

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Fonepay Payment Service Limited

### Dev Associates Chartered Accountants

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## Report on the Audit of the Financial Statements

### 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 31<sup>st</sup> Ashadh, 2080 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 31<sup>st</sup> Ashadh 2080 and of its financial performance and its cash flows for the year then ended in accordance with the Nepal Financial Reporting Standards.

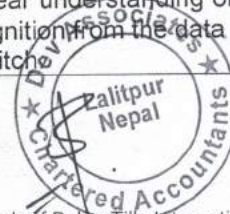
### Basis for Opinion

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.N	Key Audit Matters	Auditor's Response
1	<p><b>Revenue from Operations</b></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</p>	<p><b>Our audit approach regarding verification of process of revenue recognition included:</b></p> <p>- Obtaining clear understanding of the process of revenue recognition from the data provided by the settlement switch</p>



S.N	Key Audit Matters	Auditor's Response
	consideration to which the company 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>- Performing test of control to ensure that the data provided by the settlement switch is reliable and accurate.</p> <p>-Recalculate and test check of revenue recognized based on transaction value and contract with the customers.</p> <p><b>Our Result:</b> We observed that there were no significant discrepancies in the data provided by the settlement switch and revenue recognized aligns with transaction values and contractual terms, affirming the reliability of the data and the revenue recognition process.</p>
2	<p><b>Provision for reward liability</b></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 obligation 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><b>Our audit approach regarding verification of provision for reward liability included:</b></p> <ul style="list-style-type: none"> <li>- Obtaining clear understanding about the reward point.</li> <li>- Obtaining the detail of reward points, its movement during the financial year and redemption pattern during the year.</li> <li>- Obtaining understanding about the relation between the reward points generated and revenue recognized.</li> <li>- Calculating the estimated value of option resulting the provision for reward liability.</li> <li>- Checking the reliability of estimates made on arriving the value of reward point during the year and prior to the financial year.</li> </ul> <p><b>Our Result:</b> The calculation of reward liability was reasonably justifiable considering the redemption pattern.</p>

#### Other Information

Management is responsible for other information. The other information comprises the information included in the 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.

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 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,  
Dev Associates, Chartered Accountants

Place: Lalitpur  
Date: 19<sup>th</sup> Mangsir 2080  
UDIN: 231205CA01259Oh5xj

# Fonepay Payment Service Limited

Lalitpur - 03, Lalitpur


## Statement of Financial Position

As on 31 Ashadh, 2080

Notes	Ashad end 2080 NPR	Ashad end 2079 NPR	
<b>Assets</b>			
<b>Non-Current Assets</b>			
3.7	Property, Plant and Equipment	103,210,766.17	33,977,179.99
3.9	Intangible Assets	9,856,445.06	11,293,919.36
3.9	Assets Under Development (Work-In-Progress)	87,736,788.79	44,416,888.01
3.12	Right of Use Asset	72,726,355.30	-
3.6	Deferred Tax Asset	19,640,374.41	28,061,098.18
<b>Financial Assets</b>			
4	Investment in Subsidiaries and Associates	-	-
5	Other Financial Assets	3,890,200.00	1,000,000.00
<b>Total Non-Current Assets (A)</b>		<b>297,060,929.73</b>	<b>118,749,085.54</b>
<b>Current Assets</b>			
3.10	Inventory	13,850,723.77	4,495,073.59
<b>Financial Asset</b>			
6	Trade and Other Receivables	22,704,261.18	71,753,814.23
8	Cash and Cash Equivalents	289,231,164.58	337,326,199.66
7	Advance and Prepays	4,039,551.52	206,168.46
5	Other Financial Assets	-	-
<b>Total Current Assets (B)</b>		<b>329,825,701.05</b>	<b>413,781,255.94</b>
<b>Total Assets (A+B)</b>		<b>626,886,630.78</b>	<b>532,530,341.48</b>
<b>Reserves and Liabilities</b>			
<b>Equity</b>			
10	Share Capital	505,000,000.00	505,000,000.00
11	Reserves & Surplus	(48,152,441.65)	(67,913,417.79)
<b>Total Equity Attributable to Shareholders</b>		<b>456,847,558.35</b>	<b>437,086,582.21</b>
<b>Non-Current Liability</b>			
Deferred Tax Liabilities			
Lease Liabilities			
		72,609,524.70	-
<b>Financial Liabilities</b>			
Other Non Current Financial Liabilities			
Long Term Borrowings			
		-	-
<b>Total Non-Current Liability (D)</b>		<b>72,609,524.70</b>	<b>-</b>
<b>Current Liability</b>			
9	Trade and Other payables	39,418,451.21	39,223,166.03
3.14	Provisions	53,012,721.87	56,220,593.24
Lease Liabilities			
		4,998,374.65	-
<b>Financial Liabilities</b>			
Accured Payroll and Related Benefits			
Other Current Liabilities			
		-	-
<b>Total Current Liability (C)</b>		<b>97,429,547.73</b>	<b>95,443,759.27</b>
<b>Total Liability (C+D)</b>		<b>170,039,072.43</b>	<b>95,443,759.27</b>
<b>Net Equity and Liabilities (A+B-C-D)</b>		<b>626,886,630.78</b>	<b>532,530,341.48</b>

