



Nepal Doorsanchar Company Limited

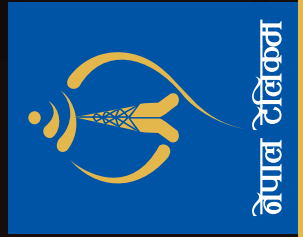
Annual Report 2013-14



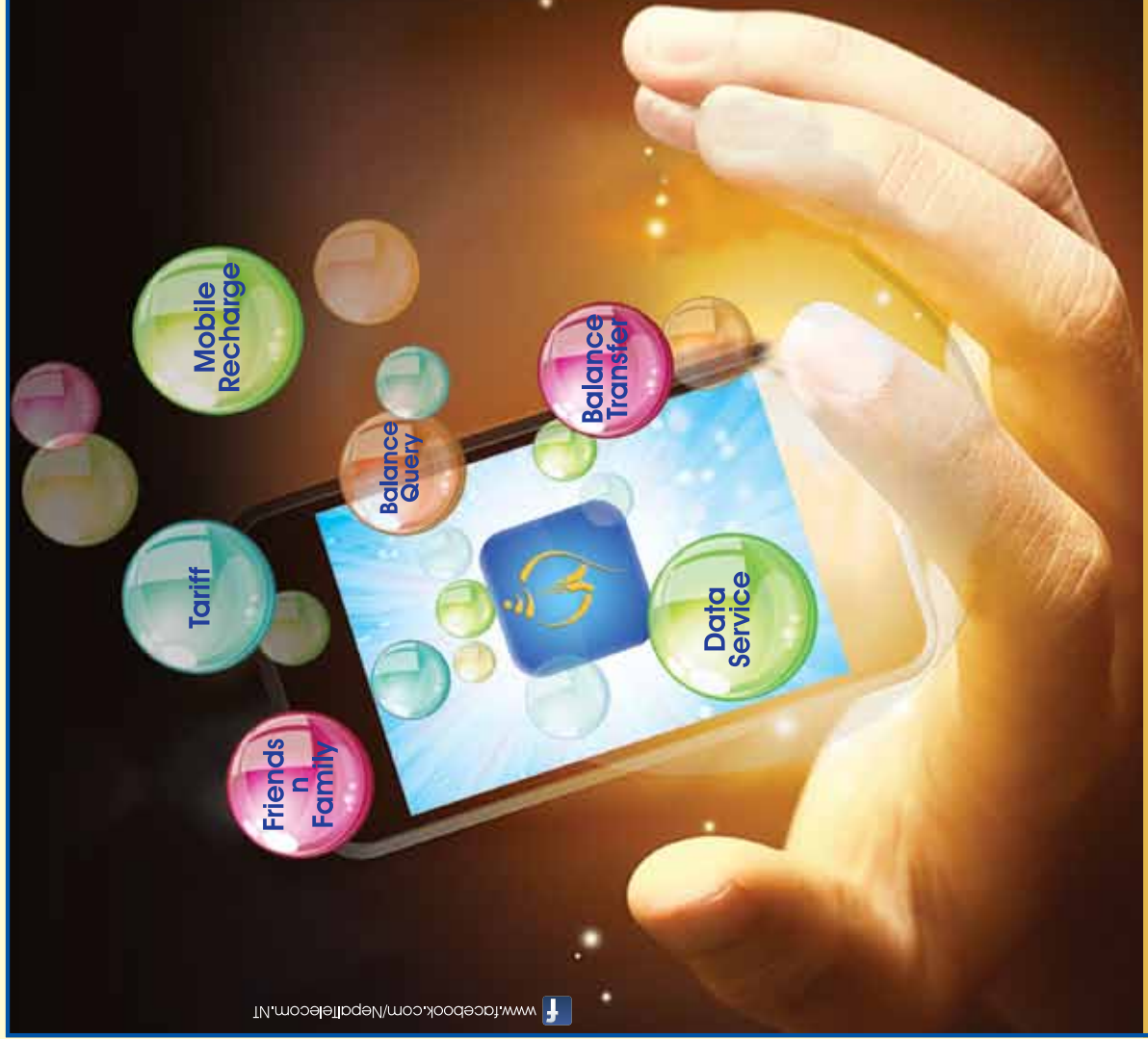
Nepal Telecom MOBILE APPS

Nepal Telecom (NT) Mobile App has some of the GSM mobile service related features that are available to NT's GSM subscribers and more features will be added in later version including CDMA related services. The application detects operator and GSM subscriber type (prepaid or postpaid) and features will be available accordingly. If you are using a dual SIM based Android handset, please set NT GSM as the primary SIM to be able to use the features of this app.

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CONTENTS

| | |
|--|-----------|
| Message from the Chairman | 2 |
| Message from the Managing Director | 6 |
| Board of Directors & Management Team | 13 |
| A Glance at NEPAL TELECOM | 16 |
| Key Highlights | 17 |
| Board of Directors Report | 18 |
| Technologies Adopted | 19 |
| Infrastructure Expansion | 19 |
| Market Share | 21 |
| Factors Effecting Company's Business | 22 |
| Half Yearly Review - Running Financial Year | 23 |
| Future Programs | 23 |
| HRM and Capacity Enhancement | 24 |
| Corporate Governance | 25 |
| Industrial & Professional Relationship | 26 |
| Internal & External Factors on Company's Business | 27 |
| Internal Control System | 28 |
| Dividend | 29 |
| Management Discussion and Analysis | 30 |
| Economic Review | 30 |
| Industry Review | 32 |
| SCOT Analysis | 33 |
| Financial Performance and Progress Analysis | 34 |
| Our Services | 39 |
| GSM Mobile Service | 39 |
| PSTN Service | 41 |
| CDMA Service | 45 |
| Internet Service | 46 |
| IP-based Leased Lines | 49 |
| Satellite Service for Rural Communication | 49 |
| Interconnection and International Carrier Business | 50 |
| Corporate Social Responsibility | 53 |
| Financial Statements | 55 |
| Statement of Financial Position | 57 |
| Statement of Profit or Loss | 58 |
| Statement of Cash Flows | 59 |
| Statement of Changes in Equity | 60 |
| Notes | 61 |
| Definition of Terms | 83 |





Message from the Chairman of the Board of Directors

'Legacy' is the key factor that differentiates humans from any other living beings. Humans have the will and instinct to learn from history. Nepal Telecom, with its almost a century old legacy of deploying and providing telecommunications services throughout the country, is continuing its leadership position in its professional field year after year.

The considerable obstacles to development efforts faced by the country are well-known - inadequate infrastructure and lower return on investments. Besides, Nepal being a mountainous country with extreme topography and adverse climatic conditions, it has always been an uphill task for the people of Nepal to carry on works related to infrastructure development. There are still many places in the country where boys and girls have to spend a lot of their valuable time to walk or even to swim across the rivers to reach their schools and back home. There are many people to whom the value of clean and safe drinking water has to be taught. In this backdrop, telecommunications and ICT have proved their worth in helping to connect, educate, inform, broadcast messages and ultimately to start a meaningful dialogue on all issues ranging from social, cultural, environmental, health, educational and technological.

The telecommunications market in Nepal has grown from a simple, monopolized market to a complex, liberalized market in the last one-and-a-half decade. The



telecommunication sector as a whole has transformed to a much mature stage as a result of trust and confidence among the operators and the regulator. Nepal Telecom, although being the incumbent operator, readily considers sector liberalization as an opportunity to grow, develop and prosper. NT has always considered market liberalization and competition as the stepping-stones and never as stopping-stones on its path to realize its dreams. NT is fully aware that it is obliged to follow all rules and regulations that every government entity has to follow.



The Government of Nepal's liberalization effort in the telecommunications sector has resulted into six telecom service licensees, nine Network Service Provider (NSP) and 47 ISP licensees in the country. Out of all these licensees, Nepal Telecom is the only telecommunications service provider that is serving the nation by aligning its business plans with the plans and programs of the GoN. No doubt, it is a satisfaction to re-iterate that all the bona fide licensees have played their respective roles in developing telecommunications and the Internet services in the country. However, it is equally true that NT is the only licensee that has been consistently maintaining its huge portfolio of services ranging from traditional landline (or, PSTN) services, highly popular GSM-mobile and CDMA-mobile services, CDMA-FWT services, and the VSAT services to VSAT-based PSTN/GSM/CDMA services as per suitability of technology in a particular terrain. Moreover, customers get their choices mainly based on technological differences (e.g. GSM or CDMA) and usage schemes (e.g. flat charging or volume based). With this, the added benefit to the customers is that customers have the option to choose the services that best suit their needs, wallets and convenience. As of March 2015 (Falgun 2071), NT is proudly serving more than 12.18 million voice service customers. On the other hand, NT is continuously expanding its Internet footprint throughout the country by providing highly popular ADSL service that provides High Speed Internet (HSI) through fixed lines, EVDO service on CDMA network, 3G service on GSM network and 4G WiMAX service. As of March 2015 (Falgun 2071), the customer base has crossed 6.13 million under this category. As mentioned

in the MIS Report (January 2015) of Nepal Telecommunications Authority (NTA), the national voice-teledensity has reached 98.35 percent, and the Market Share of Nepal Telecom in voice services is above 45.58 percent. Similarly, data/internet penetration has reached 38.78 percent, and the Market Share of Nepal Telecom in data services is above 57.75 percent.

The world as a whole has unfulfilled appetite for communication infrastructure and services, and Nepal and the Nepalese are no exception to this global trend! After reaching the milestone of almost cent-percent teledensity, the need is for VAS (Value Added Services) and tailored services as per customer demand. In addition, the global trend of using multiple communication devices, networked utility devices and location-based services clearly indicate that the growth in telecommunications and ICT services will, at least, remain steady in the near future.

The growths in mobile subscriptions and the Internet usage in the country are unprecedented. Nepalese society is motivated towards various uses of voice, SMS and online communication. According to the National Census 2011, there are more than 123 languages and more than 100 ethnicities in the country. Diversity is the beauty of Nepalese national identity, and as such possibilities and opportunities abound for innovating habit-forming technologies, services and Mobile-APPS (Mobile Applications). There is still space to grow, expand and multiply. Future of telecommunications is promising, and we are determined to prosper.

The issues on top priority in Nepal Telecom



are to implement Organization Restructuring and to select Strategic Partner. In order to keep the company young in its thoughts and actions, a radical decision on time-bound retirement provision in Deputy Managing Director level and Manager level have been taken and incorporated in the Employee Regulation 2061. Similarly, in line with the practice worldwide, introduction of Strategic Partner is expected to transform the company from the present somewhat-monopolistic and process-oriented working culture to a competitive and result-oriented working culture. Selection process for the Consultant is almost at the final stage, and it is expected that decisions to select the Strategic Partner will be taken by the Government of Nepal at the most appropriate time.

Nepal Telecom is quite aware and alert towards possibilities of investment diversification. Although this generally means investing on other sectors that provide cushion against business risks, investing on the company itself is also important and attractive in the process of evolving and facing stiff competition. Quality improvement through system upgrades and better customer services require huge investment. Equipment and customers are the limbs on which the company stands upright, and as such investments on these fields pay off. Laying the OFC (Optical Fiber Cables) even up to rural areas, installing data capable smaller switches (e.g. MSAG) and providing all-time-available 3G services throughout the nation will help to bridge the 'Broadband Divide'.

After proliferation of voice and data services, it is most likely that the promising

technologies to be watched at the moment are the mobile broadband, cloud computing and mobile commerce. Along with the broadband services, people have started to enjoy and appreciate benefits of storing their documents and data in networked storage spaces that may be in another continent. This is the beginning of wide-scale acceptance of cloud computing, and will soon be hitting the market to aid professional growth, academic activities, entertainment services, security and surveillance functions, and so on. In case of mobile commerce, it is in infancy in the country. Once the skepticism on security, reliability and dependability of the transactions gets diluted and the confidence levels of the customers get a boost, m-Commerce will change the way people execute financial transactions. NT is ready to play its role for collaboration with the banks and financial institutions in this regard.

Nepal has been undergoing energy crisis for almost a decade, and particularly in dry seasons, the situation goes from bad to worse due to inadequate power generation to meet ever-increasing demand. Although Nepal has one of the highest hydro-electricity potential in the world, both cost and time are quite high that these hinder immediate realization. Unfortunately, there are no other promising solutions other than renewable energy and deployment of equipment that have lower energy consumption.

On the financial front, Nepal Telecom has recorded a growth in its total revenue in FY 2013/14 by 2.15 percent to Rs. 39.69 billion in comparison to that of the FY 2012/13. Unlike the foreign exchange gain of Rs 1.21

billion in the FY 2012/13, there has been foreign exchange loss of Rs 175.7 million in the FY 2013/14. The operational expense of the company has increased by 7 percent to Rs 7.2 billion in the FY 2013/14 than that of the previous year. This has affected the Gross Expense to increase by 3.06 percent to Rs. 24.45 billion in the FY 2013/14. This figure was Rs 23.72 billion in the previous year. With this revenue and expense figure, the Net-Profit-after-tax in the FY 2013/14 has grown to Rs. 11.55 billion from Rs. 11.29 billion in the FY 2012/13. This has resulted into Net Profit Ratio increase to 29.11 percent in this FY 2013/14 from 29.08 percent of the previous year.

In the same tune, other financial indicators are also comfortable. The Earnings-Per-Share (EPS) of the company has increased to Rs. 77.02 in the FY 2013/14 from that of Rs. 75.33 of the previous year. Similarly, the Book-Value-per-share has grown by 7.16 percent from Rs 357.57 in FY 2012/13 to Rs 383.18 in the present year. Shareholders are the parts of NT's success story, and Shareholders' Fund has grown to Rs. 57.47 billion in the FY 2013/14 from Rs. 53.63 billion in the previous year.

Let me take this opportunity to extend gratitude to the Government of Nepal, government entities, Nepal Stock Exchange Ltd., Nepal Telecommunications Authority, Office of the Company Registrar, national and international agencies including humanitarian agencies for their trust and support to Nepal Telecom and their co-operation in realizing the dream of NT to become a true national institution. In addition, we renew our dedication to all the respected shareholders of the company.

It is a satisfaction to us to mention that although there is fluctuation in share price, the deviation is minimal, and NT will continue to provide the most appropriate return to the shareholders' investments.

Last but not the least, let me re-emphasize that Nepal Telecom and its services have got engrained in the Nepalese lifestyle, and we are further determined to serve Nepal and the Nepalese through accessible, affordable and dependable telecommunications and ICT services throughout the country.

The legacy continues, and let me congratulate all of you for being part of this legacy.

Thank You!

Sunil Bahadur Malla
CHAIRMAN





From the Desk of

Managing Director

The dual role that Nepal Telecom has been fulfilling is quite an example in itself. As a government owned enterprise, NT is obliged to follow all the rules and regulations that any government institution has to follow. At the same time, NT has to do business in a competitive market place. Nevertheless, NT believes that sector liberalization is an opportunity that has helped to make telecommunications and ICT services accessible and affordable to the general public resulting into multi-fold growth in subscriber base.

In the present competitive scenario, Nepal Telecom is the only service provider that has been providing rich and quality network services at affordable price throughout the country. NT feels proud to serve over 45 percent of voice customers and over 57 percent of the total data users across the country. This growth in market share has been possible even in the presence of stiff competition with other telecom operators and the ISPs. The services provided by Nepal Telecom - especially related to the voice and data - provide abundant options to the subscribers to select services and schemes that suit their usage pattern, mobility, bandwidth demand and budget. Further, as the incumbent operator, Nepal Telecom is still concentrating its efforts to expand service coverage in remote areas of the country and reach the under-served population!

In the FY 2012/13, the customer-base had grown by 18.30 percent than that in the year earlier to reach 9.17 million. In comparison to this, customer base has grown by 18.83



percent to reach 10.9 million in the FY 2013/14. Similarly, the Internet customer-base has grown by 1.42 million than that of the previous year and has exceeded 4.7 million in the FY 2013/14.

Nepal Telecom is providing the wired and wireless connectivity for voice and data services throughout the country. In the network development part, various major projects including 10 million GSM lines, two million IP CDMA lines, WiMAX project, FTTH project and NGN project have been completed. In this FY, NT has launched FTTH service in the major commercial areas of Kathmandu such as the King's



Way, Kamaladi, Jamal and the major urban centers outside Kathmandu such as Bharatpur, Pokhara, Biratnagar, Birgunj and Butwol. Optical Fiber Cables have been laid in many places and will be continued based on probability of demand in such areas. At the moment, NT is providing 1 Mbps to 100 Mbps broadband and telephone line under this FTTH service, and will be providing TV, gaming and VOD in the future.

As of now, Nepal Telecom is providing CDMA-based EVDO service in all districts, GSM-based 3G service in 66 districts, Wi-Fi hotspot in 65 districts and ADSL service in all districts of the country. The Internet service that is available to NT's customers through fixed line networks (i.e. ADSL and FTTH) and through wireless networks (i.e. GSM, CDMA and WiMAX) help empower connected lifestyle of the customers, provide better ways to deliver services, enable safe e-transactions, promote telecommuting by setting up cloud computing environment and create new jobs on application development and hosting.

Regarding infrastructures, most of them are developed and owned by the company itself. To enhance quality of its network, Nepal Telecom is deploying optical fiber based transport network in technically feasible areas. In some cases, as developing its own infrastructures are extremely expensive, time consuming and technically infeasible, NT is leasing OPGW network from NEA (Nepal Electricity Authority). These OPGWs are expected to provide transmission network link redundancy in different sectors like Kathmandu-Pokhara-Kaligandaki-Butwol, Kathmandu-Kulekhani-Hetauda, Hetauda-Duhabi and Hetauda-Butwol. In addition to these arrangements, NT has ADSS (All-Dielectric-Self-Supporting) network expansion plan to interconnect rural and peri-urban areas. As connectivity through fiber is not possible in all the districts due

to extremely challenging topography, NT is also extending the transport network and services via wireless systems like Microwave terrestrial radio and VSAT.

In the remotest districts, namely, Mugu, Dolpa and Humla of Karnali Zone and Manang district of Gandaki Zone, Nepal Telecom is providing PSTN, GSM, CDMA and ADSL services by utilizing C-band and KU-band VSATs. In this FY, NT has installed and brought into operation repeater in Fulum of Rasuwa district which lies at an altitude of 3,700 meters. Similarly, microwave radios have been installed and brought into operation in Kirine Kharka of Humla district, Mauriko Lek of Jumla district and Resiko Lek of Dolpa district in this FY.

As part of its efforts to provide converged billing and customer care, Nepal Telecom has been migrating its existing telecommunications services that are being provided through different technologies to the CRTB & CS (Convergent Real Time Billing & Customer Support) platform. Migrations of the respective billing systems of IP-CDMA and GSM-prepaid to the CRTB&CS system have been completed. The remaining works including migration of respective billing systems of WiMAX, GSM-postpaid and NGN will be undertaken in near future. NT strongly believes that Customer Support should be able to provide a pleasant experience to its customers and shall be able to provide choices in terms of product packages and technologies, and as such this is one of the priority areas of the company.

Nepal Telecom will be commercially launching the UCS (Unified Communication System) in near future. This platform acts like a local social networking solution and provides integrated voice, data, and video services apart from social networking services. Another interesting service that is expected to give a distinct mileage to NT is the Customer Contact Center (CCC) that



provides various means including but not limited to telephone, fax, email, SMS and even Social Media to lodge complaints and get updates related to NT's services and schemes. This service is expected to be launched soon after completion of required tests. A new project that is expected to allow NT to design different attractive schemes to its Internet subscribers is underway. This system called as ITMS (Internet Traffic Management System) will provide capability to monitor unwanted or malicious contents in the network such that NT's customers will have enhanced user experience. Installation works related to this project will begin very soon.

These projects are expected to provide value to its already existing huge portfolio of services ranging from traditional landline (PSTN), GSM, CDMA, VSAT and VSAT-based PSTN/GSM/CDMA services throughout the country. Moreover, completion of these projects in hand (i.e. CRTB&CS, UCS, CCC and ITMS) will ensure that NT, one of the most successful government owned enterprises, is determined to evolve and provide the best telecommunications network infrastructure and services in the country.

