

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fonepay Payment Service Limited.

Dev Associates Chartered Accountants

Patan Dhoka, Lalitpur-3
P.O. Box 252
Lalitpur DPO 44700
Nepal

Report on the Audit of the Financial Statements

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Opinion

We have audited the financial Statements of Fonepay Payment Service Limited (hereafter referred as "Company"), which comprise the statement of financial position as at 32nd Ashadh, 2079 and the statement of profit or loss, the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 32nd Ashadh 2079 and of its financial performance and its cash flows for the year then ended in accordance with the Nepal Financial Reporting Standards.

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 ICAN's *Handbook of Code of Ethics for Professional Accountants* together with the ethical requirements that are relevant to our audit of the financial statement in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's *Handbook of Code of Ethics for Professional Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarize below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of and solely for the purpose of our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters

S. No.	Key Audit Matters	Auditor's Response
1	<p>Revenue from Operations</p> <p>The company recognizes the revenue from Interbank fund transfer and online merchant payment as major portion of revenue. Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer</p>	<p>Our audit approach regarding verification of process of revenue recognition included:</p> <ul style="list-style-type: none"> - Obtaining clear understanding of the process of revenue recognition from the data provided by the system switch.



S. No.	Key Audit Matters	Auditor's Response
	and excludes amount collected on behalf of third parties. The company recognizes the revenue based on data provided by the settlement switch.	<ul style="list-style-type: none"> - Performing test of control to ensure that the data provided by the settlement switch is reliable and accurate. - Recalculate and test check of revenue recognized based on transaction value and contract with the customers.
2	<p>Provision for reward liability</p> <p>The company provides reward points (customer loyalty point) to users on the basis of their transactions for digital payments via web module or through QR technology of Fonepay to increase customer loyalty. These points are assigned on the basis of transaction value at the rate of 1 reward point per Rs 100 with maximum limit of 100 reward points per transactions. The reward points are accumulated unless the points are redeemed by the customers. Such transaction does not generate revenue of any kind to the company. As a result of which allocation of transaction price to performance obligations on a relative stand-alone selling price basis is not possible as there is no transaction price. The company has estimated the value of the reward points and has provided provision for the same.</p>	<p>Our audit approach regarding verification of process of recognition of provision for reward liability included:</p> <ul style="list-style-type: none"> - Obtaining clear understanding about the reward point. - Obtaining the detail of reward points, its movement during the financial year and redemption pattern during the year. - Obtaining understanding about the relation between the reward points generated and revenue recognized. - Calculating the estimated value of option resulting the provision for reward liability. - Checking the reliability of estimates made on arriving the value of reward point during the year and prior to the financial year.

Other Information

Management is responsible for other information. The other information comprises the information included in the Report of Board of Directors pursuant to Section 109 (4) of the Companies Act, 2063, but does not include the financial statements and our auditor's report thereon. The Report of Board of Directors is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Report of Board of Directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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



In preparing the financial statements, the 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 the management either intends to liquidate the Company or to cease operations, or has realistic alternative but to do so.

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 a part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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 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.

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.

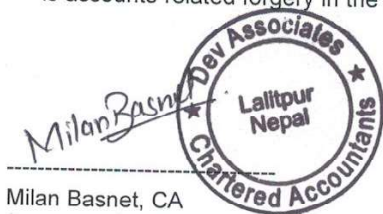
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements if the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits if such communication.

Report on Other Legal and Regulatory Requirements

In relation to the audit of financial statements of the company, our responsibilities on Other Legal and Regulatory Requirements arises from the provision of Sec. 115 of Companies Act, 2063.

Based on our examination of the financial statements as per the Company's Act, 2063, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. The accounts and records of the Company have been maintained as required by law and practice in a manner to reflect the real affairs of the Company.
- c. The statement of financial position, statement of profit or loss and other comprehensive income and the statement of cash flow dealt with by this report are in agreement with the books of account of the Company, and these statements follow prevailing accounting standards.
- d. In our opinion and to the best of our information and according to the explanation given to us, we did not come across any such instances where the Board of Directors, representative or any employee of the Company has acted contrary to the provision of law relating to accounts or causing direct loss or damage to the Company deliberately or acting in a manner that would jeopardize the interest and security of the Company.
- e. In our opinion and to the best of information provided to us, and as confirmed by the management through Management Representation Letter, we did not obtain any information that substantiate there is accounts-related forgery in the company.




