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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 Statement of Financial Position as at Ashad 32, 2083 [July 16, 2026] and Statement of Profit and Loss Account, Statement of Other Comprehensive Income, 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, 2083 (July 16, 2026) 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 is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

S.N	Key Audit Matters	Our Audit Apporach and Response
1.	**Revenue Recognition** **The company works in a heavily regulated financial technology industry.** • 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) • Digital/Online Payments through Virtual Credit Card Technology (Merchant Payments - person to Merchant)	Our audit procedures to address the risk of non-compliance with NFRS 15 included the following:. **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. **2. Contract Analysis:**

	• 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.	Examined a sample of representative key contracts to get a sense of the provisions of those agreements, including service-level agreements and pricing processes. Compared management's determination of performance obligations and allocation of transaction prices with its determination. **3. Substantive Testing of Revenue Transactions:** Validated an example of interbank fund transfers, online payments, and cross-border transaction revenue to ensure accurate recognition from completion of performance obligations. Determined the treatment of foreign exchange component and transaction fees in the revenue calculation. **4. Assessment of Variable Considerations:** • Verified the accuracy of estimates related to discounts, rebates, or volume-based pricing. • Reviewed historical data and management assumptions for reasonableness. **5. Evaluation of Disclosures:** Evaluated whether the Revenue recognition disclosures in the financial statements are sufficient to fulfill requirements of NFRS 15.
2.	**Provision For Reward Liability** The company provides reward points to customers on QR fund transfer under Customer loyalty program. The loyalty/reward points are assigned to users on the basis Of their transactions for digital payments 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 I 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. The management had instead estimated the value of the reward redemption expenses and has provided provision for the same.	**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 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.	

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's



report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

For NBSM & Associates,
Chartered Accountants

NBSM & Associates Kathmandu Nepal Chartered Accountants

CA. Durga Prasad Gnawali, FCA
Senior Partner
Place: Kathmandu, Nepal
Date: 04th September, 2026
UDIN: 260904CA00461AD2NG

Fonepay Payment Service Limited

Lalitpur - 03, Lalitpur

Statement of Financial Position

As at Ashad 32, 2083

Notes		Ashad end 2083 NPR	Ashad end 2082 NPR
	Assets		
	Non-Current Assets		
3.07	Property, Plant and Equipment	573,872,980.52	559,777,842.27
3.08	Investment Property		
3.12	Right of Use Asset	55,999,439.29	65,132,502.45
3.09	Assets Under Development	38,350,499.20	22,902,885.00
3.09	Intangible Assets	91,273,101.30	119,106,439.41
3.06	Deferred Tax Asset	40,705,503.28	38,894,724.24
3.11	**Financial Assets**		
	Investment in Subsidiaries and Associates		
	Long Term Fixed Deposit	400,000,000.00	-
	Security Deposits	2,979,293.00	3,809,200.00
	Total Non-Current Assets (A)	**1,203,180,816.59**	**809,623,593.37**
	Current Assets		
3.10	Inventory	602,004.81	5,376,928.73
5	Other Current Assets	220,224,847.85	188,587,426.43
	Financial Asset		
3.11	Trade and Other Receivables	11,684,100.56	22,801,394.52
3.11	Cash and Cash Equivalents	380,566,514.64	336,974,190.64
	Total Current Assets (B)	**613,077,467.86**	**553,739,940.32**
	Total Assets (A+B)	**1,816,258,284.45**	**1,363,363,533.69**
	Equity, Reserves and Liabilities		
7.01	Share Capital	515,000,000.00	515,000,000.00
	Share Premium	3,536,000.00	3,536,000.00
7.2	Reserves & Surplus	737,185,649.17	399,042,128.01
	Total Equity Attributable to Shareholders	**1,255,721,649.17**	**917,578,128.01**
	Non-Current Liability		
3.6	Deferred Tax Liabilities		
4	Lease and Other Liabilities	70,702,735.96	78,089,140.07
	Financial Liabilities		
3.11	Non Current Financial Liabilities		
3.11	Long Term Borrowings		
	Total Non-Current Liability (D)	**70,702,735.96**	**78,089,140.07**
	Current Liability		
3.11	Creditors & Trade Payables	56,486,437.63	41,660,534.17
6	Taxes and Other payables	94,668,179.69	73,268,932.67
4	Lease and Other Liabilities	8,029,796.11	6,260,160.79
3.14	Provisions	330,649,485.89	246,506,637.98
	Financial Liabilities		
3.11	Current Financial Liabilities		
	Total Current Liability (C)	**489,833,899.32**	**367,696,265.61**
	Total Liability (C+D)	**560,536,635.28**	**445,785,405.68**
	Total Equity and Liabilities	**1,816,258,284.45**	**1,363,363,533.69**
	Book Value per share	**243.83**	**178.17**