The organization as a whole is administratively divided into Corporate Office, six Service Directorates and six Regional Directorates. Currently Nepal Telecom has active manpower totaling 5,366. The overall manpower per thousand lines has dropped from 0.55 in last FY to 0.47 as of March 2015 due to increased computerization, automation and outsourcing efforts. Similarly, the company has been able to exceed the subscriber base of 12.18 million recently.

Financially, in this FY 2013/14, Nepal Telecom has achieved 2.15 percent growth in total revenue to record Rs. 39.69 billion compared to that of the previous FY. NT has been putting in its efforts to

control expenses and undertake cost effective investments. Subscribers are the ones providing valuable feedback to NT and encourage it in its endeavors. For convenience of its customers, NT has been providing multiple options to recharge and pay bills like recharge cards, MPOS and e-recharge. The popularity of these options is exhibited by the fact that in the FY 2013/14, revenue through recharge cards has exceeded Rs 17.02 billion whereas the figure was only above Rs 15.61 billion in the FY 2012/13.

NT has been awarded 'Highest Taxpayer' by the Government of Nepal in the VAT collection category for the FY 2013/14 for collecting the highest VAT amounting to Rs 3.86 billion. In addition to this, NT has contributed to the GoN's treasury in the FY 2013/14 by paying Rs 6.31 billion as dividend, Rs 4.97 billion as Income Tax, Rs 2.35 billion as TSC, Rs 2.04 billion under Royalty & RTDF, Rs 470.6 million as Ownership Tax, Rs 190.2 million as customs and Rs 42.4 million as Property & Vehicle Tax.

High-speed internet at customer premises is now considered as a basic requirement for every business house. Besides, internet has brought its own language and culture and this trend has attracted interdisciplinary academic activities, promoted online communication and facilitated online collaboration. As customers are more knowledgeable these days, they consistently tend to seek out new services that provide more satisfaction and higher efficiency. At this moment, excellent service quality is a pre-requisite to satisfy customers and create customer loyalty. Issues of quality, service coverage and affordability of telecom and ICT services are of paramount importance to NT.

Although the mobile communication has seen unprecedented growth, more than half of the voice and data calls (even from

mobile devices) are originated indoors. As such, quality improvement through radio network planning, increasing capacity of existing BTSs and adding new BTS are of high priority for improving indoor coverage.

Manpower is the most valuable asset of any competitive institution. Competitors may be able to duplicate resources, technologies and services, but the expertise and experiences of the human capital can hardly be copied. However, NT is conscious on the fact that periodically updating, training and grooming the staffs provide higher return on investment made.

We have noticed that the major reasons for delay in some of the projects are availability of infrastructure, sensitivity of suppliers and interoperability problems among different systems and requirement to phase-out the equipment. As such, plans should rather be rooted in reality, and should be pragmatic, operable and true to the national context. The time of plan formulation is an occasion of introspection and so identifying and analyzing the problems and issues is vital to find out answers as to why the things are as they are now.

NT is a socially responsible institution, and it has been gradually increasing its contribution under CSR. NT has signed agreements to provide Rs 8.5 million to the National Cricket Team, Rs 7 million for Mega T20 Cricket Tournament and Rs 2.2 million to the Nepal Police for Men's and Women's Football Teams in the FY 2013/14. Apart from monetary contributions, NT has been actively spreading SMS messages free of cost to its subscribers for voluntary participation in the Bagmati Cleaning Campaign on Saturdays. In addition, NT has taken responsibility to maintain greenery in Maitighar-Baneshwor section of Arniko Highway and the 920 meter section on both sides of the Tinkune-Manahara confluence of Bagmati River.

Nepal Telecom believes that social obligation and duty towards shareholders shall be maintained at the highest priority. The management and employees have been sincerely engaged in enhancing shareholder's value, and positively impacting social and economic activities in the country.

With the dedication of our highly professional staffs, critical feedback of the customers and the relentless endeavors of its stakeholders, we are confident that NT's commercial, financial and business indicators will further improve in the coming days.

Let me take this opportunity to gratefully acknowledge trust and confidence extended to Nepal Telecom by our valued customers, shareholders and the well-wishers.

Thanking You,

Buddhi Prasad Acharya
MANAGING DIRECTOR



VISION

“Our vision is to remain a market leader in information and technology sector in the country while also extending reliable and cost effective services to all.”



MISSION

“Nepal Telecom, as a progressive, customer spirited and consumer responsive entity, is committed to provide nation-wide reliable telecommunication service to serve as an impetus to the social, political and economic development of the country.”



GOAL

“Our goal is to provide cost effective telecommunication services to every nook and corner of the country.”



Board of Directors



Chairman
Mr. Sunil Bahadur Malla
Secretary
Ministry of Information & Communication



Member
Mr. Buddhi Prasad Acharya
Managing Director
NEPAL TELECOM



Member
Mr. Baikuntha Aryal
Joint Secretary
Ministry of Finance



Member
Mr. Kamalshali Ghimire
Joint Secretary
Ministry of Law, Justice, Constituent
Assembly & Parliamentary Affairs



Member
Mr. Kabiraj Khanal
Joint Secretary
Ministry of Information & Communication



Member
Mr. Binaya Kumar Chalise
Representative
Public Share Holder



Company Secretary
Mr. Surya Bhakta Pokharel
Deputy Managing Director
NEPAL TELECOM

Management Team



Mr. Buddhi Prasad Acharya
Managing Director

Corporate Office



Mr. Surendra Prasad Thike
DMD - Planning



Mr. Niraj Kumar Adhikari
DMD - Finance



Mr. Shyam Sundar Prasad Yadav
DMD - Development



Mr. Surya Bhakta Pokharel
DMD - Internal Audit & Inspection



Mrs. Kamini Rajbhandari
DMD - Operation & Maintenance



Mrs. Padma KC
DMD - Human Resource
Management



Mr. Birendra Bahadur Shakya
DMD - Change Management



Mr. Subash Chandra Sah
DMD - Business

Service Directorates



Mr. Vishnu Prasad Kasaju
Director
Telecom Training Center



Mr. Deo Narayan Yadav
Director
PSTN Directorate



Mr. Arun Prasad Puri
Director
Mobile Service Directorate



Mr. Lochan Lal Amatya
Director
Wireless Telephone Directorate



Mr. Rabindra Jha
Director
Information Technology Directorate



Mr. Bibhas Kumar Gupta
Director
Satellite Service Directorate

Regional Directorates



Mr. Rajendra Nakarmi
Director
Kathmandu Region Directorate



Mr. Ashok Kumar Thapa
Director
Eastern Region Directorate



Mr. Vijaya Kumar Thakur
Director
Central Region Directorate



Mr. Shyam Prasad Shukla Adhikari
Director
Western Region Directorate



Mr. Indal Yadav
Director
Mid Western Region Directorate



Mr. Sanaullah Khan
Director
Far Western Region Directorate



A Glance at NEPAL TELECOM

Current Status of Nepal Telecom (As of July, 2014)

| | |
|---|-------------------------------|
| Total Working Manpower | 5,448 |
| Manpower per Thousand Telephone Lines | 0.53 |
| Total Telephone Distribution (PSTN/GSM/CDMA) | 10,904,462 |
| Overall Telephone Penetration | 40.96 |
| Telephone Coverage | All the VDCs & Municipalities |
| Total GSM Mobile Subscribers | 9,019,809 |
| NAMASTE Prepaid Mobile Subscribers | 8,697,240 |
| Postpaid Mobile Subscribers | 322,569 |
| Penetration of GSM Mobile Phones (%) | 33.88 |
| Total CDMA Subscribers | 1,230,333 |
| CDMA Fixed C-Phone Prepaid Subscribers | 111,129 |
| CDMA Fixed C-Phone Postpaid Subscribers | 10,963 |
| CDMA Mobile Sky-Phone Prepaid Subscribers | 1,093,421 |
| CDMA Mobile Sky-Phone Postpaid Subscribers | 14,820 |
| Penetration of CDMA Mobile Phones (%) | 4.62 |
| Total PSTN Landline Phone Subscribers | 653,202 |
| Penetration of PSTN Phones (%) | 2.45 |
| Total Internet Subscribers | 4,705,429 |
| GSM Internet Subscribers | 4,421,490 |
| CDMA Internet Subscribers | 136,573 |
| PSTN/ISDN Dialup Internet Subscribers | 4,683 |
| ADSL Subscribers | 128,307 |
| Wi-MAX Subscribers | 9,299 |

** Source: Data as of July 2014, NT MIS **



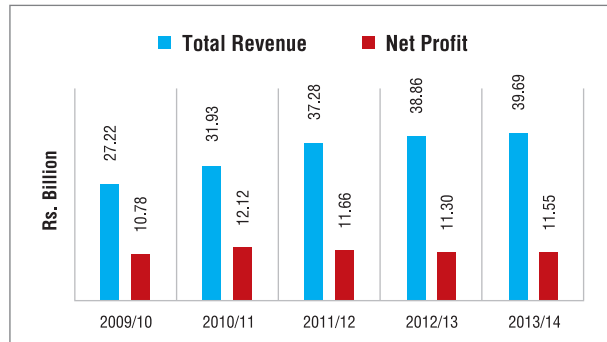
KEY HIGHLIGHTS

Rs. 39.69 Billion

Sales Revenue

Rs. 11.55 Billion

Net Profit

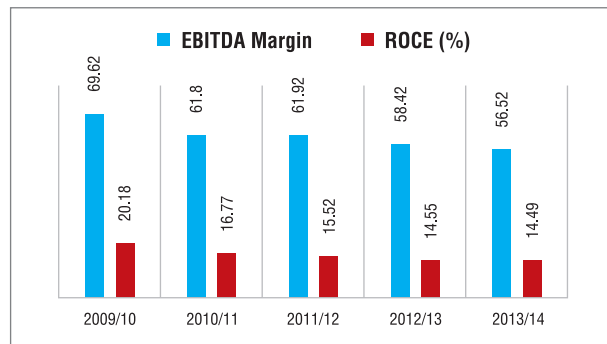


Rs. 7.05 Billion

In Dividends

Rs. 41.26 Billion

Cash & Cash Equivalents



Rs. 77.02

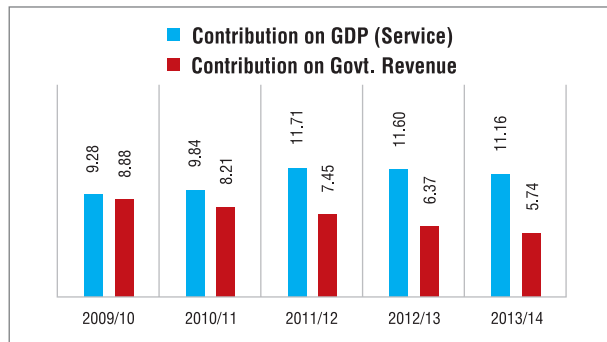
Earnings Per Share (EPS)

1.72 Million

New Mobile Customers

1.42 Million

New Data/Internet Customers

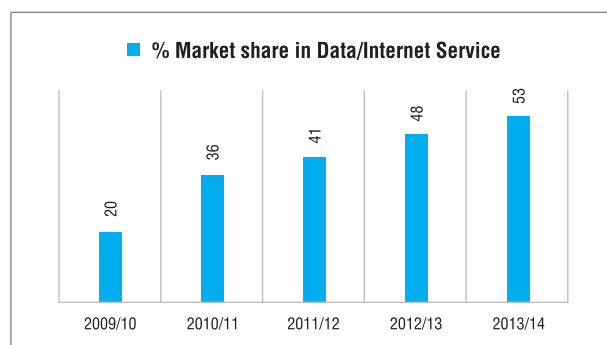


53%

Market share in Data Services

11.16%

Contribution on Nation's
GDP (Service)



Board of Directors' Report



We feel proud to present the success of the company even in such challenging times of internal as well as external environment like rapid development in information technology sector, competition in internal market, weak economy, open and liberal economic policy, borderless market etc.

Dear Shareholders,

It is the pleasure of the Board of Directors to present 7th Annual Report with highlights on the Company's business and operations, together with audited financial statements and accounts for the financial year (FY) which ended on July 16, 2014. The performance of the company improved in FY 2013/14 compared to the previous financial year from the point of view of gross revenue and profit after tax. We feel proud to present the success of the company even in such challenging times of internal as well as external environment like rapid development in information technology sector, competition in internal market, weak economy, open and liberal economic policy, borderless market etc.

Globalization and rapid development in technology have provided alternatives to the consumers. Customers are free to select the product of their choice as per service provider's offerings. So in the current scenario,

it is challenging for companies to create new customers and retain them. Further, there has been decrease in revenue from international calls due to availability of free calls through the Internet. Inter-administration revenues are affected due to grey calls through illegal VOIP. Moreover, there is a possibility of decrease in profit of the company in the coming days due to price competition in internal market, decrease in share of inter-administration revenue, increase in operational and administrative costs, etc.

Taking into consideration the need for adequate and modern telecommunication equipment to strengthen the telecommunication sector in Nepal, we have continued our efforts to provide such essential infrastructures in this financial year as well. We are determined to work even harder in order to achieve excellence in whatever we have to offer to our esteemed customers and stakeholders.



An Overview of the Financial Year 2013/14

1. Technologies adopted

We always cater to customer needs and demands. We are always dedicated to bring in new and modern technologies and serve our customers with quality and reliable services. As the incumbent telecommunication service provider, Nepal Telecom has the largest portfolio of services that suit convenience and demand of the general public. The selection of technology to provide various types of services that are most appropriate to a particular terrain is not an easy task. Nepal Telecom has been focusing on providing voice and data services based on wired (copper) network in urban, densely populated areas; GSM-based services mostly for urban and sub-urban areas and CDMA-based services for rural areas. Similarly, VSAT-based services are available in remote, extremely difficult terrains even beyond the Himalayan range where other technologies like Optical Fiber and Microwave transmissions are practically infeasible. On the back-haul side, Nepal Telecom has the largest network in the country on both optical fibers and radios; and uses VSAT-based satellite backhaul technology to provide GSM, CDMA and fixed line services in extremely remote areas. These are just some of the examples that Nepal Telecom has been using to reap benefit of combining different technologies for expansion of dependable and affordable telecommunications service throughout the country.

With the introduction of broadband internet service based on WiMAX (Worldwide Interoperability for Microwave Access) technology, the country has been able to reap the benefits of high speed 4th generation internet service. WiMAX offers wireless broadband internet service with greater flexibility anytime, anywhere in any WiMAX enabled devices, whether it is a laptop, desktop

modem, digital phone or even a gaming device. It creates seamless broadband environment at home, in the office and on the move. WiMAX project is expected to expand the reach of broadband internet service in all the VDCs and municipalities of the country where there are no ADSL services.

IP-based Next Generation Network (NGN) Softswitch and Access Network Equipment (Access Gateway) have been in use to provide reliable and quality broadband service.

EVDO (Evolution Data Optimized) service based on IP-CDMA technology has been used by customers for business as well as entertainment purpose. The customers are able to make international calls at minimum tariff by using the IP-based calls (1424).

The company has been providing its customers with various VAS (Value Added Services) in PSTN such as Voice Mail, Notice Board, IVR, Toll-Free, Prepaid Calling Card, PSTN Credit Limit, etc.

Access Gateway has been used to transmit live data and hold video conferences. Similarly, with GSM 3G service, customers are able to enjoy high speed internet on the move. The data migration in Convergent Real Time Billing (CRTB) System is in process and after its completion it will facilitate its customers with one window billing system for all services. In addition, the CRTB project will enable NT customers to enjoy benefits of multiple discount offers and attractive bundling schemes.

2. Infrastructure expansion

Considering the telecom market in the last few years, the growth of Wire-line subscribers have slowed down, but the growth of mobile





subscribers have boomed and an exponential growth of data/internet subscribers have taken place - in line with the global trend. The telephone penetration rate for mobile subscribers only is around 83 percent in Nepal. Out of 10 million line GSM project, Package-A that consists of 5.2 million lines for Central Development Region (except Kathmandu Valley), Eastern Development Region, Mid-Western Development Region and Far-Western Development Region has been completed in places like Birtamod, Biratnagar, Hetauda, Babarmahal, Sundhara, Nepalgunj and Attariya, where these are in operation. Similarly, Package-B that consists of 4.8 million lines for Kathmandu Valley and relocation to Western Development Region have been completed in places like Pokhara, Butwal and Babarmahal. These lines are also in operation. Under the first phase, 513 new BTS

Considering the necessity to provide reliable services and enhance revenue, Nepal Telecom has installed Optical Fiber Cable under Optical Network Project in district headquarters and cities. In this regard, Nepal Telecom has used infrastructures of Nepal Electricity Authority and in some places that of Butwal Power Company Ltd. for Optical Fiber Cable expansion by installing ADSS.

Providing utmost attention to the needs of new generation as well as considering the increasing attraction of customers towards ADSL service and other internet services, Nepal Telecom has been increasing Internet Bandwidth on regular basis. Out of 75 districts, 3G Network is already available in 68 districts. Similarly, VSAT based services are available in remote, extremely difficult terrains even beyond the



from Huawei Technologies have been installed. In Kathmandu Valley itself, existing 384 ZTE system BTS have been replaced by the new BTS from Huawei Technologies and further 84 new BTS have been installed. Similarly, 165 old BTS were replaced and further 43 new BTS were installed in Lumbini and Gandaki zones. We are all concerned and determined to provide better quality in our GSM service with realization of this 10 million GSM project.

Himalayan range where other technologies like Optical Fiber and Microwave transmissions are practically infeasible. NT has used satellite technology to provide link-up facility to the new Repeater Stations in Danfe Lek of Jumla district and Tharpu of Mugu district that lie at the altitudes of 4000 meters and 3000 meters above sea level respectively. Similarly, NT has installed Microwave Repeater Station in Fulum hill of Rasuwa district that lie at the altitude of 3700 meters above sea level.

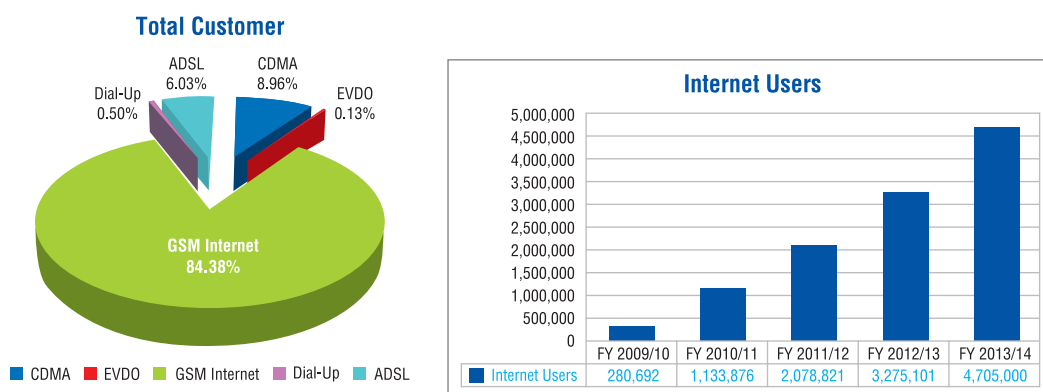


The migration of older CDMA equipment to IP-CDMA project with line capacity of 2 million has been completed. This project will provide broadband Internet service along with voice service in the rural and semi-urban areas throughout the country. More than 300 Wi-Fi hotspots based on WiMAX technology are already in operation.

Considering the necessity of adequate power backups for smooth and reliable service, Nepal Telecom has been installing solar cells, generators and increasing the capacity of battery backups as well.