Milan Basnet, CA
Partner,
For,
Dev Associates,
Chartered Accountants

Place: Lalitpur
Date: December 15, 2022
UDIN: 221223CA01259RvzeO

Fonepay Payment Service Limited
Pulchowk, Lalitpur - 03, Lalitpur
Statement of Financial Position as on 32 Ashadh, 2079

Notes	Ashad end 2079 NPR	Ashad end 2078 NPR
Assets		
Non-Current Assets		
3.7	Property, Plant and Equipment	33,977,180
3.9	Intangible Assets	11,293,219
3.9	Assets Under Development (Work-In-Progress)	44,416,888
3.12	Right of Use Asset	10,992,004
3.6	Deferred Tax Asset	28,061,098
Financial Assets		
4	Investment in Subsidiaries and Associates	53,332,600
Financial Asset measured at Amortized Cost		
Total Non-Current Assets (A)		117,749,086
Current Assets		
3.10	Inventory	4,495,074
Financial Asset		
6	Trade and Other Receivables	71,753,814
8	Cash and Cash Equivalents	337,326,200
7	Advance and Prepaids	208,168
5	Other Financial Assets	1,000,000
Total Current Assets (B)		444,781,256
Total Assets (A+B)		532,530,341
Reserves and Liabilities		
Equity		
10	Share Capital	505,000,000
11	Reserves	(67,913,418)
Total Equity Attributable to Shareholders		437,086,582
Non-Current Liability		
Deferred Tax Liabilities		
Financial Liabilities		
Other Non Current Financial Liabilities		
Long Term Borrowings		
Total Non-Current Liability (D)		-
Current Liability		
9	Trade and Other payables	39,223,166
3.14	Provisions	56,220,593
Financial Liabilities		
Accrued Payoff and Related Benefits		
Other Current Liabilities		
Total Current Liability (C)		95,443,759
Total Liability (C+D)		95,443,759
Net Equity and Liabilities (A+B-C-D)		532,530,341
The accompanying notes form an integral part of the financial statements		
1	Corporate Information	
2	Basis of preparation	
3 to 20	Significant accounting policies and Other financial information	

As per our attached report on 03/12/22



Basanta Pandey, FCCA
Head - Finance & Accounts


Divyas Kumar
Chief Executive Officer


CA. Milan Basnet
Dev Associates,
Chartered Accountants


Subhas Sapkota
Director


Sashin Joshi
Independent Director


Biswas Dhakal
Chairperson

Date: December 15, 2022
Place: Lalitpur

Fonepay Payment Service Limited

Pulchowk, Lalitpur - 03, Lalitpur


Statement of Profit & Loss for the year ended 32 Ashadh, 2079

Notes	Ashad end 2079 NPR	Ashad end 2078 NPR
Income		
3.1		
12		
	361,927,869	261,696,520
	157,531,235	116,193,912
	204,396,633	145,502,608
Expenditure		
17		
	1,884,900	1,151,175
Operating expenditure		
14		
13		
16		
	55,742,690	21,966,420
	42,967,283	20,501,153
	151,647,465	91,478,945
	(44,075,905)	12,907,264
Profit from Operation		
3.7		
3.9		
	8,618,980	911,822
	2,208,492	697,589
15		
	21,142,417	14,659
	(33,760,959)	11,312,512
Profit (Loss) Before Tax & Staff Bonus		
	39,838,764	15,954,711
	(73,599,723)	(4,642,199)
Provision for Reward Expenses		
Tax Expense		
3.6		
	(22,475,554)	(3,948,856)
	(51,124,169)	(693,343)
Profit/ (Loss) for the year		
Other Comprehensive Income		
3.2		
	39,197	
	39,197	
	(51,084,972)	(693,343)
Total Comprehensive Income		
Earning per share		
	(10.12)	(0.69)

The accompanying notes form an integral part of the financial statements

- 1 Corporate information
- 2 Basis of preparation
- 3 to 20 Significant accounting policies and Other financial information