The accompanying notes form an integral part of the financial statements

1 Corporate Information

2 Basis of preparation

3 -18 Significant accounting policies and Other financial information

As per our attached report on even date

Basanta Pandey, FCCA
CFO

Diwas Kumar
CEO

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

Siddhant Thakuri
Director

Sambhav Sirohiya
Director

Sashin Joshi
Chairman

N. B. S. M. & Associates Kathmandu Nepal Chartered Accountants

fonepay PAYMENT SERVICE LIMITED

Date: B.S. 2083.05.19 (Sept 04, 2026 A.D.)
Place: Lalitpur, Nepal

Fonepay Payment Service Limited

Lalitpur - 03, Lalitpur

Statement of Profit or Loss

For the year ended Ashad 32, 2083

Notes		FY 2082/83 NPR	FY 2081/82 NPR
	Income		
3.01	Revenue from Operations	1,317,063,187.82	973,174,344.12
9	Direct Expenses	(54,240,000.00)	(48,519,615.96)
	Gross Profit	**1,262,823,187.82**	**924,654,728.16**
14	Other income	2,285,783.28	560,477.88
3.07	Gain/(Loss) on Disposal of NCA	-	(139,496.83)
	Operating expenditure	**(480,321,056.99)**	**(384,795,905.58)**
10	Administrative Expenses	(93,525,705.37)	(81,289,279.36)
3.05	Employee Benefit Expenses	(215,972,895.36)	(181,899,201.60)
11	Marketing and Branding Expenses	(170,822,456.26)	(121,607,424.62)
	Profit from Operation	**784,787,914.11**	**540,279,803.63**
12	Finance Income	8,038,831.68	13,609,559.72
13	Finance Cost	(8,122,384.54)	(8,566,200.49)
3.07	Depreciation Expenses	(34,563,644.16)	(30,905,260.33)
3.09/3.12	Amortization Expenses	(37,012,526.27)	(23,529,395.38)
3.11	Impairment Gain/(Loss)	-	(284,348.86)
3.14	Other Expenses	(112,458,423.95)	(70,168,213.41)
	Profit (Loss) Before Tax	**600,669,766.87**	**420,435,944.88**
	Tax Expense		
3.06	Current Tax	(163,487,024.75)	(118,611,741.62)
3.06	Deferred Tax	1,810,779.04	13,233,330.91
	Profit/ (Loss) for the year	**438,993,521.16**	**315,057,534.17**
	Other Comprehensive Income		
	Other Comprehensive Income for the year (B)	-	-
	Total Comprehensive Income (A+B)	**438,993,521.16**	**315,057,534.17**
7.02	*Basic Earning per share*	*85.24*	*62.32*

The accompanying notes form an integral part of the financial statements

1 Corporate Information

2 Basis of preparation

3 to 18 Significant accounting policies and Other financial information

Basanta Pandey, FCCA
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Diwas Kumar
CEO