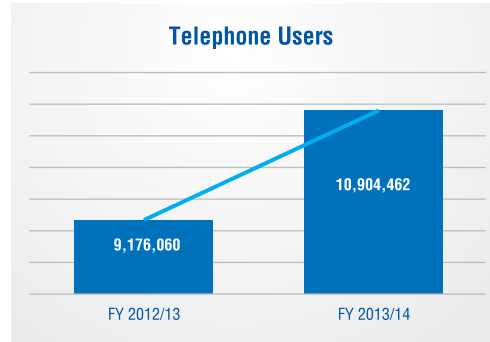
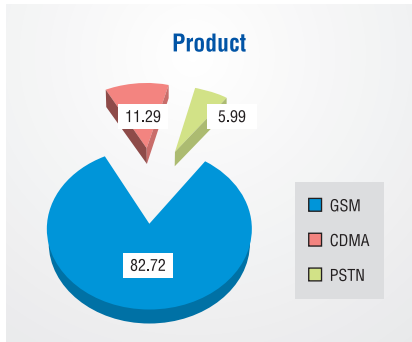
3. Market Share

The company achieved a significant growth of 18.83 percent in the number of subscribers availing company's various services in the current financial year. The number of subscribers availing company's services in the previous financial year was 9.1 million and this has increased to 10.9 million in the current financial year. A whopping growth by 43.33 percent was achieved in subscribers using internet/data service provided by the company. The number of subscribers availing internet/data service in the previous financial year was 3.2 million and this has increased to 4.7 million in the current financial year. It is also noteworthy to mention that the market share of the company in Internet/data market has increased from 48 percent in previous financial year to 53 percent in the current financial year. This clearly reflects the improvement in quality and reliability of services provided by the company.



The telephone line installation and distribution details for F.Y. 2013/14 along with that of last 4 years is given in the table below:

| Services | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|-----------------------------------|-----------|-----------|-----------|-----------|------------|
| PSTN | 583,542 | 603,291 | 627,639 | 640,459 | 653,202 |
| GSM | 3,960,293 | 5,121,518 | 6,166,814 | 7,469,327 | 9,019,809 |
| CDMA | 920,257 | 1,019,167 | 960,929 | 1,065,156 | 1,230,333 |
| Total Subscribers | 5,464,092 | 6,743,976 | 7,756,318 | 9,176,060 | 10,904,462 |
| Overall Telephone Penetration (%) | 19.40 | 23.95 | 29.14 | 34.47 | 40.96 |



4. Effects of National and International environment on company's business:

The increase in use of smart phones and booming data/internet market has allowed customers to use various tech savvy applications such as Skype and Viber to communicate both verbally as well as in writing at affordable cost. The use of such applications has definitely hampered revenue of the company to some extent. However, the company has taken this as an opportunity to recover the lost revenue in voice service by promoting data service, especially by focusing on aggressive marketing of data services provided by the company.

The ongoing efforts in development of telecommunication technology and the availability of affordable communication devices in the global market have helped to increase international incoming and outgoing calls. Another reason for increase in international incoming calls is migration of a large Nepalese youth population to various countries for employment, academic and other purposes.

At present, there are other telecom service providers in the country as well. As most of them hold license for international gateway business, the competition between them has resulted into lowering of termination rates, thereby negatively impacting company's revenue. To counter this situation, it is necessary for the company to enhance expansion, availability and quality of its services throughout the country.

Nepal Telecom has been investing heavily to develop dependable optical fiber network and microwave radio infrastructure throughout the country. This effort has helped to provide telecommunication service all over the country - even in remote regions and extremely difficult terrains. On the other hand, Nepal Telecom has been adding new interconnect partners to exchange high quality international traffic on its direct routes at highly competitive rates.

In spite of all these efforts by the company that have directly benefitted the nation from service and revenue aspects, a few specific groups of people have been found to illegally use company's network to bypass legal routes and terminate international traffic by using the latest VOIP technology. Although this has the potential to massively impact Nepal Telecom and its revenue, Nepal Telecom has been actively employing advanced technologies to contain and minimize such illegal activities by closely collaborating with the government, regulatory and security agencies.



5. Achievements in Running Financial Year (Half Yearly Review)

The total number of subscribers had reached 10.9 million in the last FY 2013/14. As the number of subscribers has reached 11.8 million till mid-January 2015 of current FY 2014/15, the overall telephone penetration of the company has increased to 44.62 percent from 40.96 percent in FY 2013/14.

5.1 PSTN Service

As of mid-January 2015, 25 more exchanges have been added to strengthen PSTN service. With the total number of 512 exchanges in operation and addition of 6,600 PSTN lines in the existing 814,294 lines, the total PSTN lines in use has reached 80.53 percent of the installed capacity. The subscribers of ADSL service have reached 130 thousand in this review period.

5.2 GSM Service:

The total number of mobile subscribers has reached 9.74 million in this FY than that of 9.01 million in FY 2013/14.

5.3 Internet Service:

The subscribers of the internet service have reached 5.8 million in this FY from 4.7 million in the last FY 2013/14. Wi-MAX subscribers have also reached around 11,000 in this period.

5.4 Financial Achievements:

Taking into consideration the Gross Revenue of Rs. 39.69 billion in F.Y. 2013/14, the company expects the Gross Revenue to reach Rs. 42.41 billion in the F.Y. 2014/15. Within the first 6 months of the current F.Y. 2014/15, the company has already earned Rs. 19.90 billion as revenue with net-profit-after-tax being Rs. 6.64 billion. As the various projects initiated by the company are in full swing nearing completion, the company is confident that the target will be achieved above par.

6. Future Programs:

Nepal Telecom is the only telecom operator in the country that has been providing both Wire-line (PSTN) as well as Wireless (GSM and CDMA) services along with broadband internet services (ADSL & WiMAX). Its services have reached all 75 districts and all VDCs of the country, contributing to the overall social, economic, cultural and academic development of the country. As Nepal Telecom has excellent manpower to formulate necessary plans and to implement them in a professional manner, the company is dedicated to provide the best services in the market at affordable cost to its customers.

In the Wire-line system, the project to replace the existing Switching systems by IP-based NGN





systems is progressing. The company has plans to further add NGN-based Multi-Service Access Gateway exchanges in new market areas. The company has projected to distribute 25, 000 fixed lines through ONU (Optical Network Unit) and Access Nodes in the current financial year.

In the Wireless System, under new IP-based GSM system of 10 million lines capacity in two Packages: Package-A of 5.2M line capacity for CDR (except KTM Valley), EDR, MWDR and FWDR and Package-B of 4.8M line capacity for Kathmandu Valley and WDR, the company plans to add 300 new 3G BTS in Kathmandu Valley which is a part of Package-B project, Phase II. Also under the replacement phase of same project, the existing 2G BTS in districts like Kaski, Nawalparasi and Rupandehi and BTS operated in Western Regional Directorate will be replaced by BTS relocated from Kathmandu Valley. Moreover, the company plans to add 1,123 new BTS under Package-A project.

Nepal Telecom has already replaced its existing CDMA system by IP-CDMA system of two million line capacity along with commercialization of EVDO service. The company has plans to increase its subscriber base in this sector to 200 thousand in the current FY.

In order to facilitate the rural areas of Nepal with internet services, the company plans to expand coverage of its WiMAX service, WiMAX-based Wi-Fi service and at the same time increase



bandwidth of ADSL service.

Nepal Telecom has already procured equipment for Next Generation Customer Contact Center (CCC) to address and manage queries and complaints of its customers. Moreover, the company also plans to expand its Network Operation Center (NOC) with infrastructure setup in order to facilitate the preventive maintenance of the equipment in operation.

7. Human Resource Management and Capacity Enhancement:

Development, progress and success of any organization depend on the skill, diligence, discipline and conduct of its employees. Honesty and proper conduct of employees make themselves more responsible towards the company and develop their commitment towards customers. This ultimately strengthens the company's position in the market. Knowing this, special attention is given to efficient management of human resources. Long term development and capacity enhancement of human capital is always given top priority in the company.

Employees are provided with sufficient opportunities to participate in advanced level trainings and workshops abroad to enhance their knowledge and skills required for operation of installed equipment. It is expected that the trainings and seminars enable the employees to be aware of global industrial practices and enable them to implement the same in the company.

The company believes that all the employees of the company are valuable assets of the company. The creativity and dedication of employees towards their work have helped the company to explore new areas and expand its services. In-house as well as external trainings are organized

to increase skills and capacity of employees. In addition, Employees' Representatives participate in decision making processes so as to involve every employee in such decisions.



| S.N. | Particulars | F.Y 2009/10 | F.Y 2010/11 | F.Y 2011/12 | F.Y 2012/13 | F.Y 2013/14 | Change |
|------|---|-------------|-------------|-------------|-------------|-------------|--------|
| 1 | Approved Posts | 7094 | 7074 | 7186 | 7180 | 6293 | (887) |
| 2 | Working Manpower | 5826 | 5712 | 5530 | 5471 | 5448 | (23) |
| 3 | Total Transaction per Manpower (Rs. in '000') | 4672 | 5590 | 6653 | 7103 | 7286 | 2.57% |
| 4 | Net Profit per Manpower (Rs. in '000') | 1849 | 2122 | 2098 | 2066 | 2120 | 2.61% |
| 5 | Overall Manpower per 1000 Line | 1.05 | 0.85 | 0.74 | 0.60 | 0.59 | 0.01 |
| 6 | Cost per Manpower (Rs. in '000') | 591 | 789 | 624 | 643 | 808 | 25.66% |

Out of 7,180 Approved Posts at the end of financial year 2012/13, it was 6,293 at the end of financial year 2013/14, thereby terminating 887 posts. Currently, 5,448 employees are working including 175 contract employees and 5,273 permanent employees. During the year, there has been transaction of NPR 7.2 million per manpower, net profit of NPR 2.1 million per manpower and total cost of NPR 800 thousand per manpower. Total-transaction-per-manpower, net-profit-per-manpower and manpower-per-line have increased by 2.57 percent, 2.54 percent and 0.59 percent respectively.

8. Corporate Governance:

Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed. A strong commitment and adoption of ethical practices in dealings with its stakeholders are major features of a good corporate governance practice. Increasing complexity in modern day business has made it even more necessary for companies to have sound governance practices in order to build and sustain trust in its stakeholders. Besides, good governance practices are essential for a sustainable business model to generate long term value for its stakeholders.

In Nepal Telecom, corporate governance practices are based on the following broad principles with the objective of adhering to the highest standard of governance through continuous evaluation and benchmarking:

- Board of Directors with high experience and divers professional expertise
- Adoption of transparent procedures and practices
- Ensuring compliance with regulatory and fiduciary requirements in letter and spirit
- High level of disclosures for dissemination of corporate, financial and operational information to all its stakeholders
- Creation of Audit Committee
- Well defined corporate structure that establishes checks and balances and delegates decision making to appropriate levels in the organization



The Board of Directors of the Company is chaired by the Secretary of Ministry of Information and Communications. The Board meets regularly and all information in connection with items being discussed at the meeting of the board are provided to the Directors prior to the meeting. The Directors are responsible for providing strategic direction to the company, setting up corporate objectives, monitoring of operational and financial performance of the company's activities and the company's system of internal control.

The company has established an Audit Committee which has a formal charter approved by the Board of Directors. The Audit Committee comprises of Non-Executive Directors of the Company and the Member Secretary of the committee is the Deputy Managing Director (Internal Audit). The Audit Committee reviews financial statements, considers and recommends to the Board of Directors the accounting policies to be adopted by the Company. It also reviews the recommendation and the performance of Internal Audit function.

Moreover, in order to cater to the grievances of customers effectively, the company has also been providing necessary solutions to the public grievances via the help desk named "Hello Sarkar" meaning "Hello Government" in the Prime Minister's Office. In order to maintain transparency in procurement processes and to make it more systematic, the company has been continuously practicing E-bidding processes. The company has also been adhering to various Laws, Circulars and Directives from the government.

9. Industrial and Professional Relationship of the Company:

Keeping in mind the fact that interrelationship

between service providers help to increase service quality and revenue of the company, Nepal Telecom has been giving continuity to keep good business relationship with all of its stakeholders including service providers in the domestic market.

The company is positive towards implementing the concept of "infrastructure sharing" with the interested domestic operators considering the challenges and heavy investment required to expand telecommunications services in geographically difficult and economically unappealing areas.

On the international side, the company has started operation of its three POPs (Point of Presence) in Doha (Qatar), Singapore and Hong Kong. These initiatives have immensely helped to increase quality and dependability of interconnection service with the partners; and thereby assist to provide communication needs of its customers including the emigrant Nepalese community that seek dependable and affordable means to stay in contact with their near and dear ones back home in the country.

Although the satellite technology had contributed a lot to provide direct international call service in Nepal for more than 30 years, the availability of better and economic options, like the optical fiber network, have helped to provide international telecommunication service at comparatively lower cost.

Overall, Nepal Telecom has continued to keep good relationship with telecommunication and IT equipment manufacturers, service providers, consultants, telecommunication regulator, government agencies, and international/regional/inter-governmental agencies like ITU (International Telecommunication Union), APT (Asia-Pacific Telecommunity), etc.

10. Effect of internal and external factors on company's business:

Nepal Telecom has been fulfilling dual responsibility one as a government owned company that has to strictly follow rules and regulations of the government; and another as the incumbent operator that has to compete with new, privately owned operators that have investments of internationally renowned operators. This means, on one hand Nepal Telecom has social obligations to fulfill and on the other hand it has to undertake strategies to be competitive in the market. In spite of these difficulties and challenges, the company has been providing variety of telecommunication services to the general public from urban to remote, even inaccessible rural areas throughout the country.

The following effects have been observed on company's transactions due to the internal and external elements:

10.1 External reasons:

a) Competition:

Nepal Telecom, as the incumbent operator, considers 'competition' as an opportunity for everyone to perform better and scale higher. The Government of Nepal's liberalization effort in the telecommunications sector has resulted into six telecom service licensees, nine Network Service Provider (NSP) and 47 ISP licensees in the country. NT is the only licensee that has been consistently maintaining its huge portfolio of services ranging from traditional landline to mobile and even satellite-based communication services. NT is an ISP as well, and has been providing internet and data services through the deployment of different technologies ranging from the traditional dial-up to 4G WiMAX services. The availability of multiple choices to its customers has resulted into increased

attraction towards its services.

Competition has resulted into continuous growth in its subscriber base both in the voice and data fields. As a requirement to face stiff market competition, NT has put in increased efforts in the marketing and customer care activities. The continuous polishing in its work culture and decision processes has the potential to enhance its success, multiply progress and boost its image.

b) Modernization of Technology:

Telecommunication technology has been growing at a speedy pace. As customers demand advanced services at affordable cost, business growth depends on how the company adopts and expands such services. Nepal Telecom has been continuously upgrading its equipment to provide services that match the needs of its customers and also safeguard its current ROI (Return on Investment).

c) Customers' Interest and Choice:

Nepal Telecom, being the incumbent service provider, has quite an extensive experience in understanding customers' interest and choice, and has been responsive to meet them. Thorough study on newer technology is part of the procedure for the company to realize them, and thereby, provide different options to the customers to choose from. The company has been proactive to establish necessary Customer Care Center, Complain Desk etc. to further improve its service to the customers.

d) Market Monitoring:

The interdependency between competitive service providers in telecom business makes this business quite unique from the business of other consumable items. As such, Nepal Telecom is undertaking initiatives to closely monitor the market to design products and





schemes that attract and support its customers.

e) Rules and Regulations:

As 92 percent of its share is owned by the Government of Nepal, it is the obligation of Nepal Telecom to follow all the rules and regulations, including procurement acts, which are applicable to government agencies.

Considering the fact that this obligation is the major obstacle for the company to proactively undertake procurement and service expansion activities, where the other competing operators are not concerned about them, it is important and necessary that Nepal Telecom has to stay alert and play its role on any initiatives to amend those arrangements.

10.2 Internal Reasons:

a) Employee Work Culture:

Different initiatives from the management and the employee unions have definitely decreased the residual monopolistic legacy in the employees. These initiatives have evidently improved motivation and positive attitude in the employees towards the efforts and obligations of the company.

b) Geographic Diversity and Infrastructure:

Nepal Telecom has been providing different portfolio of services throughout the country. This diversity and challenges have heavily impacted the speed of deployment and expansion of services. In addition to this, the inherent characteristic of wireless technology makes it difficult to provide comparable quality of service even in the nearby places.

For the last couple of years, the country has been facing severe energy crisis, and this has resulted into heavy load-shedding ranging from a few hours to even 14 hours in a day. As the telecommunication systems, generally are not

designed for such heavy load-shedding, quality degradation is always expected. However, Nepal Telecom has been seriously taking initiatives to minimize the impact of load-shedding, to provide better quality of service by installing solar backups and generators, and even procuring equipment that consume less energy.

11. Internal Control System of the company:

The company is committed to enhance profitable business, avoid loss or risk, ensure legal compliance and balance with flexibility of risk management. For this, the company has adopted appropriate policies and processes for identification, appraisal, removal and control of risk.

Employee regulation and financial regulation are enacted with the motive to maintain financial, business and managerial discipline in the company. Employees designated with specified responsibilities will be held liable for punishment upon any misconduct or misuse of the authority provided to him as per the provision in Employee Regulation of the company. Revenue monitoring and inspection committee is active to control revenue leakages. Similarly, company's interest is on managerial audit and technical audit. Internal audit monitors policy, objectives, standards, compliance of regulation and internal check system through audit program.

Internal audit mainly focuses on critical areas identified on the basis of risk-based assessment. The implementation of appropriate measures to the issues raised in audit report is delegated by the Board of Directors to the Audit Committee.

Main Activities of Audit Committee in F.Y. 2013/14

- Co-ordinated for carrying out Performance



Audit of ERP by external consultant.

- Maintaining Arrear Management Software to manage arrears records.
- Discussion on report from Internal Audit and Inspection Department.
- Discussion on main issues raised on Audit of F.Y. 2012/13
- Discussion on Financial Position and Profit or Loss of F.Y. 2012/13
- Providing necessary directives to concerned authorities for preparation of financial statements as per International Financial Reporting Standard (IFRS) and accounting for the same in Enterprise Resource Planning (ERP).
- Recommendation for remuneration and conditions of appointment of final auditor for F.Y. 2013/14.
- Necessary directives to the management for recovery of arrears identified during internal audit as soon as possible.

12. Dividend

The company has always kept its shareholders in top priority and provided them with healthy dividend every year. Following is the dividend payout details by the company in recent years:

| S.N. | F.Y. | Cash Dividend Per Share | Total Dividend Amount | Paid Dividend | | Outstanding Dividend | |
|------|---------|----------------------------|--------------------------|---------------|-------|----------------------|------|
| | | | | Amount | % | Amount | % |
| 1 | 2007/08 | 25 | 3,750,000,000 | 3,744,927,869 | 99.86 | 5,072,130 | 0.14 |
| 2 | 2008/09 | 35 | 5,250,000,000 | 5,240,915,326 | 99.83 | 9,084,674 | 0.17 |
| 3 | 2009/10 | 40 | 6,000,000,000 | 5,979,885,840 | 99.66 | 20,114,160 | 0.34 |
| 4 | 2010/11 | 45 | 6,750,000,000 | 6,724,636,401 | 99.62 | 25,363,598 | 0.38 |
| 5 | 2011/12 | 48 | 7,200,000,000 | 7,163,129,664 | 99.49 | 36,870,336 | 0.51 |
| 6 | 2012/13 | 46 | 6,900,000,000 | 6,656,371,868 | 96.47 | 243,628,132 | 3.53 |

Company is constantly using various mediums such as banks in order to ease the process of dividend payment to its shareholders.

Management Discussion and Analysis



Five years ago, few would have predicted that the Internet would emerge so rapidly as a serious competitive force in telecommunications. However, today's Internet is only a pioneer to new competitive forces that are likely to emerge in the next five to ten years in the new "communications and information sector" which will result from technological convergence. Consequently, the beginning of mobile and data substitutions have lessened the demand for traditional voice services where industry growth is now predominantly driven by data mediums, with the internet being held largely responsible for creating a "SMART World".

