

**Dev Associates
Chartered Accountants**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Fonepay Payment Service Limited.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fonepay Payment Service Limited (hereafter referred as "the Company") which comprise the statement of financial position as at 15th July 2021, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and the 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 15th July, 2021 and of its financial performance and its cashflows for the year then ended 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 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.

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 summaries below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, 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.

Key Audit Matters	Auditor's Response
<div data-bbox="220 1575 406 1808" style="float: left; margin-right: 10px;">  </div> <p>1 Revenue from Operations</p> <p>The company recognizes the revenue from Interbank fund transfer and Hub merchant payment as major portion of revenue. Revenue is measured based on the consideration to which the company</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 settlement switch. - Performing test of control to ensure that the

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<p>expects to be entitled in a contract with a customer and excludes amount collected on behalf of third parties. The company recognizes the revenue based on data provided by the settlement switch.</p>	<p>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.</p>
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Other Information

Management is responsible for other information. The other information comprises the information included Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report 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. If based on the work we have performed, we conclude that there is material misstatement of the other information, we are required to report that fact.

When we read the Annual Report, 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 the 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 judgement 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.

Report on Other Legal and Regulatory Requirements

In relation to the audit of separate financial statements of this company, our responsibility to report 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 Companies 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 separate statement of financial position, separate statement of profit or loss and other comprehensive income and the separate 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, the 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.

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.



The engagement partner on the audit resulting in this independent auditor's report is Mr. Milan Basnet.

Milan Basnet



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

Place: Lalitpur
Date: November 15, 2021
UDIN No.: 211129CA01259dgzFK

Fonepay Payment Service Limited
Hattisar, Kathmandu
Statement of Financial Position
As at Ashad 31, 2078 (15th July, 2021)

(Amount in NPR)


Particulars	Notes	As at Ashad 31, 2078	As at Ashad 31, 2077
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4.1	26,760,420	467,693
Intangible Assets	4.2	10,002,411	-
Intangible Assets Under Development	4.2	10,992,064	-
Deferred Tax Assets	16	5,577,705	1,628,849
Total Non Current Assets (A)		53,332,600	2,096,542
Current Assets			
Trade And Other Receivable	5	6,389,256	866,070
Other Current Assets	6	1,520,000	87,249,761
Cash And Cash Equivalents	7	56,704,972	383,342
Total Current Assets (B)		64,614,227	88,499,173
Total Assets (A+B)		117,946,827	90,595,715
EQUITY AND LIABILITIES			
Equity			
Share capital	10	100,000,000	100,000,000
Reserve and surplus	11	(16,828,446)	(16,135,103)
Total Equity (A)		83,171,554	83,864,897
Non Current Liabilities			
Loans and Borrowing		-	-
Total Non Current Liabilities (B)		-	-
Current Liabilities			
Provisions	9	15,954,711	-
Trade and other payables	8	18,820,562	6,730,818
Total Current Liabilities (C)		34,775,273	6,730,818
Total Liabilities		34,775,273	6,730,818
Total Equity and Liabilities (A+B+C)		117,946,827	90,595,715


The accompanying notes form an integral part of the Financial Statements
Corporate Information
Basis of Preparation
Significant Accounting Policies and Other Financial Information

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Ayusma Aryal
Finance Head


Adwait Ratna Tuladhar
Chief Executive Officer


Biswas Dhakal
Chairman


Milan Basnet, CA
Partner
For,
Dev Associates,


Jagdish Khadka
Expert Director


Sashin Joshi
Independent Director

Date: NOV 15, 2021

Fonepay Payment Service Limited
Hattisar, Kathmandu
Statement of Profit or Loss
For the period from 1st Shrawan 2077 to 31st Ashad 2078
(July 16, 2020 to July 15, 2021)

(Amount in NPR)

Particulars	Notes	Year Ended Ashad 31, 2078	Year Ended Ashad 31, 2077
Revenue from Operations	12	282,847,694	101,750
Cost of Sales	13	116,193,912	-
Gross Profit		146,653,782	101,750
Other Income		14,659	3,686
Employee Benefit Expenses	14	20,301,153	11,248,556
Other Administrative expenses	15	129,400,076	6,580,560
Profit from Operation		(3,032,788)	(17,723,680)
Depreciation		911,822	40,272
Amortization		697,589	-
Finance Expense		-	-
Finance Income		-	-
Provision for Bonus		-	-
Profit/(Loss) Before Tax		(4,642,199)	(17,763,952)
Tax Expense		-	-
Current year		3,948,856	1,628,849
Deferred tax	16	-	-
Net profit for the year		(693,343)	(16,135,103)