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

  
.....  
Basanta Pant, FCCA  
Chief Finance Officer

  
.....  
Diwas Kumar  
Chief Executive Officer

As per our attached report on even date

  
.....  
CA. Milan Basnet  
Dev Associates  
Chartered Accountants



  
.....  
Subhas Sapkota  
Director

  
.....  
Sashin Joshi  
Independent Director

  
.....  
Biswas Dhakal  
Chairperson

# Fonepay Payment Service Limited

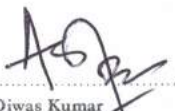
Lalitpur - 03, Lalitpur

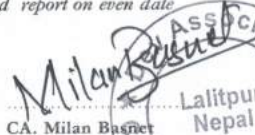
## Statement of Profit & Loss for the year ended 31 Ashadh, 2080

Notes	Ashad end 2080 NPR	Ashad end 2079 NPR
<b>Income</b>		
3.1 Revenue from Operations	444,407,257.41	204,396,633.25
12 Direct Expenses	47,878,144.33	23,748,602.04
<b>Gross Profit</b>	<b>396,529,113.08</b>	<b>180,648,031.21</b>
17 Other income	1,346,258.94	1,884,900.00
<b>Expenditure</b>		
<b>Operating expenditure</b>		
14 Administrative Expenses	56,100,637.36	51,542,690.03
13 Employee Benefit Expenses	107,281,068.94	42,967,282.85
16 Marketing and Branding Expenses	169,484,652.07	132,098,862.86
<b>Profit from Operation</b>	<b>65,009,013.65</b>	<b>(44,075,904.53)</b>
15 Finance Income	17,271,417.60	21,142,416.93
3.12 Finance Cost (Lease) Expenses	(7,261,798.73)	-
3.7 Depreciation Expenses	(16,597,784.45)	(8,618,980.17)
3.9, 3.12 Amortization Expenses	(9,913,026.02)	(2,208,491.60)
3.14 Other Expenses	(20,388,159.14)	(39,838,763.52)
<b>Profit (Loss) Before Tax</b>	<b>28,119,662.91</b>	<b>(73,599,722.89)</b>
<b>Tax Expense</b>		
3.2, 3.6 Current Tax	-	-
3.2, 3.6 Deferred Tax	(8,439,334.87)	22,475,553.89
<b>Profit/ (Loss) for the year</b>	<b>19,680,328.04</b>	<b>(51,124,169.00)</b>
<b>Other Comprehensive Income</b>		
3.2 Exchange gains/(losses) on translation of foreign operations	62,037.00	31,357.50
3.2, 3.6 Deferred Tax : related to items that may be reclassified	18,611.10	7,839.38
<b>Other Comprehensive Income for the year (B)</b>	<b>80,648.10</b>	<b>39,196.88</b>
<b>Total Comprehensive Income (A+B)</b>	<b>19,760,976.14</b>	<b>(51,084,972.12)</b>
<b>Eaming per share</b>	<b>3.91</b>	<b>(10.12)</b>
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*As per our attached report on even date*