Economic Overview

World Economy:

Global activity has strengthened during the second half of 2013, as anticipated in October 2013 in the World Economic Outlook (WEO). Activity was expected to improve further in 2014–15, largely on account of recovery in the advanced economies. Global growth was projected to be slightly higher in 2014, at around 3.7 percent, rising to 3.9 percent in 2015. But, largely due to weaker-than-expected global activity in the first half of 2014, the growth forecast for the world economy has been revised downward to 3.3 percent for this year, 0.4 percent point lower than in the April 2014 World Economic Outlook (WEO). The global growth projection for 2015 was lowered to 3.8 percent. Downside risks have increased since the spring. Short term risks include worsening of geo-political tensions and reversal of recent risk spread and volatility compression in financial markets. Medium-term risks include stagnation and low potential growth in advanced economies and decline in potential growth in emerging markets.

Given these increased risks, raising actual and potential growth must remain a priority. In advanced economies, this will require continued support from monetary policy and financial

adjustment agreed in pace and composition to support both the recovery and long term growth. In a number of economies, an increase in public infrastructure investment can also provide support to demand in the short term and help boost potential output in the medium term. In emerging markets, the scope for macroeconomic policies to support growth if needed varies across countries and regions, but space is limited in countries with external vulnerabilities. Besides, in advanced economies as well as emerging markets and developing economies, there is a general, urgent need for structural reforms to strengthen growth potential or make the growth more sustainable.

As per the current trend, the aggregate purchasing power of the 'E7' emerging economies – Brazil, China, India, Indonesia, Mexico, Russia and Turkey – will overtake that of the G7 by 2030. These huge economic shifts between countries, and within groupings, are resulting in momentous changes in consumption patterns – which in turn are creating and amplifying key challenges for businesses worldwide. They have to chase a moving target, as consumers evolve differently in various markets faster than ever before. They have to address the needs of ever more diverse and more demanding customer segments and they have to fight off increasingly intense and new competition.



| | Global Growth Trend (%) | | | |
|--|-------------------------|------|-------------|------|
| | Actual | | Projections | |
| | 2012 | 2013 | 2014 | 2015 |
| World Output | 3.4 | 3.3 | 3.3 | 3.8 |
| Advanced Economies | 1.2 | 1.4 | 1.8 | 2.3 |
| Emerging Market and Developing Economies | 5.1 | 4.7 | 4.4 | 5.0 |
| China | 7.7 | 7.7 | 7.4 | 7.1 |
| India | 4.7 | 5.0 | 5.6 | 6.4 |
| Nepal | 4.8 | 3.9 | 5.5 | 5.0 |

(Source: International Monetary Fund, October 2014)

Nepalese Economy:

The structure of Nepalese economy has been changing gradually. Contribution of agriculture and industry sectors to GDP showed a declining trend in current financial year 2013/14, while that of the service sector showed the opposite. From the sector-wise perspective, the contribution of primary, secondary and tertiary sector to nominal GDP are estimated to remain at 33.7 percent, 14.1 percent and 52.3 percent respectively.

The real GDP is estimated to grow by 5.2 percent at basic prices and 5.5 percent at producers' prices against the target of 5.5 percent for current financial year 2013/14. Such growth rate had remained at 3.5 percent at basic prices and 3.9 percent at producers' prices in the previous year. Favorable climate, improved investment environment and timely release of budget are the attributing factors for the rise in economic growth in current financial year, as compared to the previous financial year.

In overall, the analysis of statistics of the current financial year 2013/14 shows that although major macroeconomic indicators remained positive, higher inflation rate coupled with increased trade deficit has remained as a major challenge to the economy. The rate of inflation has remained high, owing to supply and structural factors despite steps taken through monetary and financial policies to curb it.

| | Annual GDP Trend | | | | |
|------------------------------------|------------------|------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| 1. GDP per Capita (\$, Current) | 610 | 714 | 702 | 707 | 703 |
| 2. GDP Growth (% , at basic price) | 4.3 | 3.9 | 4.6 | 3.5 | 5.2 |
| a. Agriculture | 2.0 | 4.5 | 4.6 | 1.1 | 4.7 |
| b. Industry | 4.0 | 4.3 | 3.0 | 2.5 | 2.7 |
| c. Services | 5.8 | 3.4 | 5.0 | 5.2 | 6.1 |

(Source: Economic Survey, 2013-14/Ministry of Finance/Nepal)



Industry Overview

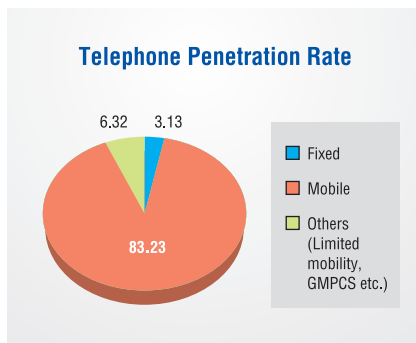
Global Telecommunication Trends:

The global market for telecommunications is expanding rapidly. It is not a question of “demand pull” or “supply push” as both of them are happening. On the demand side, growth is pulled by an increasing reliance on telecommunications and information technology in every area of human life and on the supply side, growth is pushed by rapid technological developments which continuously improve the efficiency of existing products, systems and services. The biggest trend with the greatest immediate impact on communication is the shift to mobile. In US, it took the telephone 76 years to reach half the population. The smartphone did it in less than 10 years. Five years ago, few would have predicted that the Internet would emerge so rapidly as a serious competitive force in telecommunications. However, today's Internet is only a pioneer to new competitive forces that are likely to emerge in the next five to ten years in the new "communications and information sector" which will result from technological convergence. Consequently, the beginning of mobile and data substitutions have lessened the demand for traditional voice services where industry growth is now predominantly driven by data mediums, with the internet being held largely responsible for creating a “SMART World”.

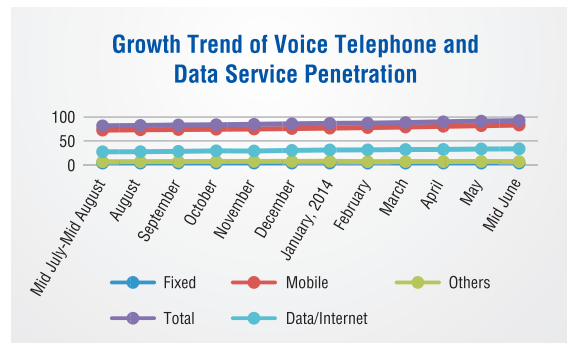
However, despite average global internet penetration reaching around 43 percent by the mid of 2014, large chunks of Asia and Africa remain unconnected.

Overview of the Telecommunication Industry in Nepal:

Nepal's telecommunications industry too has reflected many of these global trends, with rapid growth observed in both fixed and mobile broadband penetration levels leading to a considerable growth in the volume of internet subscriptions across the country. Telecommunications service has seen both quantitative and qualitative growths together, with rise in the number of telecommunication service providers and service users, along with access to ultramodern and sophisticated technological telecommunication facilities. By mid-July 2014, the total number of voice telephony service subscribers reached 24,556,572 with telephone density of 92.68 percent. Similarly, during the same time, the total number of Data/Internet service subscribers reached 8,782,936 with internet penetration of around 33 percent.



(Source: Nepal Telecommunication Authority, MIS Report, July 2014)



(Source: Nepal Telecommunication Authority, MIS Report, July 2014)

SCOT Analysis (Strengths, Challenges, Opportunities, Threats):



Strengths

- ❖ First and the only listed public Telecom Company in Nepal and a strong goodwill and trust among people.
- ❖ Large customer base.
- ❖ Wide range of service portfolio covering voice and data.
- ❖ Owns the largest nationwide telecom coverage and penetration.
- ❖ Only Telecom operator to provide PSTN service in Nepal.
- ❖ Skilled workforce with an experienced management team.

Challenges

- ❖ Inadequate infrastructure in rural regions pushing cost of operations
- ❖ Integration of various service operations across rural areas of the country.
- ❖ Understanding evolving customer perceptions.
- ❖ Increasing capex network costs due to necessity for continuous upgrading network infrastructure
- ❖ General complaints about customer services provided by the company.
- ❖ High cost of Capital as no debt element in capital structure of the company.

Opportunities

- ❖ Untapped telecom market in the country.
- ❖ Underpenetrated broadband connectivity.
- ❖ Increasing data consumption over voice consumption.
- ❖ Expansion of services on highly-dynamic telecom market in the country.
- ❖ Expansion of Internet smart-phone services.
- ❖ Emphasis on telecommunications and IT solutions and broadband internet services.

Threats

- ❖ Political and economic uncertainties in the country.
- ❖ Rise in operating costs in the country.
- ❖ Continued regulatory stringency
- ❖ Increasing competition and competitive pricing
- ❖ Global financial crisis.
- ❖ Large investments in license renewals and spectrum.



FINANCIAL PERFORMANCE & PROGRESS ANALYSIS:

Despite the challenging business environment in terms of increase in competition and operating expenses, Nepal Telecom managed to record a noteworthy growth in performance during F.Y. 2013/14. The performance of the company has improved substantially in last 5 years. The financial progress highlights for F.Y. 2013/14 along with that of last 4 years is given in the table below:

| S.No. | Particulars Corresponding English Calendar | Base | F/Y 2066/67 | F/Y 2067/68 | F/Y 2068/69 | F/Y 2069/70 | F/Y 2070/71 |
|---|--|------------------|-------------|-------------|-------------|-------------|-------------|
| | | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
| Related to Profit & Loss Account | | '000(NPR) | | | | | |
| 1 | Total Income | | 27,221,068 | 31,932,177 | 37,283,776 | 38,858,260 | 39,695,244 |
| 2 | Personnel Cost (including bonus & telecom allowance) | | 3,447,150 | 4,507,205 | 4,296,509 | 4,363,388 | 5,318,209 |
| 3 | Maintenance & Operation Cost | | 2,070,868 | 4,274,450 | 5,771,246 | 6,738,316 | 7,209,591 |
| 4 | Depreciation | | 4,455,465 | 3,285,512 | 3,336,096 | 3,492,247 | 3,789,449 |
| 5 | Other Cost | | 2,806,490 | 3,475,371 | 8,209,154 | 9,133,277 | 8,135,141 |
| 6 | Total Cost | | 12,779,973 | 15,542,538 | 21,613,005 | 23,727,228 | 24,452,390 |
| 7 | Profit Before Tax | | 14,441,095 | 16,389,639 | 15,670,770 | 15,131,032 | 15,242,854 |
| 8 | Profit After Tax | | 10,775,154 | 12,120,299 | 11,658,851 | 11,299,175 | 11,553,724 |
| Related to Balance Sheet | | '000(NPR) | | | | | |
| 1 | Total Shareholders' Equity | | 47,819,733 | 45,296,456 | 49,528,141 | 53,635,694 | 57,476,727 |
| 2 | Total Capital Employed | | 53,373,701 | 72,293,471 | 75,126,699 | 77,655,897 | 79,746,824 |
| Key Financial Indicators | | | | | | | |
| 1 | Net Profit Ratio | | 39.58 | 37.95 | 31.27 | 29.08 | 29.11 |
| 2 | EBITDA Margin | | 69.62 | 61.8 | 61.92 | 58.42 | 56.52 |
| 3 | Return on Capital Employed (Post Tax) | | 20.18 | 16.77 | 15.52 | 14.55 | 14.49 |
| 4 | Return on Shareholders' Equity (Post Tax) | | 22.53 | 26.76 | 23.54 | 21.07 | 20.10 |
| 5 | Current Ratio | Times | 3.32 | 2.54 | 2.70 | 2.54 | 3.19 |
| 6 | Book Value Per Share | Rs. | 314.33 | 301.97 | 330.19 | 357.57 | 383.18 |
| 7 | No. of Shares | '000 | 150000 | 150000 | 150000 | 150000 | 150000 |
| 8 | EPS | Rs. | 71.83 | 80.8 | 77.73 | 75.33 | 77.02 |
| 9 | Contribution to Govt. from Gross Revenue | % | 58.06 | 54.53 | 48.82 | 48.48 | 48.87 |
| Other Key Performance Indicators | | '000(NPR) | | | | | |
| 1 | Average Revenue per Employee | | 4,623 | 5,590 | 6,800 | 7,129 | 7,527 |
| 2 | Average Subscriber per Employee | | 938 | 1,163 | 1,387 | 1,678 | 2,033 |

From the above analytical table, it can be seen that, Liquidity Ratio has increased from 2.54 times in F.Y. 2012/13 to 3.19 times in F.Y. 2013/14. This indicates that the company is comfortable with its present liquidity position and foreseeable liquidity needs. It has adequate facilities in place and robust cash flows to meet its liquidity requirements for executing its business plans and meeting with any evolving requirements.

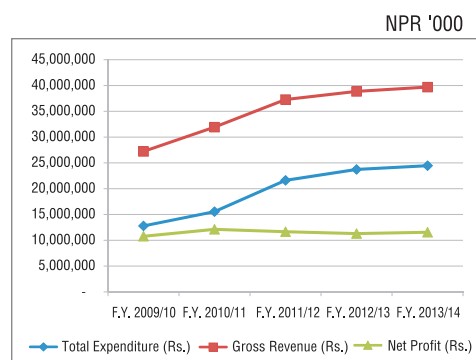
The book value per share of the company has increased by 7.16 percent. This indicates that the safety associated with each individual share after all debts are paid accordingly have been cushioned further.

The Earning per Share has also increased from 75.33 in F.Y. 2012/13 to 77.02 in F.Y. 2013/14. This indicates that the shareholders of the company are earning more money from the company.



Revenue and Net Profit after Tax

In F.Y. 2013/14, company has been successful in earning revenue of NPR 39.69 billion with a net profit of NPR 11.55 billion. In comparison to the previous F.Y. 2012/13, the operating revenue for F.Y. 2013/14 has increased by 4.24 percent. Moreover, the interest income for F.Y has increased by 12.91 percent. The net profit ratio in F.Y. 2012/13 was 29.08 percent and in F.Y. 2013/14 is 29.11 percent.



NPR '000

| Particulars | Amount | | Change | |
|----------------------|-------------------|-------------------|----------------|-------------|
| | Current Year | Previous Year | Amount | % |
| Income from Services | 35,589,743 | 34,140,808 | 1,448,935 | 4.24 |
| Interest Income | 3,699,346 | 3,246,096 | 453,250 | 13.96 |
| Miscellaneous Income | 406,155 | 258,544 | 147,611 | 57.09 |
| Exchange Gain | - | 1,212,812 | (1,212,812) | (100) |
| Total | 39,695,244 | 38,858,260 | 836,948 | 2.15 |

Contribution to GDP and Government Revenue

NPR '000

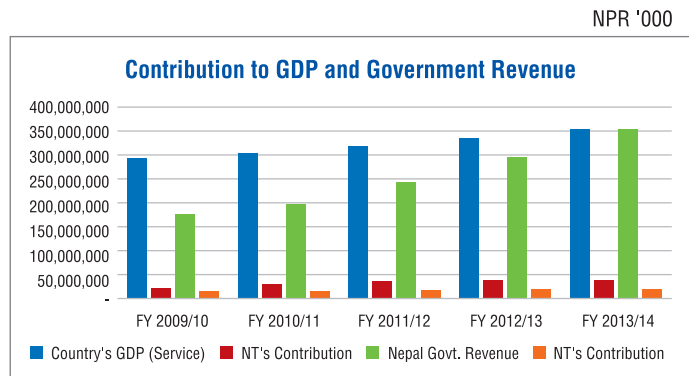
| S.No | Particulars/Year | FY 2009/10 | FY 2010/11 | FY 2011/12 | FY 2012/13 | FY 2013/14 |
|------|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Country's GDP (Service)*** | 293,300,000 | 303,300,000 | 318,500,000 | 335,100,000 | 355,600,000 |
| | NT Revenue | 27,221,068 | 29,849,161 | 37,283,776 | 38,858,261 | 39,695,244 |
| | % Contribution on GDP (Service) | 9.28% | 9.84% | 11.71% | 11.60% | 11.16% |
| 2 | Nepal Government | | | | | |
| | Tax Revenue | 159,785,382 | 177,227,164 | 211,722,611 | 259,572,967 | 314,639,998 |
| | Non Tax Revenue | 18,206,490 | 21,149,156 | 32,651,488 | 36,156,058 | 39,860,002 |
| | Total Government Revenue ** | 177,991,872 | 198,376,320 | 244,374,099 | 295,729,025 | 354,500,000 |
| 3 | Nepal Telecom | | | | | |
| | Tax Revenue Contribution | 7,256,095 | 6,879,148 | 7,889,887 | 7,761,277 | 9,174,307 |
| | Non Tax Revenue Contribution | 8,548,403 | 9,398,523 | 10,312,259 | 11,076,879 | 11,181,056 |
| | Total Revenue Contribution | 15,804,498 | 16,277,671 | 18,202,146 | 18,838,156 | 20,355,363 |
| | % Contribution on Govt. Revenue | 8.88% | 8.21% | 7.45% | 6.37% | 5.74% |

***Economic Survey, 2013-14/Ministry of Finance

**Budget Speech, 2013-14/ www.mof.gov.np



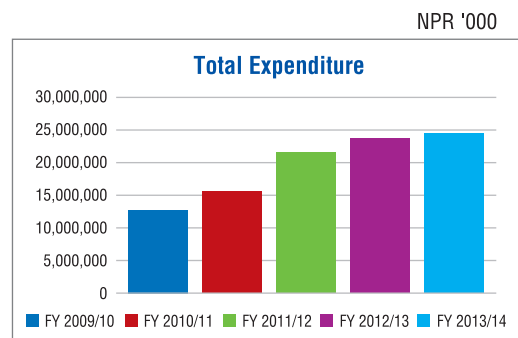
The company has been a major contributor to Country's GDP in Service Sector as shown by the table above. The company has contributed 11.16 percent to Country's GDP in Service Sector in current financial year. This indicates that the company has been playing a vital role in GDP growth of the country.



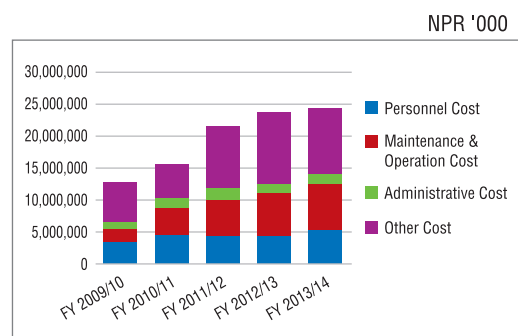
The company has also made an important contribution to Government Revenue in current year as well as in previous years. The company has made a contribution of 5.74 percent to Government Revenue in current year.

Expenditure Analysis:

Public infrastructures development projects initiated by government such as expansion of roads in Kathmandu Valley, construction of appropriate drinking water and sewage management system have resulted in relocation and maintenance of company's various network equipment, office buildings and other plant and machineries. Moreover, the regular maintenance of installed equipment and replacement of old with new ones, increase in inflation rates resulting in price hikes in fuels, rents, electricity etc, have resulted into increment in company's operation and maintenance expenses in comparison to the increment in revenue.



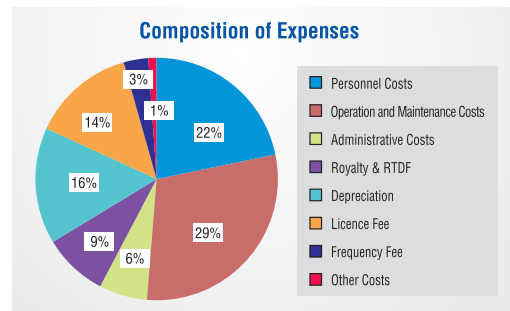
At this time of cut throat competition in the telecom market, the need of the hour is to provide our esteemed customers with high quality services as well as initiate necessary strategies to attract potential customers. This can only be achieved through the use of modern technologies and equipping the company's manpower with various necessary resources and trainings. The company is well aware of all these necessities and in order to meet these necessities, the company has outsourced its work where required and also has spent sufficient funds in obtaining best consultancy services. Due to all these reasons, administrative expenses have also increased comparatively.