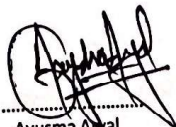
Statement of Comprehensive Income
For the period from 1st Shrawan 2077 to 31st Ashad 2078

(Amount in NPR)


Particulars	Notes	Year Ended Ashad 31, 2078	Year Ended Ashad 31, 2077
Net Profit for the year as per Profit or Loss Statement		(693,343)	(16,135,103)
Other Comprehensive Income		-	-
Revaluation Gain/Loss		-	-
Exchange Gain/Loss arising on translation of foreign operation		-	-
Tax relating to components of Other Comprehensive Income		-	-
Total Other Comprehensive Income (OCI)		(693,343)	(16,135,103)
Total Comprehensive Income (TCI)		(693,343)	(16,135,103)

The accompanying notes form an integral part of the Financial Statements
Corporate Information
Basis of Preparation
Significant Accounting Policies and Other Financial Information

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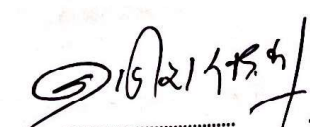

Ayusma Aiyal
Finance Head


Adwait Retna Tuladhar
Chief Executive Officer


Biswas Dhakal
Chairman


Milan Basnet, CA
Partner
For,
Dev Associates,




Jagdish Khadka
Expert Director


Sashin Joshi
Independent Director



PAYMENT SERVICE LIMITED


Date: Nov 15, 2021

Fonepay Payment Service Limited
Hattisar, Kathmandu
Statement of Cash Flows
For the period from 1st Shrawan 2077 to 31st Ashad 2078
(July 16, 2020 to July 15, 2021)


(Amount in NPR)


Particulars	Year Ended Ashad 31, 2078	Year Ended Ashad 31, 2077
Cash flows from operating activities		
Net profit before tax and extraordinary items	(4,642,199)	(17,763,952)
Adjustments for:		
Depreciation on Property, Plant and Equipment	1,609,411	40,272
Provision for Tax	-	-
Operating profit before working capital changes	(3,032,788)	(17,723,680)
Decrease/ (Increase) in Trade and Other Receivables	80,206,576	(88,115,832)
(Decrease)/ Increase in Trade and Other Payables	28,044,455	6,730,818
Net cash flows from operating activities	105,218,243	(99,108,694)
Cash flows from investing activities		
Purchase of Fixed Assets	(48,896,613)	(507,965)
Investment in Shares	-	-
Preliminary & Pre-operating Exps.	-	-
Net cash flows from investing activities	(48,896,613)	(507,965)
Cash flows from financing activities		
Advance from Director	-	-
Issue of Share Capital	-	1
Net cash flows from financing activities	-	100,000,000
Net increase/ (decrease) in cash and cash equivalent	56,321,630	383,342
Cash and cash equivalent at the beginning of the period	383,342	-
Cash and cash equivalent at the end of the period	56,704,972	383,342


Ayusma Aryal
Finance Head


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Chief Executive Officer


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Chairman


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Partner
For,
Dev Associates,




Jagdish Khadka
Expert Director


Sashin Joshi
Independent Director


PAYMENT SERVICE LIMITED

Date: NOV 15, 2021

Fonepay Payment Service Limited
 Patidar, Kathmandu

Statement of Changes in Equity
 For the period from 1st Shrawan 2077 to 31st Ashad 2078
 (July 16, 2020 to July 15, 2021)

Particulars	Share Capital	Retained Earnings	Deferred Tax Reserve	Total
Balance as at 16th July, 2020	100,000,000	(17,763,952)	1,028,849	83,264,897
Changes during the year	-	-	-	-
Share Capital issued	-	(693,343)	-	(693,343)
Net profit/(loss) for the year 2077/78	-	(3,949,895)	3,948,856	-
Transferred to Deferred Tax Reserve	-	(22,006,151)	5,877,705	-
Balance as at 16th July, 2021	100,000,000	(22,006,151)	5,877,705	83,871,554

(Amount in NPR)



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

Biswas Dhakal
 Biswas Dhakal
 Chairman

Adwait Raitna Tuladhar
 Adwait Raitna Tuladhar
 Chief Executive Officer

Ayusma Arya
 Ayusma Arya
 Finance Head



Sashin Joshi
 Sashin Joshi
 Independent Director

Jagdish Khadka
 Jagdish Khadka
 Expert Director

Date: