeholders into the payment ecosystem, providing a robust foundation to scale high-value services.

Cross-Border & Regional Integration : Fonepay is pioneering regional interoperability through landmark partnerships with NPCI (India) and Alipay+. This enables international travelers from over different countries to pay seamlessly at Fonepay QR terminals. This "first-mover" advantage transforms Fonepay into a global gateway, capturing new revenue from international tourism and trade that is independent of domestic population limits.

MSME Digitalization & Credit Scaling : Small businesses (MSMEs) are the backbone of Nepal's economy but often lack access to formal credit. By digitalizing these merchants, Fonepay captures rich cash-flow data that can be used for alternative credit scoring. This positions Fonepay as more than a payment tool; it becomes a "financial growth engine" that helps banks lend to small businesses more safely and efficiently.

Policy-Driven Financial Inclusion : Our strategy is directly aligned with the Government; Nepal Rastra Bank's (NRB) financial inclusion mandates. Through low connectivity solutions like FoneTAG and social initiatives like Global Money Week, Sakshyam Nari etc , Fonepay reaches unbanked populations in all 7 provinces. This alignment ensures that our business growth is synonymous with national economic development, making us a preferred partner for government-led digital initiatives.

Sophisticated Cybersecurity Evolutions : As global cyber-threats become more complex using AI and advanced phishing, the cost of defense is constantly rising. Since Fonepay is a high volume financial hub, it is a natural target for global and local scammers. We constantly are managing this by investing heavily in AI-powered security (SIEM & APM) and maintaining international standards like ISO 27001, PCI DSS ensuring we stay ahead of the "cyber-arms race."

Digital Illiteracy and User Fraud : While our systems are secure, the "weakest link" is often the user. Scammers trick people into sharing OTPs or clicking fake links, which can lead to financial loss and a drop in public trust. We keep investing for Digital Literacy through campaigns like Sakshyam Nari and the Fonepay Business Academy, awaring millions of users and merchants how to use digital payment instruments safely and securely.

Rapid Tech Obsolescence : In the fast-moving fintech world, today's "cutting edge" technology can become obsolete in a few years (e.g., the shift from physical cards to QR, and potentially from QR to virtual cards or CBDCs). We operate an agile R&D Framework, continuously reinvesting a portion of our profit into exploring "Next-Gen" tech to ensure we remain the infrastructure of choice.

Resilience of the Cash Economy (The "Invisible" Competitor) : Despite rapid digitalization, physical currency remains a resilient competitor due to its universal acceptance, perceived reliability in rural topographies, and the "friction-less" nature of cash for users with limited digital literacy or hardware access. Fonepay is actively diminishing the "utility" of cash by building a digital ecosystem that is inherently more rewarding and convenient by integrating loyalty programs and bridging international corridors.

Disclosure on the Code of Conduct for Directors

(with reference to NRB Directive No. 11/081)

In compliance with Directive No. 11/081 (Institutional Governance Arrangements) issued by the Payment System Department of Nepal Rastra Bank (NRB), Fonepay Payment Service Ltd. maintains a strict Code of Conduct for its Board of Directors. For the FY 2081/82, the Board confirms adherence to the following mandatory behavioral and professional standards as prescribed by the regulator:

1. Conflict of Interest and Professional Disclosure

All Directors have provided written declarations to the Board regarding any existing business interests or potential conflicts of interest with the institution prior to assuming their roles.

2. Prohibition on Financial Facilities

No Director or Founding Shareholder has availed themselves of any non-business loans, advances, or credit facilities from the institution during this period.

3. Operational Independence

In line with governance best practices, Directors have remained uninvolved in the day-to-day administrative operations of the company, including bank account operations and routine institutional correspondence.

4. Institutional Loyalty and Accountability

Directors have not engaged in any activities, directly or indirectly, that would be detrimental to the interests of Fonepay. Each Director acknowledges personal accountability for any actions or decisions made that exceed their defined authority.

5. Professional Exclusivity

Members of the Board are not concurrently serving as directors or officials in other banks, financial institutions, money changers, remittance companies, or competing payment system operators, except where permitted by specific regulatory exemptions.

6. Confidentiality and Reporting

The Board has strictly maintained the confidentiality of all information and transactions related to the institution.

As per Clause 1(8) of the Directive, this disclosure serves as the official record of the Board's compliance with these conduct requirements for the current annual reporting cycle.

Acronyms & Abbreviations

AF	Adjustment Factors
API	Application Programming Interface
AGM	Annual General Meeting
AI	Artificial Intelligence
AML	Anti Money Laundering
APN	Asian Payment Network
ARMC	Audit and Risk Management Committee
ASB	Accounting Standard Board
B2B2C	Business-to-Business-to-Consumer
BCDR	Business Continuity and Disaster Recovery
BCP/DRP	Business Continuity & Disaster Recovery Plan
BFI	Banking and Financial Institutions
BI	Business intelligence
BOD	Board of Director
CAB	Change Advisory Board
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFT	Combating the Financing of Terrorism
CI/CD	Continuous Integration and Continuous Delivery/Deployment
CLIFF	Collaboration Learning Innovation Fair Fun
CMC	Change Management Committee
CMS	Card Management Scheme
CPQR	Customer presented QR code
CSR	Corporate Social Responsibility
DBO	Defined Benefit Obligation
DEPS	Diluted Earnings Per Share
ECL	Expected Credit Loss
EMI	Equated Monthly Installment
EMV	Europay, MasterCard, and Visa
EPS	Earnings Per Share
ESG	Environmental, Social, and Governance
EVs	Electric Vehicles
FD	Fixed Deposit
FNCCI	Federation of Nepalese Chambers of Commerce & Industry
FVTOCL	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FY	Fiscal Year
HRIS	Human Resources Information System
IBFT	Interbank Fund Transfer

IFRS	International Financial Reporting Standard
IOSCO	International Organization of Securities Commissions
ISO	Information Security Officer
KPI	Key Performance Indicator
KSA	Knowledge, Skills, and Abilities
KYC	Know Your Customer
KYE	Know Your Employee
KYV	Know Your Vendor
LGD	Loss Given Default
ManCom	Management Committee
ML	Machine Learning
MSME	Micro, Small & Medium Enterprise
NAS	National Accounting Standards
NBA	Nepal Bankers' Association
NBI	National Banking Institute
NFC	Near-field Communication
NFRS	Nepal Financial Reporting Standard
NPCI	National Payments Corporation of India
NPR	Nepalese Rupees
NRB	Nepal Rastra Bank
ODFI	Originating Depository Financial Institution
OSHC	Occupational Safety & Health Committee
P2M	Person to Merchant
P2P	Person to Person
PAN	Permanent Account Number
PCI DSS	Payment Card Industry Data Security Standard
PET	Procurement Evaluation Committee
PFMI	Principles of Financial Market Infrastructures
PIN	Personal Identification Number
POS	Point of Sales
PSO	Payment System Operators
PSP	Payment Service Providers
QR	Quick Response
R&D	Research and Development
RCA	Root Cause Analysis
RDFI	Receiving Depository Financial Institution
RSCC	Recruitment, Selection & Compensation Committee
SAR	Suspicious Activity Reporting
SDGs	Sustainable Development Goals
SSF	Social Security Fund
TDS	Tax Deducted at Source
UPI	Unified Payment Interface
USD	United States Dollar
VAPT	Vulnerability Assessments & Penetration Testing
VCC	Virtual Credit Card/Fonepay Credit Card



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