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

Siddhant Thakuri
Director

Sambhav Sirohiya
Director

Sashin Joshi
Chairman

Date: B.S. 2083.05.19 (Sept 04, 2026 A.D.)
Place: Lalitpur, Nepal

Fonepay Payment Service Limited

Lalitpur - 03, Lalitpur

Cash flow Statement

For the year ended Ashad 32, 2083

	FY 2082/83	FY 2081/82
Operating Activities		
Net Profit/(Loss) before tax	600,669,766.87	420,435,944.88
Adjustments		
Depreciation/Ammortizations/Impairments	71,576,170.43	54,719,004.57
Non-Cash/Provisions Adjustments	39,262,140.78	34,586,669.32
Unrealised Gains		-
Profit/Loss on Disposal of assets		139,496.83
Finance Income	(8,038,831.68)	(13,609,559.72)
Finance Expenses (Discounting)	8,122,384.54	8,566,200.49
Cash flows from Operation before Working Capital Changes	**711,591,630.94**	**504,837,756.37**
Increase/Decrease in Inventory	4,774,923.92	2,990,455.08
Increase/Decrease in Receivables	11,117,293.96	36,957,173.67
Increase/Decrease in Other Assets	(30,807,514.42)	(111,822,103.61)
Increase/Decrease in Liabilities	36,225,145.15	35,146,412.12
Lease/Rental Payment & Other Adjustments	(13,733,724.00)	(13,577,663.02)
Cash Generated from Operations	**719,167,755.55**	**454,532,030.61**
Taxes Paid	(118,611,741.62)	(78,548,789.55)
Operating Cash flow (A)	**600,556,013.93**	**375,983,241.06**
Investing Activities		
Investment on Long Term Deposits	(400,000,000.00)	
Purchase of PPE/WIP/Intagibles	(64,152,521.61)	(493,155,342.10)
Proceeds from Sale/Disposal of PPE		95,419.59
Dividend Received		-
Interest (on FD) Received	8,038,831.68	13,609,559.72
Investing Cash flow (B)	**(456,113,689.93)**	**(479,450,362.79)**
Financing Activities		
Proceeds from Issue of Shares	-	13,536,000.00
Borrowings/Settlement of Borrowings		
Interest Paid		
Other Loans		
Dividend Paid	(97,850,000.00)	(53,176,500.00)
CSR Expenses	(3,000,000.00)	
Financing Cash Flow (C)	**(100,850,000.00)**	**(39,640,500.00)**
Net Cash Flow From All Activities (A+B+C)	**43,592,324.00**	**(143,107,621.73)**
Opening Cash and Cash Equivalents	**336,974,190.64**	**480,081,812.37**
Closing Cash and Cash Equivalents	**380,566,514.64**	**336,974,190.64**

The accompanying notes form an integral part of the financial statements

1 Corporate Information

2 Basis of preparation

3-20 Significant accounting policies and Other financial information

As per our attached report on even date

N. B. S. M. & Associates Kathmandu Nepal Chartered Accountants

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Director

Sashin Joshi
Chairman

Date: B.S. 2083.05.19 (Sept 04, 2026 A.D.)
Place: Lalitpur, Nepal

Fonepay Payment Service Limited
Statement of Changes in Equity
For the year ended Ashad 32, 2083

	Share Capital	Share Premium	Retained Earnings	Accounting Reserves	CSR Reserve (1% of Profit)	General Reserve (4% of Profit)	Risk Reserves (2% of Profit)	Tech Reserves (3% of Profit)	Total
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 Acturial 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**
Prior Period Adjustment* (Note 3.13)									-
									-
Restated Balance as at Shrawan 1, 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**
Issued Share Capital									-
Share Premium									-
Profit/(Loss) For the Year			438,993,521.16						438,993,521.16
Dividend Paid			(97,850,000.00)						(97,850,000.00)
Movement in Acturial Reserve			(505,968.00)	505,968.00					-
Movement in Deferred Tax Reserves			(1,810,779.04)	1,810,779.04					-
Movement in Other Reserves			(43,899,352.11)		4,389,935.21	17,559,740.85	8,779,870.42	13,169,805.63	-
Expenses from reserve					(3,000,000.00)				(3,000,000.00)
Balance as at Ashad end, 2083	**515,000,000.00**	**3,536,000.00**	**621,018,255.20**	**41,885,464.78**	**6,417,334.21**	**30,162,042.22**	**15,081,021.10**	**22,621,531.66**	**1,255,721,649.17**

As per our attached report on even date

Basanta Pandey, FCCA
CFO

Diwas Kumar
CEO

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

Siddhant Thakuri
Director

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Director

Sashin Joshi
Chairman

Date: B.S. 2083.05.19 (Sept 04, 2026 A.D.)
Place: Lalitpur, Nepal