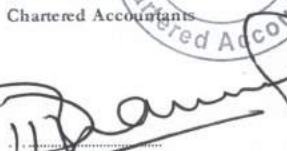
  
.....  
Basanta Paudyal, FCCA  
Chief Finance Officer

  
.....  
Diwas Kumar  
Chief Executive Officer

  
.....  
CA. Milan Basnet  
Dev Associates,  
Chartered Accountants

  
.....  
Subhiks Sapkota  
Director

  
.....  
Sashin Joshi  
Independent Director

  
.....  
Biswas Dhakal  
Chairperson

Date: 2080.08.08

Place: Lalitpur, Nepal

# Fonepay Payment Service Limited

## Statement of Changes in Equity

for the year ended 31 Ashadh, 2080

	Share Capital	Retained Earnings	Actuarial Reserves	Deferred Tax Reserves	CSR Reserve	Other Reserves	Total
<b>Balance as at Shrawan 1, 2078</b>	100,000,000.00	(22,406,150.59)		5,577,704.92			83,171,554.33
<b>Opening reserves adjustment</b>							
Prior period adjustment*							
<b>Restated Balance as at Shrawan 1, 2078</b>	100,000,000.00	(22,406,150.59)		5,577,704.92			83,171,554.33
Issued Share Capital	405,000,000.00						405,000,000.00
Profit/(Loss) For the Year		(51,124,169.00)					(51,124,169.00)
Actual Gain/Loss							
Exchange Gain/Loss arising on translation		39,196.88					39,196.88
Deferred Tax Reserves		(22,483,393.26)		22,483,393.26			
CSR Reserves							
<b>Balance as at Ashadh 32, 2079</b>	505,000,000.00	(95,974,515.97)		28,061,098.18			437,086,582.21
<b>Opening reserves adjustment</b>							
Prior period adjustment*							
<b>Restated Balance as at Shrawan 1, 2079</b>	505,000,000.00	(95,974,515.97)		28,061,098.18			437,086,582.21
Issued Share Capital							
Profit/(Loss) For the Year		19,680,328.04					19,680,328.04
Actual Gain/Loss							
Exchange Gain/Loss arising on translation		80,648.10					80,648.10
Deferred Tax Reserves		8,420,723.77		(8,420,723.77)			
CSR Reserves		(196,803.28)			196,803.28		
<b>Balance as at Ashadh 31, 2080</b>	505,000,000.00	(67,989,619.34)		19,640,374.41	196,803.28		456,847,558.35


*As per our attached report on even date*


  
**Basanta Pandey**, FCCA  
 Chief Finance Officer

  
**Sushas Sapkota**  
 Director

  
**Divyas Kumar**  
 Chief Executive Officer

  
**Sashin Joshi**  
 Independent Director

  
**Milan Raj**  
 C.A. Milan Banskot  
 Dev Associates, Chartered Accountants  
 Lalitpur, Nepal  
 Chartered Accountants

  
**Divyas Prakash**  
 Chairperson

# Fonepay Payment Service Limited

Lalitpur - 03, Lalitpur

## Cash flow Statement

for the year ended 31 Ashadh, 2080

	Amount in NPR. Ashad end 2080	Ashad end 2079
<b>Operating Activities</b>		
Net Profit/(Loss) before tax	28,119,662.91	(73,599,722.89)
<b>Adjustments</b>		
Depreciation	16,597,784.45	8,618,980.17
Amortization	9,913,026.02	2,208,491.60
Deferred Tax Adjustments		
Deferred Grant Income		
Non- Cash Adjustments/Provisions	(3,207,871.37)	40,265,882.32
Unrealised Gains	62,037.00	31,357.50
Profit/Loss on sale of assets		
Finance Income	(17,271,417.60)	
Finance Expenses (Lease)	7,261,798.73	
<b>Cash flows from Operation before Working Capital Changes</b>	<b>41,475,020.14</b>	<b>(22,475,011.30)</b>
Increase/Decrease in Inventory	(9,355,650.18)	(4,495,073.59)
Increase/Decrease in Receivables	49,049,553.05	(65,364,558.56)
Increase/Decrease in Other Assets	(6,723,583.06)	313,831.54
Increase/Decrease in Current Liabilities	195,285.18	20,402,604.03
Lease/Rental Payment Adjustments	(9,340,862.94)	
<b>Cash Generated from Operations</b>	<b>65,299,762.19</b>	<b>(71,618,207.88)</b>
Taxes Paid		
<b>Operating Cash flow (A)</b>	<b>65,299,762.19</b>	<b>(71,618,207.88)</b>
<b>Investing Activities</b>		
Investment		
Purchase of PPE/WIP/Intangibles	(130,666,214.87)	(52,760,564.16)
Proceeds from Sale/Disposal of PPE		
Dividend Received		
Interest (on FD) Received	17,271,417.60	
<b>Investing Cash flow (B)</b>	<b>(113,394,797.27)</b>	<b>(52,760,564.16)</b>
<b>Financing Activities</b>		
Share Capital		405,000,000.00
Borrowings/Settlement of Borrowings		-
Interest Paid		-
Other Loans		-
<b>Financing Cash Flow (C)</b>	<b>-</b>	<b>405,000,000.00</b>
<b>Net Cash Flow From All Activities (A+B+C)</b>	<b>(48,095,035.08)</b>	<b>280,621,227.96</b>
<b>Opening Cash and Cash Equivalents</b>	<b>337,326,199.66</b>	<b>56,704,971.70</b>
<b>Closing Cash and Cash Equivalents</b>	<b>289,231,164.58</b>	<b>337,326,199.66</b>

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Chief Executive Officer

  
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Sashin Joshi  
Independent Director

As per our attached report on *open date*

  
.....  
CA. Milan Basnet  
Dev Associates,  
Chartered Accountants

  
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Biswas Bhakal  
Chairperson