As per our attached report on even date

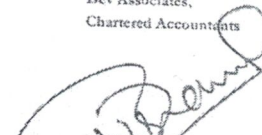

 Basanta Pandey, FCCA
 Head - Finance & Accounts


 Diwas Kumar
 Chief Executive Officer


 CA. Milan Basnet
 Dev Associates,
 Chartered Accountants


 Subhas Sapkota
 Director


 Sashin Joshi
 Independent Director


 Biswas D. Shakal
 Chairperson

Date: December 15, 2022

Place: Lalitpur

Fonepay Payment Service Limited

Statement of Changes in Equity

for the year ended 32. Ashadh, 2079

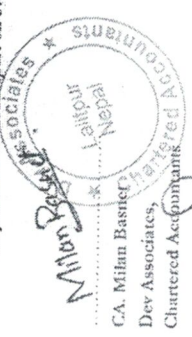
	Share Capital	Retained Earnings	Actuarial Reserves	Deferred Tax Reserves	CSR Reserve	Other Reserves	Total
Balance as at Shrawan 1, 2078	100,000,000	(22,406,151)		5,577,705			83,171,554
Opening reserves adjustment Prior period adjustment*							
Restated Balance as at Shrawan 1, 2078	100,000,000	(22,406,151)		5,577,705			83,171,554
Issued Share Capital	405,000,000						405,000,000
Profit/(Loss) For the Year		(51,124,169)					(51,124,169)
Actuarial Gain/Loss							
Exchange Gain/Loss arising on translation		39,197					39,197
Deferred Tax Reserves		(22,475,554)		22,475,554			
Balance as at Ashadh 32, 2079	505,000,000	(95,966,677)		28,053,259			437,047,385

As per our attached report on even date


 Basanta Pandey, FCCA
 Head - Finance & Accounts


 Divyas Kumar
 Chief Executive Officer


 Sashin Joshi
 Independent Director




 C.A. Milan Basnet
 Dev Associates,
 Chartered Accountants


Date: December 15, 2022
Place: Lalitpur

Fonepay Payment Service Limited
 Pulchowk, Lalitpur - 03, Lalitpur
 Cash flow Statement for the year ended 32 Ashadh, 2079

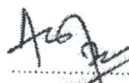
	FY 2078-79	Amount in NPR FY 2077-78
Operating Activities		
Net Profit/(Loss) before tax	(73,599,723)	(4,642,199)
Adjustments		
Depreciation	8,618,980	911,822
Amortization	2,208,492	697,589
Deferred Tax Adjustments		
Deferred Grant Income		
Non-Cash Adjustments/Provisions	40,917,694	15,954,711
Profit/Loss on sale of assets		
Finance Income		
Finance Expenses		
Adjustment Right of Use Asset		
Cash flows from Operation before Working Capital Changes	(21,854,557)	12,921,923
Increase/Decrease in Inventory	(4,495,074)	
Increase/Decrease in Receivables	(65,364,559)	80,206,576
Increase/Decrease in Other Current Assets	313,832	
Increase/Decrease in Current Liabilities	20,402,604	12,089,744
Provision Set-Off/Payments	(629,454)	
Cash Generated from Operations	(71,618,208)	105,218,243
Taxes Paid		
Operating Cash flow (A)	(71,618,208)	105,218,243
Investing Activities		
Investment		
Purchase of PPE/WIP/Intangibles	(52,760,564)	(48,896,613)
Proceeds from Sale/Disposal of PPE		
Dividend Received		
Interest Received		
Investing Cash flow (B)	(52,760,564)	(48,896,613)
Financing Activities		
Share Capital	405,000,000	
Borrowings/Settlement of Borrowings		
Interest Paid		
Other Loans		
Financing Cash Flow (C)	405,000,000	
Net Cash Flow From All Activities (A+B+C)	280,621,228	56,321,630
Opening Cash and Cash Equivalents	56,704,972	383,342
Closing Cash and Cash Equivalents	337,326,200	56,704,972

The accompanying notes form an integral part of the financial statements

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 Basant Pandey, FCCA
 Head - Finance & Accounts

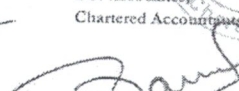

 Suresh Sapkota
 Director


 Diwas Khatun
 Chief Executive Officer


 Sashin Joshi
 Independent Director

As per our attached report on even date


 CA. Milan Basnet
 Dev Associates,
 Chartered Accountant


 Biswas Dhakal
 Chairperson

Date: December 15, 2022
 Place: Lalitpur