The total expenditure for F.Y. 2013/14 is Rs. 24.45 billion which is 3.06 percent more than that of

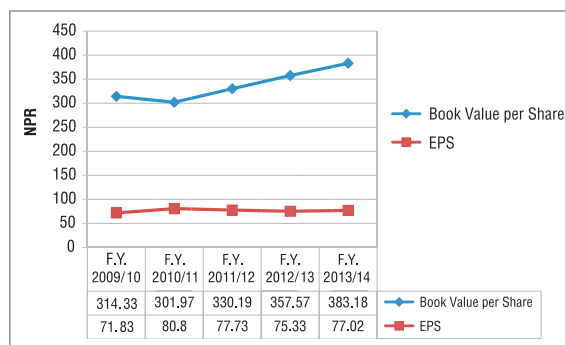


previous financial year. Out of total expenditure, there is an increment of 6.99 percent in Operation and Maintenance Expense. The Personnel Cost (including bonus and telecom allowance) has increased by 21.88 percent with respect to previous year, due to the increment in salary rate by Government of Nepal. The Administrative Expenses have increased by 16.51 percent with respect to previous year. The increment in administrative expenses is mainly due to the impairment charge of assets. Had such expenses been not considered, the administrative expenses would have only increased by 0.34 percent. Personnel Expenditure (including bonus and telecom allowance) and Maintenance & Operation Expenditure comprise major portion of Total Expenditure with 21.75 percent and 29.48 percent respectively.



Earning Per Share (EPS) & Book Value of Share:

EPS for F.Y. 2013/14 has been Rs. 77.02 and EPS for F.Y. 2012/13 was Rs. 75.33. The increase in net profit in current year by 2.25 percent with respect to previous year has contributed to increase in EPS. With respect to Book Value of Share, there has been increment by 7.16 percent, Book value per share for F.Y. 2013/14 and 2012/13 being Rs. 383.18 and Rs. 357.57 respectively.



Trading of Company Shares:

a) Share Price Data:

The monthly high and low prices and volume of the shares of the company at Nepal Stock Exchange Ltd. (NEPSE) for the year 2013/14 are as under:

| Month | Nepal Stock Exchange Ltd. (NEPSE) | | | |
|---------------------------|-----------------------------------|----------|------------|--------------|
| | High(Rs.) | Low(Rs.) | Close(Rs.) | Volume(Nos.) |
| Mid July-Mid August, 2013 | 585 | 533 | 552 | 78,060 |
| August | 591 | 544 | 564 | 112,610 |
| September | 610 | 559 | 607 | 77,725 |
| October | 626 | 595 | 615 | 54,225 |
| November | 689 | 612 | 652 | 98,785 |
| December | 714 | 640 | 670 | 244,385 |
| January, 2014 | 710 | 662 | 674 | 113,255 |
| February | 696 | 656 | 661 | 83,270 |

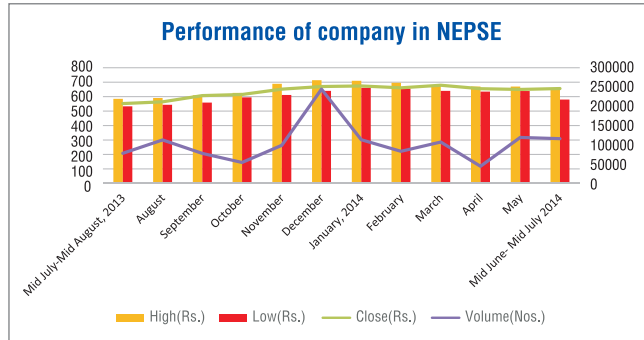


| | | | | |
|-------------------------|-----|-----|-----|---------|
| March | 680 | 640 | 679 | 107,185 |
| April | 670 | 635 | 655 | 44,400 |
| May | 670 | 639 | 650 | 119,125 |
| Mid June- Mid July 2014 | 658 | 580 | 656 | 115,955 |

b) Share Performance:

The performance of the company's share in the NEPSE during the year 2013/14 is as under:

Within a period of 1 year in F.Y. 2013/14, there has been trading of shares of the company for 229 days in which there were 3,527 transactions where 1,248,980 shares were traded. The maximum value of share within the trading period was Rs. 714 and minimum value of share was Rs. 533.



Our Services



SIP account can also be used to make calls to NT's PSTN/GSM/CDMA phones from within as well as outside Nepal. Moreover, SIP to SIP calls can also be made from one SIP PPP account to another. The account can be recharged using EasyCall cards and Namaste Recharge Cards by dialing 1413.

1. GSM Mobile Service

GSM Mobile Service being the epicenter of competitive landscape in Nepal's telecommunication market, business success of Nepal Telecom relies heavily on the availability, affordability and reliability of the service. To strengthen market leadership position and continue business success, Nepal Telecom has been expanding its GSM Mobile services with an aim to provide reliable and cost effective services to the valued customers throughout the country. The company believes that the expansion project sets benchmark in delivering reliable, state-of-the-art mobile communication service and addresses the increasing demand of data service. The quantitative increment achieved through the expansion will be helpful in fulfilling the company's social responsibility by providing mobile service to the remote, inaccessible and otherwise unprofitable areas of the nation. This certainly is a way forward to realize the vision of digital inclusion.

1.1 The basic GSM services are:

1.1.1 Postpaid Mobile Service

- Voice Call
- SMS
- Call Forwarding
- Call Waiting
- Call Holding
- Multiparty Conference Call
- GPRS
- 3G

- CRBT
- FNF
- International Roaming
- Voice Mail
- Web SMS
- Corporate User Group
- Closed User Group (CUG)

1.1.2 Namaste Prepaid Mobile Service

- Voice Call
- SMS
- Call Forwarding
- GPRS
- 3G
- CRBT
- MCA
- Web SMS
- 3G Data Card

1.2 Value Added Services (VAS)

While voice and data services have been the company's core services, Nepal Telecom has been providing various Value Added Services (VAS) in its GSM mobile system to enrich user experience and expand the horizon of revenue stream. Similarly, Caller Ring Back Tone (CRBT), Voice Mail Service (VMS), Missed Call Alert (MCA), news, weather forecast, jokes, love tips, motivational quotes, horoscope, chat, product and service promotion through SMS, tops customers' priority list. The company believes that these Value Added Services add value to the standard service offering, spurring the subscribers to use their phone more and



allowing the company to boost up the average revenue per user (ARPU). These Value Added Services are supplied either in-house by the company itself or by a third party VAS providers.

1.3 Missed Call Alert (MCA) Service

Addressing customers' urge to use latest services, Nepal Telecom partnered with third party VAS providers to provide Missed Call Alert (MCA) notification service. Through this service, the called party, if busy, switched off or out of mobile coverage, gets calling party information through SMS notification as soon as they get back to the mobile network. Subscribers can subscribe and unsubscribe to MCA service by sending SMS to short code 5000 typing SUB and DESUB respectively.

1.4 Mobile Point of Sale (MPoS) Facility

Considering the popularity of lower denomination recharge, Nepal Telecom started Electronic Pin-less Recharge Card (Top-up Recharge) and MPoS to let customers recharge their GSM service with lower denominations. NT's prepaid Namaste GSM mobile users can recharge their accounts in multiples of NRs. 10, 20, 30, 40, 50, 100, 200, 300, 500 and 1,000 from any NT authorized retailer using MPoS system.

1.5 Corporate Connection Offer (CCO)

To retain the attraction of GSM Post-paid services, Nepal Telecom has been providing Corporate Connection Offer. With recommendation from their organizations, employees in a group of ten or more can register to NT's Corporate Connection Offer. Under this scheme, the registered subscribers receive flat 10 percent discount on their monthly bills.

1.6 3G Service

The global market trend in mobile communication has witnessed a shift from voice to data communication and Nepalese market is no exception. To fulfill the ever growing demand of data communication, Nepal Telecom has introduced WCDMA technology-based 3G (Third Generation) service. It is an extension to the GSM service that delivers voice and faster data service at downloading speed of 384 kbps and uploading speed of 64 kbps. Nepal Telecom's 3G service, for both postpaid and prepaid subscribers, is now available in 68 districts. Remaining seven districts viz. Sindhuli, Rukum, Jajarkot, Kalikot, Mugu, Humla and Dolpa will soon be connected to the 3G network. With 3G service enabled, subscribers can avail services like video call, video streaming and live TV





capture, and high speed internet on top of the existing voice services. Subscribers using 2G service can upgrade to 3G service by simply typing 3G in the message box and sending SMS to the short code 1400.

1.7 Corporate User Group (CUG) Service

To provide additional value to the corporate users and retain the charm of GSM postpaid mobile, Nepal Telecom has launched Corporate User Group (CUG) tariff plan from Feb 2014 (22 Magh 2071). Legally, any entity registered under the Companies Act, 2063 is “corporate”, however, from business perspective, following entities are defined as “corporate” and are eligible to subscribe to the CUG tariff plan:

1. Agencies and offices under the Government of Nepal
2. Constitutional agencies, court, police, army, governmental and semi-governmental corporations, authorities, committees, councils, banks and commissions
3. United Nations and its agencies, and offices of the foreign diplomatic missions
4. Non-profit and other religious agencies that have been involved in humanitarian activities for last five years
5. Agencies using minimum 5 Mbps bandwidth per month or having NT’s leased line and/or ADSL service in minimum 10 branches

Aforementioned agencies and offices can include minimum 50 numbers of their staffs in a CUG plan. Mobile subscribers registered under this plan can make calls from members associated within the group at relatively lower rates. However, this service is not applicable for short messaging service (SMS). Irrespective of

this, a CUG member can make and receive calls to and from other networks, other than CUG group at the regular rates.

| S No | Number of users | Category | NRs per call per minute |
|------|-----------------|----------|-------------------------|
| 1 | 50-100 | Small | 0.50 |
| 2 | 101-200 | Medium | 0.45 |
| 3 | 201+ | Large | 0.40 |

2. PSTN Service

The root of Nepal Telecom’s present business success dates back to the establishment of first telephone line almost a century back. Presently the service is available in all 75 districts via 518 Telephone Exchanges in 250 different locations. Despite the rise of mobile communication, Nepal Telecom has been expanding its PSTN service to extremely remote and otherwise unprofitable areas. This has significantly contributed to the social, cultural, economic and educational development of the nation. Availability of data service like ADSL has helped to maintain growth in the wireline arena despite the fact that global trend has shifted from wireline to wireless communication. Project to provide broadband triple play (voice, data and video) throughout the nation by installing state-of-the-art IP-based soft switch and Media Gateway is underway. This will replace TDM-based switching exchanges that have been providing narrowband voice and data services. With the onset of triple play and other Value Added Services, wireline services are expected to stay longer.

2.1 Features available in PSTN service:

- Caller Line Identification (CLI)
- Locking Code
- Call Hunting
- Three Party Conferences
- Call Transfer
- Call Waiting



Home Metering
Abbreviated Dialing
Wakeup Call
STD, ISD (IDD, Budget, 1424) Calling facility

2.2 NGN Service

IP-based wireline project is in execution phase with an aim to contribute to the country's telecommunication development through expansion of existing services, providing easy access to the services, enhancement in service quality and starting new multimedia services. NT believes that this project will be advantageous in providing voice and data services to the areas devoid of telecommunication facilities and providing new multimedia services that will be made available in the near future.

Network Technology. Through this project, NT expects to meet the customer needs for higher bandwidth, reliable and higher quality service, and secure network. In this service, Optical Fiber, instead of traditional copper network, is installed up to the customer premises. Customers get high speed broadband internet service ranging from 1Mbps to 100 Mbps as well as IP-based voice services. Nepal Telecom plans to provide new multimedia services in the near future.

2.3 Value Added Service (VAS)

Nepal Telecom is providing the following value added services to its PSTN subscribers:

2.3.1 Fixed Intelligent Network (FIN):

- PCC Easy call service



Under this project, IP-based Next Generation Network (NGN) Softswitch and Access Network Equipment are put into operation to provide broadband services at relatively low cost due to the fact that the copper network deployed from the cabinet to customers' premises are shortened to provide triple play (voice, video and data) services.

- Advanced Free Phone (AFS-Toll Free) service
- PSTN Credit Limit (PCL) service
- Easy Phone IP Call (SIP PPP and SIP EasyCall) service

2.3.2 PSTN Voice Mail Service (PSTN-VMS)

PSTN Voice Mail Service is a Value Added Service that is based on the Intelligent Network (IN) platform. This services works like an answering machine where the callers can record and leave



their messages even when the phone is busy or when there is no one to answer the phone. VMS subscribers can listen to such recorded messages using any phone within NT's network (PSTN/GSM/CDMA) or from the internet from anywhere, anytime. VMS can be used by dialing access code from any phone and subscribers do not need to add any equipment to their telephone sets. Other features available in the VMS service are:

- Voice Mail Box
- Fax Mail Box
- Voice and Fax Mail Box
- Notice Board Service

2.3.3 Interactive Voice Response (IVR) Service

IVR is a telephony technology which allows a person to interact with a database to acquire information or enter data into the database via telephone. The user's interaction with the database is predetermined depending upon the type and purpose of the IVR system. Nepal Telecom is currently providing the following IVR services:

- 1600 IVR for SLC result enquiry can be used for both regular and supplementary results.
- 1601 IVR for 10+2 (class 11 and class 12) result enquiry can be used for both regular and supplementary results.
- 1602 IVR for TU result enquiry.
- 1606 IVR for PSTN bill enquiry. PSTN subscribers can query their monthly and/or total due bills through this service. Local call charge is applied while using this service.
- 1607 IVR for GSM and CDMA SKYPHONE PUK enquiry. GSM (post paid and pre paid) mobile and CDMA SKYPHONE users can

get their PUK numbers via this service if their mobile phones are locked or when PINs are blocked. Local call charge is levied for PSTN and CDMA fixed phone users whereas air time charge is levied for GSM mobile and CDMA Sky phone users.

- 198 IVR for PSTN Phone and ADSL Complaint Registration and is available free of charge.

2.3.4 Outsourced Help Desk Service

- 1498 – GSM enquiry service
- 191 – CDMA enquiry service
- 197 – PSTN enquiry service

2.3.5 Easy Phone (IP Call) Service

With the rise in popularity of the Internet, global trend has shifted toward making voice calls through the Internet. Following this trend and to provide internet-based voice calling services to its valued customers, Nepal Telecom has been providing softphones that are based on the Session Initiation Protocol (SIP) since 1st August 2010. SIP service is being distributed in the brand name of EasyPhone. With EasyPhone service, subscribers can make IP calls at anytime from any place where broadband internet access is available. Subscribers of EasyPhone service have to download a small client from the company's website and then use account number and password to make IP calls.

SIP PPP (Permanent Prepaid Phone) and SIP PCC (Prepaid Calling Card) are currently available under EasyPhone service. A unique phone account number and password that is required for SIP PPP are provided on service registration. The account can be used for making outgoing international IP calls. It can also be used to make calls to NT's PSTN/GSM/CDMA phones from within as well as outside



Nepal. Moreover, SIP to SIP calls can also be made from one SIP PPP account to another. The account can be recharged using EasyCall cards and Namaste Recharge Cards by dialing 1413. SIP account management (such as account recharge, change of password, balance query etc) can be done via NT website www.ntc.net.np. SIP PCC service, on the other hand, is one-time use service which cannot be recharged as the account expires either when the balance in the card is used up or the validity period of the card expires. SIP PCC service can be used to make outgoing international calls from Nepal only.

2.3.6 International Call through Access Code 1424

Subscribers can make international IP calls at comparatively lower rates through Access Code 1424. This service can be used from company's services like PSTN, GSM, CDMA, VSAT and PCC/PCL. To make international calls, instead of dialing '00', access code 1424 shall be dialed followed by country code, area code and the telephone number.

2.3.7 Notice Board Service

Notice Board Service is a Value Added Service that is based on the Intelligent Network (IN) platform. It is a supplementary service of PSTN Voice Mailbox Service in which the mailbox can be used as a Notice Board by the subscriber. The subscribers can record their notice board materials or information through their telephone (that is subscribed for Notice Board Service) so that when anybody calls that telephone number, the recorded notices or information is played. The recorded notices/information can be edited or deleted as required by the subscriber.

Notice Board Service adds value to the existing telephone service by providing efficient and

customer-friendly interface with the customers and enhances customer loyalty. Answered phones help keep customers informed. One of the key advantages of Notice Board Service is that it can free companies from deploying huge human resources for intensive tasks, particularly repetitive monotonous functions. It can take the pressure off from the working staffs by narrowing the variety of work, but still providing the callers with options that let them reach the appropriate people to address their issues.

Service Features of Notice Board:

- No registration charge
- No need to add new equipment at customer's premises.
- Service can be implemented from installed telephone after enabling Notice Board feature from the telecom office.
- Notice board owners can record/edit/delete their notice board messages by themselves.
- Notices can be password protected so that nobody can edit/play with the uploaded messages apart from the owner.
- Message duration can vary from 1-3 minutes.
- Many people can hear the notice board message simultaneously at a time, without keeping the phone busy.

2.3.8 Advanced Free Phone (AFS/Toll Free) Service

Advanced Free Phone Service (AFS) is a value added service that is based on the Intelligent Network (IN) platform. Nepal Telecom has been providing AFS services in order to provide higher quality Value Added Service for large corporate offices, commercial organizations and social communities that need good communications



with their users, customers and supporters. Advanced Free Phone service (AFS) is popularly known as Toll Free service. Large organizations that receive hundreds of calls every day are highly benefited through this service. Toll-free phone service allows the users to call the company by using a single unique AFS number without paying for the call charges. Free phone is characterized by its reverse charging feature i.e. the called party pays for the calls, while the calling party is not charged.

Under AFS service, all the incoming calls can be terminated on different terminal telephone numbers located at different places simply by dialing the single unique AFS number. The AFS service logic translates this single AFS number to the actual destination terminal telephone numbers according to the routing principles set by the company based on the origination of call, time & date of call, selections made by the caller etc. Therefore, the customers only need to remember a single AFS number to contact a particular company relieving them from the hassle of remembering several contact numbers for different branches and departments of that company, located at different areas/regions. The customers, i.e. the service users need to dial the access code of AFS service "1660" together with the single unique AFS number to contact, for example 1660-0120333 could be a company's unique AFS service number.

Originating call screening, flexible routing, time of day routing, day of year routing, day of week routing, originating call routing, selection dependent routing, ratio dependent routing, cyclic dependent routing, call forwarding on busy/no answer, call limit on daily or monthly basis and simultaneous call limits are features available under AFS service which make AFS service effective and efficient.

3. CDMA Service

CDMA service is getting popularity in rural areas due to unavailability of copper network based PSTN service and better signal strength than that of the GSM mobile. At present, NT's CDMA mobile has coverage in all 75 districts of the country. Since its inception in 2006, the company has been continuously expanding the reach of CDMA service and upgrading the system. To enhance user experience and provide its customers with quality service, NT launched IP-CDMA project with an aim to increase company's wireless customer base and service expansion to remote and extremely remote areas. After upgrading to IP-CDMA, Nepal Telecom has started distribution of Evolution Data Optimized, Revised A (EVDO – REV A) incorporated RUIM card for high speed internet connectivity. Through EVDO service, customers can access broadband internet at the rate of 3.1 Mbps downlink and 1.8 Mbps uplink which has been the main attraction of IP-CDMA service. However, in areas devoid of EVDO service, customers can access the Internet through Packet Data Serving Node (PDSN) at the rate of 153.6 Kbps. Nepal Telecom is promoting EVDO service by the brand name "SKY PRO" and is giving continuity to the replacement offer wherein subscribers can replace their earlier version RUIM card (only with voice service) with EVDO enabled RUIM for free.

Considering increasing popularity of EVDO, Nepal Telecom has started various volume-based data packages. Active subscribers of CDMA service can purchase data package as per their requirements by simply sending text message to 1415 as below:

data 200 MB for 200 MB data package
data 500 MB for 500 MB data package
data 1 GB for 1 GB data package
data 3 GB for 3 GB data package



data 5 GB for 5 GB data package
data 10 GB for 10 GB data package

Further, customers can query their remaining data volume and validity period by sending SMS to 1456 with “BL” on the message line.

To retain the attraction of CDMA service and provide added benefits to the valued customers, NT started Friends and Family plan. Upon subscription of Friends and Family (FNF) plan, CDMA subscribers can make calls to five other Nepal Telecom's telephone numbers at discounted price 55paise per minute for postpaid subscribers and 75 paise per minute for prepaid subscribers.

The Night Call package is available for CDMA prepaid users. This service is getting very popular as the subscribers can make unlimited voice calls from 10 pm to 6 am within Nepal Telecom's network. Subscribers are charged Rs. 20 per month (exclusive of all applicable taxes) and this package can be subscribed via SMS. CDMA prepaid users have to type NIGHT and send an SMS to 1415 to subscribe this package. The charge for the package is deducted from the available balance and users have to reactivate the package after a month.

With the operation of IP-CDMA service, the following features are added in the CDMA telephony:

- International SMS service
- Inter-operator SMS service: Subscribers can send and receive SMS to/from Nepal Telecom's GSM mobile, all other operators and third party VAS providers
- To simplify data activation process, all the RUIM cards issued henceforth will be data active and does not require subscribers to

fill a separate form

- Web-based recharge is a way forward to provide subscribers with convenient recharge facility. Subscribers can log in to webrecharge.ntc.net.np, provide CDMA number and recharge pin and submit to recharge their CDMA service

3.1 Features available in post-paid CDMA service

- Voice Call
- Short Message Service (SMS)
- Call Forwarding
- Call Waiting
- PDSN Data
- Web SMS
- Friends and Family

3.2 Features available in pre-paid CDMA service

- Voice Call
- Short Message Service (SMS)
- Call Forwarding
- Call Waiting
- PDSN Data
- Web SMS
- EVDO Data
- Friends and Family

4. Internet Service

To contribute in the nation's telecommunication development through data communication, Nepal Telecom had launched fixed-line based dial-up internet service in the year 2000. Along with the growth in subscriber base, NT is continuously upgrading the technology to provide superior browsing experience to its valued customers. Following the technological evolution and to meet customers demand for faster and better connectivity, Nepal Telecom at various points in time started internet service



through GPRS for GSM mobile customers, ADSL internet for wire line subscribers, GSM based 3G services, IP-CDMA based EVDO services and WiMAX as the wireless broadband internet service on 4G technology. Nepal Telecom believes that its contribution in the field of data communication is significant in minimizing the prevalent digital divide and materialize the vision of digital inclusion.

4.1 ADSL Service

Nepal Telecom has launched ADSL 2+ technology based broadband internet service in the year 2008 from Kathmandu Valley and this service is now available in all 75 districts of the country.

ADSL 2+ technology is a type of Digital Subscriber Line (DSL) in which data rate on downstream can reach as high as ten times the data rate on upstream. This helps to meet the demand of high speed data downloads. ADSL service is provided by use of existing copper cable network infrastructure. ADSL broadband internet service is characterized as “always-on” data connection wherein the voice and data services are simultaneously available. This service has the capability of minimum download speed of 192 kbps up to 2 Mbps to an individual PSTN subscriber of Nepal Telecom. ADSL is one of the low-cost, high-value services that NT is providing due to the fact that subscribers are not billed for additional call charges during internet access like in the dial-up service. Telephone line (voice) will continue to work even in case of power failure in CPE (customer premises equipment) at subscribers end and subscribers can share broadband connection with multiple users by creating their own LAN and WLAN network. ADSL service is available in volume-based and monthly unlimited packages.

Volume Based ADSL Package: For subscribers looking for high speed internet service with

access time of a couple of hours per day only, Nepal Telecom’s volume-based ADSL internet service is the right solution. Volume-based ADSL means the customer will be provided with fixed usage limit of respective bytes and a fixed validity period according to the plan chosen. The service will expire when the usage limit is exceeded or the validity period is exceeded, whichever is earlier. Data volume package of 15 GB, 30 GB, 60 GB and 120 GB valid for 3, 6 and 12 months respectively are available at 512 Kbps speed.

Unlimited Package: NT has started ADSL service with monthly and 3-monthly unlimited subscription packages on prepaid basis with available speeds of 192 Kbps, 385 Kbps and 512 Kbps, and 2 Mbps for institutional subscribers. Subscription charge needs to be paid at the time of registration. Recurring usage charges (monthly or 3-monthly) can be paid on prepaid basis.

4.2 WiMAX Broadband Internet Service

Launch of the WiMAX broadband internet service by Nepal Telecom marks the beginning of Fourth Generation (4G) internet service in Nepal. With an aim to provide minimum 256 kbps broadband internet service in all VDCs and Municipalities of the country, Nepal Telecom has launched WiMAX (Worldwide Interoperability for Microwave Access) service since 12 November 2012 from Kathmandu Valley and is now available in various locations in all development regions. Nepal Telecom believes that the launch of WiMAX service in Nepal equips the company with the technology which is most recent to the global trend for qualitative enhancement of data services throughout the nation.

WiMAX offer wireless broadband internet service with greater flexibility anytime, anywhere using any WiMAX enabled devices, be it a laptop, desktop modem, digital phone or even a gaming device. It creates seamless broadband



environment at home, in the office and on the move.

It is the most recent and the fastest among the internet services commercially available in Nepal. High speed internet service available through this technology is suitable for institutions like banks, universities, hospitals, diplomatic missions and technology-based enterprises. NT's WiMAX service was distributed to institutional subscribers in the first phase. Since 27 March 2013, this service is being distributed to the general public as well.

Customer Premise Equipment (CPE) is required to browse internet through WiMAX. Outdoor, indoor and USB Dongle CPEs are available in the market suitable for signals up to 15 kms, 5 kms and 2 kms respectively. Three volume-based packages are available at 256 Kbps, 512 Kbps and 1 Mbps or higher browsing speeds. Currently WiMAX service is available in 73 districts. Installation works at the remaining two districts namely Dolpa and Humla are completed and the service will be launched in no time soon.

Using WiMAX technology as the backhaul, Nepal Telecom has been providing WiFi services through hotspots. This service is now available in 65 districts across the country. GSM and CDMA users can request password by typing WiFi and sending an SMS to 1416. Rs. 10 per hour is deducted from the user's available mobile balance and the validity period is 24 hours.

4.3 CDMA Wireless Internet

EVDO and PDSN are two wireless internet services based on CDMA technology.

Packet Data Serving Node (PDSN) is a CDMA technology based internet service which is available on C-phone, SKYPHONE and SKYDATA and the maximum speed one can browse internet

is at 153.6 Kbps. This service can be used in all the areas having CDMA coverage.

Evolution Data Optimized (EVDO) is a 3G wireless technology for broadband internet connectivity in existing CDMA network. It is a wireless protocol for roaming broadband access that makes broadband internet access easy at any time or place, including real-time video streaming, large-volume data downloads and web browsing.

EVDO allows moving seamlessly from cell to cell, creating a true mobile wireless broadband experience. For this service, a modem is required, and an account has to be availed from Nepal Telecom. EVDO is backward compatible to PDSN system, meaning that, whenever EVDO signal is either unavailable or weak, there will be seamless handover to PDSN system. This service is enabled in the EVDO RUIM provided by NT and it can be used in various devices like USB EVDO modem, PCMCIA EVDO modem, EVDO mobile etc. EVDO allows data access at the speed of 3.1 Mbps.

4.4 GSM Mobile Internet

GPRS and 3G are the two GSM Mobile based internet services available to the subscribers

General Packet Radio Service (GPRS) offers 'always-on', internet based content and packet based data services in GSM mobile phones. GPRS offers complete solutions through which customers can always stay online and get connected with their acquaintances. This service is available on volume based package only. Post-paid and pre-paid GSM subscribers can enable GPRS service by sending an SMS to 1400 with vgprs on the message line.

3G (third generation) is a cellular technology based on wide band CDMA (WCDMA) delivering



voice and faster data services. Nepal Telecom's 3G fulfills ever growing demands and needs to browse the internet and access video contents and high speed data connections. Nepal Telecom's 3G service, for both Post-paid and Pre-paid subscribers, is now available in 68 districts.

With 3G service enabled, subscribers can avail services like video call, video streaming and live TV capture, and high speed internet on top of the existing voice services. Subscribers using 2G service can upgrade to 3G service by simply sending an SMS to the short code 1400 with 3G in the message line.

5. Internet / Intranet Lease Connectivity (IP-based Leased Lines)

Nepal Telecom also provides leased Internet access over dedicated leased lines. Leased connectivity requires leased modems at both ends and dedicated physical leased lines. Nepal Telecom now provides leased connectivity

through ADSL and Optical Fiber which offers better services compared to traditional copper wire leased line. Intranet leased connectivity is available from 128 Kbps onwards and internet leased connectivity is available from 256 Kbps onwards. Geographic areas served with fixed-line network can have ADSL and Optical Fiber leased connectivity whereas areas devoid of fixed-line network are served through microwave radio connectivity.

6. Satellite Service for Rural Communication

Urban areas and rapidly growing sub-urban areas offer greater profitability to telecom service providers. Nepal Telecom, since its inception, has not limited its service expansion to higher profitable regions and hence, the company is expanding its services to rural areas where profit margin is relatively thin. Providing services to remote and otherwise inaccessible areas through deployment of various technologies is





NT's utmost priority.

Given the fact that service delivery concentrated in urban and sub-urban areas alone cannot bridge the prevalent digital divide and realize the vision of digital inclusion, Nepal Telecom utilizes every possible technology to serve rural communities as part of its social responsibility. To provide reliable and cost effective services to every nook and corner of the nation, NT is expanding services through PSTN, NGN, GSM and CDMA technologies. V-SAT technology is being used for areas devoid of telecommunication services by the aforementioned technologies. Now, all the municipalities and VDCs of the country are served with modern telecommunication services. Furthermore, 390 terminals are being operated via Satellite Services.

KU-band VSAT system has been a technological boon for providing telecommunication services to the rural areas. This technology has played a crucial role in connecting rural areas that lack microwave radio and optical link to the national and international telecommunication network. Satellite service is put into operation for service continuity and to facilitate rescue teams at times of natural disasters. Moreover, satellite service is being used as backup for Optical Link and Radio Link. When Optical Link and Radio Link are not functioning due to technical disturbances, satellite service comes handy to reinstate service on immediate basis.

KU-band based VSAT/DSAT network is being used as a backhaul for GSM Mobile BTSs at Rimi in Dolpa, Sukadhik in Mugu, Khawang in Myagdi and Patnal in Sunsari and CDMA BTS at Langtang in Rasuwa, to name a few. Besides, satellite is being used as backhaul for GSM service in 52 stations and CDMA service in 21 stations. Earlier these areas were devoid of telecommunication services.

Likewise, to serve tourist destinations with modern telecommunication services, satellite is used to provide GSM mobile service at the Everest Base Camp, Gorekshep. After this BTS was put into operation, tourists and locals have been able to make national and international calls at reasonable price.

Due to high bandwidth charges and high transportation cost, satellite technology is economically disadvantageous. However, by deploying the aforementioned technologies NT has been able to extend and provide reliable and cost effective telecommunication services to the remote and extremely challenging terrains of the country. Nepal Telecom has been playing a pivotal role in the multi-faceted development of the nation by bringing narrowband and broadband voice and data services to all the municipalities and VDCs of the country.

7. Interconnection and International Carrier Business

7.1 Interconnection with Domestic Telecom Service Providers

Nepal Telecom has established direct interconnection with all five telecom service licensees in the country. Although NT's services like PSTN (landline), GSM, CDMA or VSAT have reached country's lowest administrative units (that is, Village Development Committees), NT has readily accepted the sector liberalization and competition policies introduced by the GoN. NT believes that competition has helped the players as a whole – including NT itself - to grow and put collaborative efforts for developing telecom sector in the country.

7.2 Interconnection with International Telecom Service Providers

Migration of the Nepalese youth population to other countries worldwide for employment and



study purposes has been on constant rise. The need of the emigrant Nepalese population to stay in contact with their families and friends via telecommunications and the outcome of globalization where trade and lifestyles know no political boundaries have helped the volume of both incoming and outgoing international telecommunication traffic to grow.

NT has established direct interconnection with the international carrier partners that are big and attractive to NT from business perspective. Regular monitoring of traffic exchanged with the carrier partners help to explore new business opportunities and increase transactions. NT has undertaken a number of initiatives to boost traffic volume, increase professional image of the company and above all increase revenue of the company by providing festival discounts, bonuses and lotteries in collaboration with the carrier partners.

7.3 Maximum utilization of NT's POPs established in other countries

NT has established POP (Point of Presence) in Singapore (June 2011) and in Hong Kong and Doha (Qatar) in May 2012. Establishment of these facilities has ensured better quality in long distance international telephone calls and provided greater convenience to establish direct interconnections with the operators worldwide. NT has continued to maximally utilize the circuit

resources in the POPs and reap better return on its investments.

7.4 Additional efforts to enhance business with neighboring countries

NEPAL TELECOM has emphasized on enhancing development of infrastructure with the neighboring country China by establishing alternate Optical Fiber Cable route between Kathmandu and Kerung border point. This additional route is expected to provide redundancy to the already established Optical Fiber Cable route between Kathmandu and Tatopani border point and ensure dependable exchange of voice and data traffic between Nepal and China.

Unlike the infrastructure between Nepal and China, the infrastructure between Nepal and India are many and the existing huge bandwidths are used for exchange of traffic between NT and a number of operators in India. Nevertheless, the discrepancy between the retail rates in Nepal and India for calling to India and Nepal respectively has been quite high. In order to minimize the discrepancy in retail tariffs, NT had initiated dialogue and requested its partners in India to consider the issue. With joint agreements for mutual benefit to NT and its partners in India, Airtel had provided an attractive special scheme to its Prepaid mobile customers to call NT subscribers at INR 54 per 10-minutes from Delhi/NCR region. Similarly, TATA has agreed to NT's initiation and provided special scheme to the subscribers of TATA Teleservices, Telewings, MTS and Videocon networks to call NT subscribers at INR six per minute where the earlier tariff was INR 10 per minute. These efforts with the carrier partners in India is expected to directly benefit millions of Nepalese citizens working and studying in India.





Corporate Culture

Motivated Employees: Valuable Asset of the company

Encouraged and highly motivated employees can bring positive and vibrant working environment in any organization. These employees undertake appropriate responsibilities and maintain accountability to the clients. To meet the company's goal and objectives, the employees with commitment to collective responsibility, high morale and discipline help to make the customer services match with the customer expectations.

The employees are spontaneously motivated towards building up good relationship with the customers. The employees have been participating every year in various knowledge building extracurricular activities which has resulted into peace and harmony among employees as well as revelation of hidden talents. This helps to enable social cohesion and harmony among the members of the society.

The employees of the company have been actively involved in the Bagmati Cleaning Campaign on a weekly basis. This kind of participation is very much inspirational and reveals the employees' feeling of ownership towards the environment

and to the company. This inspirational attitude of the employees helps them to stand out in the market.

Following the tradition of honouring employees who have worked for 20 years, the company has honoured 45 permanent employees this financial year. Similarly, on the occasion of the company's 11th anniversary, the company has honoured 10 employees with recognition and cash prize for their vital contribution in further growth and success of the company. It is expected this type of honour would energize employees for more commitment and contribution in the future.

Employees are the pillars of any industry. It is only by mutual commitment between the employees and the company that the business can thrive. Keeping this fact in mind, Nepal Telecom is always ready to help maintain high morale in its employees so that all of them remain committed to their service to people. The employees of the company are always committed towards improving and providing sustainable services keeping in mind the prestige and market relationship of the company.





Corporate Social Responsibility



CSR isn't a particular programme, it's what the company does every day, maximising positive impact and minimising negative impact.

The agenda of sustainability has always been and will always be a priority of the company. As the company endeavours to enhance shareholder values by delivering good business performances, the company remains committed to going beyond mere achieving profits to embedding responsible and sustainable practices throughout its supply chain. The company firmly believes that it can achieve a balanced and holistic value for shareholders by nurturing sustainability in its business. By embedding good Corporate Social Responsibility (CSR) initiatives within its people and in its business dealings, the company is confident of becoming an exemplary corporate player among responsible telecom companies. CSR isn't a particular programme, it's what the company does every day, maximising positive impact and minimising negative impact. As the company continues to carry on its existing CSR initiatives and introduce new ones, the company affirms that its efforts will bring about concrete outcomes that will positively impact its environment and relevant stakeholders.

Greenery: Let us breathe

The company is committed to make the environment greener & healthier. Environment is getting polluted with the growing urbanization. The company understands, every little effort can be a massive initiation to minimize the growing pollution. As a step towards making Kathmandu Valley, a clean and green city, the company has taken responsibility to maintain greenery in

Maitighar-Baneshwor section of Arniko Highway and both sides of the Tinkune-Manahara confluence of Bagmati River.

Cleaning of Bagmati River

Bagmati River stands as a national glory and to protect its glory and civilization is our prime concern. Company has been broadcasting necessary information bulletins of the Clean Bagmati Campaign on weekly basis as an effort initiated by Chief Secretary of the GON. Along with this, company's employees have been regularly participating in the clean-up campaign.

Contribution to Prime Minister's Disaster Relief Fund

The company has donated NPR 20 million to Prime Minister's Disaster Relief Fund in this financial year.

Sports: Integral Part of Social Development

Sport is the one of the several dimensions of social development. To establish national recognition, glory and prestige it is necessary to establish it in the society, make it attractive and professional as well as help to ensure its future. Players are attracted in this field along with the professional development of sports. Nepal Telecom is committed to ensure that its future is established and has been sponsoring to football teams of Nepal Police's male and female teams and this tradition is a continuation of the previous year's contribution.



Currently, cricket has become an established game in the country and youths have been attracted in this field and have also established its recognition in international arena. Considering this, Nepal Telecom is helping to develop high morale in the players, and has decided to sponsor the Senior Mens' and womens' Team along with T20 Tournament that is to be organized by Nepal Cricket Association in running financial year.

Social Development

Nepal Telecom is liaising with emergency and nationally important institutions such as security forces, fire brigade, traffic management and other important sectors. Free call can be made by the subscribers to avail Emergency Services. This service has provided timely delivery of information as well as helped in the effective rescue operation.

- 100- Police
- 101- Fire Brigade
- 102- Ambulance
- 103- Valley Traffic Police
- 104- Children search and rescue coordination centre



Services to the Female Community Health Volunteers

Company has provided more than 700 SIM/ RUIM cards having NPR 100 as talk value to the Female Community Health Volunteers working in the remote parts of the country. They can

talk directly to the doctors and specialists while dealing with health issues in the villages. They can be able to keep in touch with their patients in both the normal and emergency situations.

Blood Donation Programme

'You don't have to be a doctor to save a life!'

It can be said that Nepal will have the youngest population in the near future aged between 18-35 years. This would give Nepal the opportunity to lead the world. But we also want this new young generation to be healthy for which it is our prime responsibility today to ensure that we fulfil our duties in contributing towards health care. Just as an individual has the responsibility towards his nation, business organization also has to fulfil its responsibility towards the society.

Nepal Telecom understands this, and has been giving continuity to its blood donation programme every year with the motive of "Live and Let Live".

Honours to Nepal Telecom

Amongst the government owned public enterprises, Nepal Telecom is one of the strongest companies, which contributes to the highest source of revenue collection to the government funds in terms of Telecommunication Service charge, Ownership Tax, VAT, Royalty Charge, Income Tax, property and Vehicle Tax, Rural Telecommunication Development Fund, etc.

The Government of Nepal has honoured the Managing Director of Nepal Telecom, Mr. Buddhi Prasad Acharya with the CIP (Commercially Important Person) Award lately for being the highest tax paying company in the VAT collection category for the FY 2013/14 and the company's contribution to boost the economic development of the nation.

CA. Narendra Bhattarai, M.B.A.



N. Bhattarai & Co.
Chartered Accountants
Gyaneshwor, Rato Pool
Kathmandu, Nepal
GPO Box 5236
Phone: 4434311, 4411314
bhattarai.narendra@gmail.com

Independent Auditor's Report
Nepal Doorsanchar Company Limited (Nepal Telecom)
Financial Year 2070-71 (2013-14)

We have audited the accompanying Statement of Financial Position of Nepal Doorsanchar Company Limited (Nepal Telecom) as of 32 Asadh 2071 (16th July 2014), and the Income Statement, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibilities

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

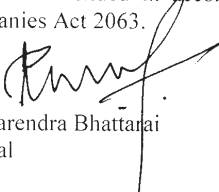
Basis of Qualification

- The company has not updated its list of Property Plant & Equipments and has not fully complied with the recognition and measurement criteria set forth in NAS 06 Property Plant and Equipment and NAS 18 Impairment of Assets therefore we could not be satisfied ourselves on value so reported.
- The company has not updated its list of inventories and the inventories has not been assessed for any changes from cost to Net Realisable Value as required by NAS 04 Inventories therefore we could not be satisfied ourselves on the value so reported.

Opinion

In our opinion, based on the information and explanation provided to us and our audit, except for the matter raised in the preceding *Basis of Qualification* paragraph, the financial statements give true and fair view of the financial position as of 32nd Asadh 2071 (16th July 2014), and of the results of its operations and cash flows of Nepal Doorsanchar Company Limited (Nepal Telecom) for the year then ended in accordance with Nepal Accounting Standards and comply with the requirements of the Companies Act 2063.

Kathmandu
Date: 2071/09/28 (2015/01/12)


C.A. Narendra Bhattarai
Principal

Statement of **Financial Position**
As at Ashadh 32, 2071 (July 16, 2014)

(Figures in NPR)



| | Notes | Current Year 2070-71 | Previous Year 2069-70 |
|-------------------------------------|-------|-------------------------|--------------------------|
| ASSETS | | | |
| Non- Current Assets | | | |
| Intangible Assets | 3 | 223,502,222 | 3,388,511,550 |
| Property, Plant and Equipment | 4 | 18,656,147,401 | 16,290,282,239 |
| Capital Work-in-Progress | 5 | 7,020,513,280 | 6,838,734,769 |
| Investments | 6 | 14,733,616,621 | 24,987,793,818 |
| Deferred Tax Asset | 7 | 4,448,992,769 | 3,735,538,092 |
| | | 45,082,772,293 | 55,240,860,468 |
| Current Assets | | | |
| Inventory | 8 | 508,861,884 | 1,385,963,902 |
| Trade Receivable | 9 | 2,923,139,294 | 3,188,946,955 |
| Cash & Cash Equivalents | 10 | 41,263,465,147 | 26,774,785,622 |
| Loan, Advance & Others | 11 | 4,724,611,360 | 4,838,972,583 |
| Short Term Investments | 6 | 1,072,050,000 | 812,150,000 |
| | | 50,492,127,685 | 37,000,819,062 |
| Total Assets | | 95,574,899,978 | 92,241,679,530 |
| EQUITY AND LIABILITIES | | | |
| Share Capital | 12 | 15,000,000,000 | 15,000,000,000 |
| Reserve and Surplus | 13 | 42,476,727,479 | 38,635,694,828 |
| Total Equity | | 57,476,727,479 | 53,635,694,828 |
| Non-Current Liabilities | 14 | 22,270,096,643 | 24,020,203,023 |
| Current Liabilities | 15 | 12,995,015,926 | 12,077,703,351 |
| Provisions | 16 | 2,833,059,930 | 2,508,078,328 |
| | | 15,828,075,856 | 14,585,781,679 |
| Total Equity and Liabilities | | 95,574,899,978 | 92,241,679,530 |

As Per Our Report of Even Date

Sunil Bahadur Malla
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Kamalshali Ghimire
Director

CA. Narendra Bhattarai
N. Bhattarai & Co.
Chartered Accountants

Binaya Kumar Chalise
Director

Kabiraj Khanal
Director

Niraj Kumar Adhikari
Deputy Managing Director(Finance)

Pradeep Raj Upadhyay
Manager

Date: Poush 28, 2071
Place: Kathmandu

Statement of Profit or Loss

For the year ended Ashadh 32, 2071 (July 16, 2014)



(Figures in NPR)

| | Notes | Current Year 2070-71 | Previous Year 2069-70 |
|---|-------|-------------------------|--------------------------|
| INCOME | | | |
| Income from Services | 17 | 35,589,742,990 | 34,140,807,888 |
| Interest Income | 18 | 3,699,346,502 | 3,246,096,011 |
| Miscellaneous Income | 19 | 406,154,872 | 258,544,352 |
| Exchange Gain | | - | 1,212,812,728 |
| Total Income | | 39,695,244,364 | 38,858,260,979 |
| EXPENDITURE | | | |
| Personnel Costs | 20 | 4,401,418,593 | 3,516,661,517 |
| Operation and Maintenance Costs | 21 | 7,209,590,543 | 6,738,316,670 |
| Administrative Costs | 22 | 1,575,515,649 | 1,352,307,266 |
| Royalty | 17 | 1,422,365,300 | 1,364,337,257 |
| Contribution to Rural Telecom Development Fund | 17 | 711,182,650 | 682,168,629 |
| Interest on Subscribers' Deposit | | 49,746,381 | 50,254,936 |
| Exchange Loss | | 175,762,520 | - |
| Depreciation | | 3,789,448,627 | 3,492,247,687 |
| Licence Fee | | 3,354,009,328 | 4,026,937,000 |
| Frequency Fee | | 840,259,790 | 1,657,270,784 |
| Staff Bonus Provision | | 436,607,825 | 388,162,616 |
| Telecom Allowance Provision | | 480,182,231 | 458,564,052 |
| Equity Loss in Associate | 6(f) | 6,300,684 | - |
| Total Expenditure | | 24,452,390,121 | 23,727,228,414 |
| Net Profit Before Tax | | 15,242,854,243 | 15,131,032,565 |
| Provision for Income Tax | | | |
| Current Tax | | (4,402,584,651) | (4,310,972,666) |
| Deferred Tax | | 713,454,677 | 479,116,098 |
| Net Profit Taken to Statement of Changes in Equity | | 11,553,724,269 | 11,299,175,997 |
| Earnings Per Share (Basic) | | 77.02 | 75.33 |

As Per Our Report of Even Date

Sunil Bahadur Malla
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Kamalshali Ghimire
Director

CA. Narendra Bhattarai
N. Bhattarai & Co.
Chartered Accountants

Binaya Kumar Chalise
Director

Kabiraj Khanal
Director

Niraj Kumar Adhikari
Deputy Managing Director(Finance)

Pradeep Raj Upadhyay
Manager

Date: Poush 28, 2071
Place: Kathmandu

Statement of Cash Flows

For the year ended Ashadh 32, 2071 (July 16, 2014)

(Figures in NPR)



| Cash Flow from Operating Activities | Current Year 2070-71 | Previous Year 2069-70 |
|--|-------------------------|--------------------------|
| Net Profit Before Tax | 15,242,854,243 | 15,131,032,565 |
| Adjustments | | |
| Depreciation | 3,789,448,627 | 3,492,247,687 |
| Income from Investment & Bank Deposit | (3,699,346,502) | (3,246,096,011) |
| Amortization of License & Premium on Investment | 3,382,445,029 | 4,057,281,345 |
| Provision for Liabilities | 2,443,428,437 | 1,986,549,377 |
| Decrease/(Increase) in Stock | 877,102,017 | (336,274,906) |
| Decrease/ (Increase) in Account Receivable | 265,807,661 | 1,150,477,972 |
| Decrease/(Increase) in Interest Accrued | 157,362,856 | 65,435,017 |
| (Increase)/Decrease in Advance-Tax and VAT | (5,075,938,250) | (3,660,451,255) |
| (Increase)/Decrease in Other Advances | 332,305,383 | (805,810,167) |
| Increase/(Decrease) in Payable | 618,865,456 | 1,204,730,489 |
| Decrease/(Increase) in Non Current Liability | (2,468,611,000) | (2,462,368,000) |
| Last Year Adjustment | (818,713,027) | 257,750 |
| Payment of Earned Leave | (94,286,153) | (67,980,159) |
| Payment of Pension / Gratuity Expenses | (210,398,578) | (165,570,499) |
| Payment of Bonus & Telecom Allowance | (711,012,799) | (679,391,673) |
| Total Adjustments | (1,211,540,842) | 533,036,967 |
| Net Cash flow from Operating Activities (A) | 14,031,313,401 | 15,664,069,532 |
| Cash Flow from Investing Activities | | |
| GSM License Fee Renewal | (189,000,000) | - |
| Acquisition of Property, Plant and Equipment | (6,159,710,425) | (5,795,790,639) |
| Decrease/ (Increase) in Capital Work in Progress | (181,778,511) | (1,016,802,306) |
| Decrease/ (Increase) in Investment | 9,965,841,497 | (3,450,374,417) |
| Income from Investment & Bank Deposit | 3,699,346,502 | 3,246,096,011 |
| Net Cash Flow from Investing Activities (B) | 7,134,699,063 | (7,016,871,351) |
| Cash Flow from Financing Activities | | |
| Dividend Paid | (6,677,332,939) | (7,146,617,210) |
| Net Cash Flow from Financing Activities (C) | (6,677,332,939) | (7,146,617,210) |
| Net Increase in Cash (A+B+C) | 14,488,679,525 | 1,500,580,971 |
| Cash at the Beginning of the Year | 26,774,785,622 | 25,274,204,651 |
| Cash at the End of the Year | 41,263,465,147 | 26,774,785,622 |

As Per Our Report of Even Date

Sunil Bahadur Malla
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Kamalshali Ghimire
Director

CA. Narendra Bhattarai
N. Bhattarai & Co.
Chartered Accountants

Binaya Kumar Chalise
Director

Kabiraj Khanal
Director

Niraj Kumar Adhikari
Deputy Managing Director(Finance)

Pradeep Raj Upadhyay
Manager

Date: Poush 28, 2071
Place: Kathmandu

Statement of **Changes in Equity**

For the year ended Ashadh 32, 2071 (July 16, 2014)



(Figures in NPR)

| Particulars | Share Capital | Retained Earning | Total |
|--|-----------------------|-----------------------|-----------------------|
| Opening Balance as on 16 July, 2012 | 15,000,000,000 | 34,474,560,053 | 49,474,560,053 |
| Previous Year Adjustments (Omission) | | 53,581,436 | 53,581,436 |
| Restated Opening Balance Before Prior Period Adjustment | 15,000,000,000 | 34,528,141,489 | 49,528,141,489 |
| Prior Period Income | | 59,761,994 | 59,761,994 |
| Prior Period Expenses | | (51,384,652) | (51,384,652) |
| Amended Assessment Tax | | - | - |
| Adjustment of Prepaid /Outstanding Liabilities | | - | - |
| Opening Balance (Restated) | 15,000,000,000 | 34,536,518,831 | 49,536,518,831 |
| Dividend for F.Y. 2068/69 | | (7,200,000,000) | (7,200,000,000) |
| Net Profit After Tax for This Year | | 11,299,175,997 | 11,299,175,997 |
| Closing Balance as on 15 July, 2013 | 15,000,000,000 | 38,635,694,828 | 53,635,694,828 |

(Figures in NPR)

| Particulars | Share Capital | Retained Earning | Total |
|--|-----------------------|-----------------------|-----------------------|
| Opening Balance as on 16 July, 2013 | 15,000,000,000 | 38,635,694,828 | 53,635,694,828 |
| Previous Year Adjustments(Depreciation) | | 18,380 | 18,380 |
| Restated Opening Balance Before Prior Period Adjustment | 15,000,000,000 | 38,635,713,208 | 53,635,713,208 |
| Prior Period Income | | 140,866,285 | 140,866,285 |
| Prior Period Expenses | | (953,576,283) | (953,576,283) |
| Amended Assessment Tax | | - | - |
| Adjustment of Prepaid /Outstanding Liabilities | | - | - |
| Opening Balance (Restated) | 15,000,000,000 | 37,823,003,210 | 52,823,003,210 |
| Dividend for F.Y. 2069/70 | | (6,900,000,000) | (6,900,000,000) |
| Equity Loss in Associate | | (6,300,684) | (6,300,684) |
| Net Profit After Tax (without Equity Loss in Associate) | | 11,560,024,953 | 11,560,024,953 |
| Closing Balance as on 16 July, 2014 | 15,000,000,000 | 42,476,727,479 | 57,476,727,479 |

As Per Our Report of Even Date

Sunil Bahadur Malla
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Kamalshali Ghimire
Director

CA. Narendra Bhattarai
N. Bhattarai & Co.
Chartered Accountants

Binaya Kumar Chalise
Director

Kabiraj Khanal
Director

Niraj Kumar Adhikari
Deputy Managing Director(Finance)

Pradeep Raj Upadhyay
Manager

Date: Poush 28, 2071
Place: Kathmandu

Notes

For the year ended Ashadh 32, 2071 (July 16, 2014)



1. COMPANY INFORMATION (CONSTITUTION AND OWNERSHIP)

- i. Nepal Doorsanchar Company Limited (Nepal Telecom) was incorporated on Magh, 2060 (February, 2004) under the Companies Act, 2053 with the main objective of providing national and international telecommunication services. The company is the continuation of the erstwhile Nepal Telecommunications Corporation, where all assets and all liabilities of the corporation were transferred to the incorporated company with equity being transferred to the Government in lieu of the government's ownership. Certain portion of the government's shares has been divested to the employees and general public. The current shareholding structure is as per Note 12(b).
- ii. Government of Nepal (GoN) and Citizen Investment Trust were the promoters of the company. Government of Nepal, who substantially owns the company, disinvested certain portion of its holdings in favour of the company's employees and the general public.
- iii. The company is a public company which has its shares listed in the Nepal Stock Exchange Ltd. (NEPSE).
- iv. The company has been providing range of telecommunication services using state of the art technology. The company endeavours to continue providing up-to-date telecommunication and related services in line with technological advances.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation of Financial Statements

- i. The financial statements are prepared under the historical cost convention as per the company's Accounting Policies. These policies are in line with Nepal Accounting Standards (NAS) as required by the Companies Act 2063 and Generally Accepted Accounting Principles as practiced and followed where standards are not specifically provided for. The company's accounting policies require the management to exercise judgment in accounting estimates.
- ii. The figures for the previous year are rearranged and reclassified wherever necessary for the purpose of comparison. Appropriate disclosures are made as follows:
 - Note 23: for the effect of changes in accounting policies, accounting estimates and errors.
- iii. The figures are rounded off to the nearest rupee.
- iv. The financial statements are prepared, on an accrual basis except where specifically disclosed. As exception, income and expenses are accounted on a cash basis, for practical reasons, in case of revenue from internet services, revenue from pole rental and interest on staff loan.



Management believes that had those revenues been recognised on accrual basis the impact would not have been materially different from the recognition under current practice.

- v. Management has applied estimation while presenting financial statements. Such specific estimates are disclosed in individual sections wherever they have been applied.

b) Foreign Currency Transactions

The transactions in foreign currency are recognised at the prevailing rate on transaction date.

The balances of monetary assets and liabilities in foreign currencies are translated at closing rate (note 29(a)). The resulting gain or loss due to the translation is taken to profit and loss.

c) Functional and Presentation Currency

Items included in the financial statements of the company are measured and presented using the currency of the primary economic environment in which the company operates (the functional currency), which is the Nepalese Rupees (indicated as NPR in short).

d) Intangible Assets

Licenses: These are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the license over its estimated useful life, at the period specified in Note 3 and is charged to Profit and Loss for the year.

e Property, Plant and Equipment

- i. Property, Plant and Equipment are stated at cost and are inclusive of all expenses, which are incidental to commissioning of assets to use less accumulated depreciation and impairments (if any). Property, Plant and Equipment are recognised as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the company; and the cost of the item can be measured reliably.
- ii. Gain and/or loss on disposal of the assets arising in the ordinary course of business are taken to profit and loss.
- iii. Freehold Land held by the company is recognised and reported at cost.
- iv. The estimate for useful life of Property, Plant and Equipment has been made upon consideration of future economic benefits embodied in the assets and the experience of obsolescence in the industry with each estimate being reviewed by the management periodically. Depreciation is measured and recognised in the Straight Line Method for the useful life of the assets estimated by the management as below.



| Classification | Sub-Classification | Useful life in year |
|-------------------|---|---------------------|
| Building | Permanent Structure | 25 |
| Building | Temporary Structure | 5 |
| Plant & Machinery | Underground Network | 15 |
| Plant & Machinery | Optical Fibre and Overhead Network | 10 |
| Plant & Machinery | MARTS | 10 |
| Plant & Machinery | Core Network Switching Equipment, Transmission links other than Cable Network and Tools | 7 |
| Plant & Machinery | Tools, Internet Equipment and Subscriber Equipment | 5 |
| Other Items | Heating, Lighting, Air-conditioning, Furniture, Fixtures, Office Equipment, Vehicle | 5 |

- v. Depreciation on additions during the year is charged from the month subsequent to the date when available for use.
- vi. Assets that have been decommissioned or has been identified as damaged beyond economic repair or rendered useless due to obsolescence are written off whenever identified.

f) Capital Works-in- Progress

- i. The expenditure incurred in acquisition and installation of new systems and equipment till the date of commissioning or in construction of civil works till the date of completion is taken to Capital Works-in-Progress. The value of Capital Works-in-Progress includes stock of equipment lying in store or in transit for the purpose of getting used in the installation. The value also includes the balances with contractors and suppliers of the systems and equipment for the value to be received. The equipment are capitalised upon commissioning and the civil works are capitalised upon handing over for use.
- ii. The items held for future capitalisation are shown at cost and disclosed as Capital Work-in-Progress under non-current asset.

g) Investments

- i. Investment is carried at cost or market-value whichever is lower. However, bonds procured at premium are stated at the nominal value and the premium paid is amortised over the period up to the investment's maturity. Discounting has not been applied for long term investments considering the impact which is less than significant.
- ii. Term deposits held in banks are also classified as Investment. Investments that mature within next 12 months have been classified under current assets.

h) Inventory

- i. Inventory includes stock in hand of goods being held for sale and spares that are not eligible for capitalisation.



- ii. Inventories are valued at lower of cost or net-realizable value. Cost is determined on First in First out basis. Net realizable value is the sale price as fixed by management in the ordinary course of business, less the estimated costs, if any, necessary to make the sale. Further, adjustments are made for those inventories identified by management as obsolete (more than five years old), non-moving (non-movement for 2-5 years) and slow moving (non-movement for 1-2 years).

i) Doubtful Receivables

Receivables not realised for more than twelve months as at the reporting date are classified as doubtful receivables and equivalent write down is made against such doubtful debts. The assumption is reviewed by the management on a regular basis.

j) Cash and Cash Equivalents

Cash and cash equivalents are carried at cost. They include cash-in-hand, cash-in-transit (bank transfers and cheques in collection which are collected in the subsequent period), and deposits with banks which may or may not bear interest, except term deposit which are classified as investment as per Note 2(g) (ii) above.

k) Subscriber Deposit

The company has a policy of collecting subscriber deposit from customers for the various types of services. However, the company pays interest at the rate of 3 percent per annum in the case of PSTN

subscriber deposit only. A portion of the deposit is classified as Non-Current Liability as per the management estimate, which is limited to 90 percent of the total number of PSTN connections.

l) Trade and Other Payables

Liabilities for creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for the goods / services received, whether or not billed to the company.

m) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

n) Employee Benefits

- i. Salary, allowances and other benefits and perquisites are provided to employees as per Employee Regulations, 2061 of the company.
- ii. The retirement benefits are accounted for in accordance with NAS 14 classifying them into Defined Contribution Plans and Defined Benefit Plans.
 - **Defined Contribution Plan** – which includes provident fund and the



contributory pension scheme as provided for in the Employee Regulation of the company. Employer's contributions to such plans have been expensed and paid.

- **Defined Benefit Plan** – which includes (a) Pension liabilities of both in-service and retired staff and (b) Gratuity liabilities; in accordance with the actuarial assessment and provide for those liabilities by charging to the profit and loss.
- iii. The liability on account of accumulated home leave and sick leave is fully provided as per the Employee Regulation of the company. Such liability is classified as Current Liability.
- iv. The liability on account of staff bonus is provided for on the basis of eligibility as per Bonus Act, 2030. Subsequent adjustment is effected, if necessary, to limit the liability to the ceiling as approved by the Government of Nepal. The liability on account of Telecom Allowance is provided in accordance with the company's regulation relating to staff benefits.

o) Revenue Recognition

Revenue comprises of the fair value of the considerations received or receivable for the telecommunication, broadband and related services rendered in the ordinary course of the company's activities. Further, revenue on interest income is recognised when the amounts are ascertained as receivable on time apportioned basis. Dividend income are recognised when the right to receive such dividend has been established.

Revenue is recognised, when it is probable that the economic benefits associated with the transactions will flow to the company, and the amount of revenue and the associated cost incurred or to be incurred, can be measured reliably, and when specific criteria related to revenue recognition have been met.

p) Income Tax

- i. **Current Tax:** The liability on account of corporate tax is provided as per the self-assessment return submitted to Inland Revenue Department for the year in accordance with the prevalent tax laws and regulations. Contingent liability on account of penalties and additional tax claims, which has been disputed by the company, is separately disclosed in note 28.
- ii. **Deferred Tax:** Deferred Tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using applicable corporate tax rate. (Refer Note 7)

q) Changes in Accounting Policies, Changes in Estimates and Errors

Changes in Accounting Policies, Changes in Estimates and Errors are reported so as to comply with the relevant reporting standards and for better presentation. Changes, if any, are disclosed in specific sections.

r) Impairment of Assets

- i. Property, Plant and Equipment has not



been separately assessed for impairment. The carrying value of assets is expected to reflect appropriately, the economic value embodied on such assets considering the expected future stream of revenues.

- ii. Items pending capitalisation has been recognised under CWIP. The value of obsolete, non-moving and slow moving items has been considered to be impaired on prudential basis and written down by 100 percent, 50 percent and 25 percent respectively as per company's Accounting Policy.
- iii. Receivables, if due for more than one year except for those specifically identified, are assumed to be impaired.

s) Contingent Liabilities

A contingent liability is disclosed when the company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the company; or the company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3. INTANGIBLE ASSETS

Intangible Assets include the License Fees paid to Nepal Telecommunication Authority for operating various telecommunication services. These fees are being amortised over the validity period of the licenses. NPR 3.35 billion has been amortised during the year by charging to Statement of Profit or Loss. The balance unamortised portion has been recognised as license fee under intangible asset as tabulated below:

(Figures in NPR)

| Service | License Period | Unamortised balance at the end of Previous Year | Renewal Fee paid during the Year | Expensed during the Year | Unamortised balance at the end of Current Year |
|--------------|-----------------------|---|----------------------------------|--------------------------|--|
| PSTN | 067.10.13-072.10.12 | 68,178,275 | - | 26,883,000 | 41,295,275 |
| GSM | 066.01.29-071.01.28 | 3,320,237,260 | - | 3,320,237,260 | - |
| GSM | 071.01.29-076.01.27 | - | 189,000,000 | 6,835,068 | 182,164,932 |
| Internet | 067.01.14-072.01.13 | 96,015 | - | 54,000 | 42,015 |
| Total | (for FY 70-71) | 3,388,511,550 | 189,000,000 | 3,354,009,328 | 223,502,222 |

GSM License Renewal Fee –

The company had the obligation to pay the license renewal fee for GSM services on 2066/1/29, which was disputed for settlement. The GoN Cabinet decision dated 2069/6/14 confirmed the liability of NPR 20 billion, but deferred the payment schedule with the due amount to be paid on



eight instalments of NPR 2.5 billion each year. The unpaid liability has been segregated into current and non-current in accordance with its agreed payment schedule.

The issue of quantification of the license fee that expired on 2071.01.28 is still not settled within the regulatory authority; and the fee liability, if confirmed and quantified, will result in further cost to the company.

The company has paid an amount of NPR 189 million as GSM License Renewal Fee during the year.

4. PROPERTY, PLANT AND EQUIPMENT

- a. The value of Land represents the cost paid on acquisition of freehold premises located at the various operating locations of the company. The value of buildings includes cost of all civil works.
- b. The value of Plant and Machinery includes the cost of the various telecommunication systems in operation including mainly PSTN, GSM, CDMA, ADSL and other systems. However, value of Plant and Machinery for individual service lines has not been segregated in the financial statements.
- c. The company also holds leasehold premises at the various locations for erecting towers for installing BTS. Annual rents on such leaseholds are paid in advance. As a general practice, lease agreements are for a period of ten years. Rent payable for the lease period at the current rate has been disclosed as Capital Commitments given below.

Capital Commitments

| <i>(Figures in NPR)</i> | |
|---|-----------------------|
| Particulars | Amount |
| Commitment for Civil Works | 295,273,471 |
| Commitment for Procurement of Plant and Equipment | 13,441,151,527 |
| Commitment for Rent of Leasehold Premises for BTS | 149,706,722 |
| Total | 13,886,131,720 |

- d. The company holds various plots of land whose title has not yet been transferred to the company. However, the cost of civil works constructed on such premises has been included in the value of buildings.



e. The details of Property, Plant and Equipment are tabulated as follows:

Details of Property, Plant and Equipment

(Figures in NPR)

| Description | Land | Buildings | Plant & Machinery | Heating, Lighting & Air-Condition | Furniture & Fixture | Office Equipment | Vehicles | Total | Previous Year's Figures |
|---------------------------|-------------|---------------|-------------------|-----------------------------------|---------------------|------------------|-------------|----------------|-------------------------|
| Gross Block | | | | | | | | | |
| As on Shrawan 1, 2070 | 564,404,150 | 2,226,665,630 | 41,551,360,894 | 190,156,358 | 202,809,174 | 1,284,112,767 | 932,246,437 | 46,951,755,410 | 41,155,964,773 |
| Additions during the year | 7,412,886 | 533,001,275 | 5,508,061,152 | 7,245,211 | 23,445,190 | 60,935,623 | 19,609,114 | 6,159,710,451 | 5,795,790,639 |
| Adjustment | 1 | (1) | 2,470,700 | - | 411,402 | (2,882,102) | - | - | (1) |
| As on Ashadh 32, 2071 | 571,817,037 | 2,759,666,904 | 47,061,892,746 | 197,401,569 | 226,665,766 | 1,342,166,288 | 951,855,551 | 53,111,465,861 | 46,951,755,410 |
| Depreciation | | | | | | | | | |
| As on Shrawan 1, 2070 | - | 916,453,496 | 27,754,525,993 | 174,138,197 | 137,737,586 | 997,560,947 | 681,066,977 | 30,661,473,196 | 27,142,687,365 |
| During the year | - | 136,440,561 | 3,438,271,107 | 6,547,898 | 22,148,077 | 108,845,264 | 77,195,720 | 3,789,448,627 | 3,492,247,687 |
| Adjustment | - | 3,154,848 | 1,221,193 | 3,719 | 57,501 | (40,623) | (1) | 4,396,637 | 26,538,144 |
| As on Ashadh 32, 2071 | - | 1,056,048,905 | 31,194,018,293 | 180,689,814 | 159,943,164 | 1,106,365,588 | 758,252,696 | 34,455,318,460 | 30,661,473,196 |
| Net Block | | | | | | | | | |
| As on Ashadh 32, 2071 | 571,817,037 | 1,703,617,999 | 15,867,874,453 | 16,711,755 | 66,722,602 | 235,800,700 | 193,602,855 | 18,656,147,401 | 16,290,282,239 |
| As on Ashadh 31, 2070 | 564,404,150 | 1,310,212,134 | 13,796,834,901 | 16,018,161 | 65,071,588 | 286,551,820 | 251,189,485 | 16,290,282,239 | 14,013,277,408 |

5. CAPITAL WORKS-IN- PROGRESS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---------------------------------------|-------------------------|--------------------------|
| Capital Works | 2,887,116,570 | 3,020,854,881 |
| Stock of Equipment under Installation | 3,459,158,782 | 2,254,529,413 |
| Advance to Suppliers and Contractors | 674,237,928 | 1,563,350,475 |
| Total | 7,020,513,280 | 6,838,734,769 |

- a. NPR 218,553,849 has been written down as impairment charge on Stock of Equipment under Installation during the year by charging the same to the Statement of Profit or Loss of the current year.
- b. The value of additions in the various projects under progress and the value of capitalisation either to Buildings or to Plant and Machinery during the year are as per detail below.

(Figures in NPR)

| Particulars | Amount |
|---|----------------------|
| Opening balance of Capital W-I-P | 3,020,854,881 |
| Additions | 5,907,324,116 |
| Capitalized | |
| - Building | 533,001,275 |
| - Plant & Machinery | 5,508,061,152 |
| Closing balance of Capital W-I-P | 2,887,116,570 |

6. INVESTMENTS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|--|-------------------------|--------------------------|
| A. Non-Current | | |
| Investments with Citizen Investment Trust | 2,698,887,768 | 1,780,731,542 |
| Government Securities | 1,807,075,000 | 2,879,125,000 |
| Unamortized Premium on Government Securities | 18,867,020 | 47,302,720 |
| Corporate Securities | 120,000,000 | 120,000,000 |
| Balance with Banks in Term Deposit | 6,092,350,000 | 17,013,153,000 |
| Equity Investment in Upper Tamakoshi Hydropower Ltd. | 635,400,000 | 635,400,000 |
| Loan in Upper Tamakoshi Hydropower Ltd. | 3,317,337,517 | 2,502,081,556 |
| Equity Investment in Trishuli Jal Vidhyut Co. Ltd. | 43,699,316 | 10,000,000 |
| <u>Sub-total</u> | <u>14,733,616,621</u> | <u>24,987,793,818</u> |
| B. Current | | |
| Government Securities | 1,072,050,000 | 812,150,000 |
| Corporate Securities | - | - |
| <u>Sub-total</u> | <u>1,072,050,000</u> | <u>812,150,000</u> |
| Grand Total | 15,805,666,621 | 25,799,943,818 |





a. Investments with Citizen Investment Trust

(Figures in NPR)

| Particulars | Amount |
|---|----------------------|
| Investment in CIT's recognized retirement fund earmarked against the liability for Pension and Gratuity | 2,698,887,768 |
| Total | 2,698,887,768 |

b. Government Securities

(Figures in NPR)

| Title of scripts | Maturity Date | Nominal Value | Unamortised Premium |
|---------------------------------|---------------|----------------------|---------------------|
| 7.50% Development Bond 2072 Ka | 2072.12.18 | 78,475,000 | 696,317 |
| 9 % Development Bond 2073 Ka | 2073.03.28 | 428,600,000 | 7,908,426 |
| 9 % Development Bond 2072 Kha | 2072.02.27 | 322,775,000 | 1,700,246 |
| 9 % Development Bond 2072 Ga | 2072.03.17 | 500,000,000 | 239,041 |
| 9.75% National Bond 2072 | 2072.10.05 | 500,000,000 | - |
| 10% National Bond 2072 | 2073.03.25 | 800,000,000 | - |
| 8.50% Development Bond 2071 Gha | 2071.12.21 | 249,275,000 | 8,322,990 |
| Total | | 2,879,125,000 | 18,867,020 |

c. Corporate Securities

(Figures in NPR)

| Title of scripts | Maturity Date | Nominal Value |
|----------------------------|---------------|--------------------|
| 8.50% Laxmi Bank Debenture | 2072.08.08 | 20,000,000 |
| Siddhartha Bank Debenture | 2077.01.05 | 100,000,000 |
| Total | | 120,000,000 |

d. Balance with banks in Term Deposit

(Figures in NPR)

| Term Deposits | Amount | Remarks |
|---------------------------------------|----------------------|---------|
| Balance in Rupees | 3,551,000,000 | i , ii |
| Balance in US dollars (\$ 26,500,000) | 2,541,350,000 | lii |
| Total | 6,092,350,000 | |

Remarks:

- Balances in NPR include NPR 1,000,000 which has been earmarked for an Endowment Fund. The interest income from the fund is to be utilized for welfare of retired staff.



- ii. Rates of interest on the term deposits in NPR ranged between 7 percent and 8 percent.
- iii. Rates of interest on the term deposits in US Dollar ranged between 2.10 percent and 3.62 percent
- e. Investment amounting to NPR 635,400,000 (6,354,000 shares @ NPR 100 per share) was made by subscription to the equity share capital of Upper Tamakoshi Hydropower Limited. This investment has been made in the capacity of the promoter of the company, which is 6 percent of the total issued capital NPR 10,590,000,000.
- In addition to the above investment, further loan amounting to NPR 515,566,910 has been disbursed during the year to M/s Upper Tamakoshi Hydropower Limited as per the loan agreement. Interest accrued at the rate of 12 percent amounting to NPR 299,689,051 on such loan has been capitalised. Total outstanding, including opening balance, principal disbursed during the year and capitalised interest, as at the year-end, is NPR 3,317,337,517.
- f. The company has made an equity investment of NPR 50,000,000 as subscription of 47.62 percent shares in the capacity of a promoter in M/s Trishuli Jal Vidhyut Company Limited. The total paid up capital of M/s Trishuli Jal Vidhyut Company Limited is NPR 105,000,000.

The accounting for the same has been carried as per “Equity Accounting Method” by the company as required by NAS 25.

7. DEFERRED TAX

Deferred tax asset/liability represents the differences of carrying amount and tax base of assets and liabilities in accordance with NAS 09 (Income Taxes). Corporate Tax rate of 25 percent is used for recognising Deferred Tax.

(Figures in NPR)

| S. No. | Particulars | Carrying Amount | Tax base | Temporary Diff |
|--------------|---|-----------------------|-----------------------|-----------------------|
| 1 | Property, Plant & Equipment | 18,656,147,401 | 23,001,316,289 | 4,345,168,888 |
| 2 | Provisions for Expenses | 13,450,802,187 | Nil | 13,450,802,187 |
| Total | | 32,106,949,588 | 23,001,316,289 | 17,795,971,075 |
| | Tax Rate @ 25% | | | 4,448,992,769 |
| | Deferred Tax Asset- Previous Year | | | 3,735,538,092 |
| | Deferred Tax Provision- Current year | | | 713,454,677 |
| | Deferred Tax Asset- Current Year End | | | 4,448,992,769 |

8. INVENTORY

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---|-------------------------|--------------------------|
| Telephone Sets, Drop wire & Accessories | 98,648,440 | 122,168,273 |
| Cash Cards | 137,521,216 | 106,839,779 |
| Spares and Others | 272,692,228 | 1,156,955,850 |
| Total | 508,861,884 | 1,385,963,902 |



Inventory has been taken at lower of cost or net realisable value. The realisable value of inventory has been estimated at 0 percent, 50 percent and 75 percent for obsolete, non-moving and slow moving items that have remained idle for more than 5 years, 2-5 years and 1-2 years respectively.

9. TRADE RECEIVABLES

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---------------------|-------------------------|--------------------------|
| Sundry Debtors | 4,584,938,235 | 4,850,745,896 |
| Doubtful Receivable | (1,661,798,941) | (1,661,798,941) |
| Total | 2,923,139,294 | 3,188,946,955 |

a. Impairment of Trade Receivables

No impairment of Receivables has been charged to profit and loss for the current year. The write down on account of doubtful receivables amounting to NPR 1,661,798,941 done up to previous year is considered adequate for current year as well covering the outstanding for more than 1 year by the management to account for the realisable value of receivables.

- b. The outstanding balances of bills receivable from the various categories of customers as on Ashadh 32, 2071 are as below.

(Figures in NPR)

| Category | Total | Net increase in receivables for the year | More than 1 year old |
|-------------------------------------|----------------------|---|----------------------|
| General Public & Employees | 2,487,995,547 | 1,165,036,317 | 1,322,959,230 |
| Government offices | 114,756,001 | 44,450,311 | 70,305,690 |
| Domestic Inter- administration | 437,208,589 | 230,571,912 | 206,636,677 |
| International Inter- administration | 1,544,978,098 | 1,506,467,194 | 38,510,904 |
| Total | 4,584,938,235 | 2,946,525,734 | 1,638,412,501 |

10. CASH & CASH EQUIVALENTS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---------------------------|-------------------------|--------------------------|
| Balances with Banks | 41,261,041,334 | 26,759,209,179 |
| Cash in Hand & in Transit | 2,423,814 | 15,576,443 |
| Total | 41,263,465,147 | 26,774,785,622 |

11. LOAN, ADVANCE & OTHERS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---|-------------------------|--------------------------|
| Interest Accrued | 80,557,546 | 237,920,402 |
| Income Tax (Note 28) | 1,268,903,553 | 595,549,955 |
| Advance to and Claims Against Others | 682,754,089 | 938,858,816 |
| Advance to and Claims Against Employees | 2,630,774,454 | 2,838,796,135 |
| Prepaid Expenses | 61,621,718 | 227,847,275 |
| Total | 4,724,611,360 | 4,838,972,583 |

12. SHARE CAPITAL

- a. There has been no significant change during this year in the company's shareholding pattern as compared to the previous year. Authorized, Issued, Subscribed and Paid-up Share Capital as at Ashadh 32, 2071 is given below:

(Figures in NPR)

| Particulars | Current Year 2070/71 | Previous Year 2069/70 |
|--|-------------------------|--------------------------|
| Authorized Capital | | |
| 250,000,000 Ordinary Shares of NPR 100 per Share | 25,000,000,000 | 25,000,000,000 |
| Issued, Subscribed and Paid up Capital | | |
| 150,000,000 Ordinary Shares of NPR 100 per Share | 15,000,000,000 | 15,000,000,000 |

- b. The Shareholding Pattern of the company is as follows:

| Shareholder Category | 2070/71 | | 2069/70 | |
|--------------------------|--------------------|----------------|--------------------|----------------|
| | No. of Shares | % of holding | No. of Shares | % of holding |
| Government of Nepal | 137,239,950 | 91.49% | 137,239,950 | 91.49% |
| Citizen Investment Trust | 50,000 | 0.03% | 50,000 | 0.03% |
| General Public | 6,656,040 | 4.44% | 6,171,190 | 4.11% |
| Employees | 6,054,010 | 4.04% | 6,538,860 | 4.36% |
| Total | 150,000,000 | 100.00% | 150,000,000 | 100.00% |

13. RESERVE AND SURPLUS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|--|-------------------------|--------------------------|
| Retained Earnings | 42,476,727,479 | 38,635,694,828 |
| <i>(As per Statement of Changes in Equity)</i> | | |
| Total | 42,476,727,479 | 38,635,694,828 |





14. NON-CURRENT LIABILITIES

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|----------------------------------|-------------------------|--------------------------|
| Provision for Pension & Gratuity | 8,006,450,643 | 7,287,946,023 |
| Subscriber Deposit | 1,763,646,000 | 1,732,257,000 |
| GSM License Fee Payable | 12,500,000,000 | 15,000,000,000 |
| Total | 22,270,096,643 | 24,020,203,023 |

Entire provision for Pension and Gratuity has been classified as non-current as substantial portion of the liability is expected to be due after more than 1 year. Subscriber deposit has been segregated into current and non-current on the basis of the estimate made by the management (Refer: Note 2(k) above). The details are given below:

(Figures in NPR)

| Particulars | Current Year 2070/71 | Previous Year 2069/70 |
|-------------------------------|-------------------------|--------------------------|
| Subscriber Deposit (Total) | 2,582,751,910 | 2,530,631,852 |
| Less: Current Portion | (819,105,910) | (798,374,852) |
| Balance (Non-Current Portion) | 1,763,646,000 | 1,732,257,000 |

15. CURRENT LIABILITIES

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|--|-------------------------|--------------------------|
| Sundry Creditors - Suppliers | 6,343,408,987 | 6,017,150,570 |
| Sundry Creditors -Inter -Administration | 70,804,985 | 82,795,476 |
| VAT Payable | 198,567,573 | 15,698,309 |
| Other Fee Collection Payable | 283,590,413 | 293,307,806 |
| Royalty and Contribution to RTDF (Note 17) | 2,133,547,950 | 2,046,505,886 |
| Subscriber Deposit - Current Portion | 819,105,910 | 798,374,852 |
| Advance from Subscribers | 645,524,233 | 665,966,481 |
| GSM License Fee Payable | 2,500,000,000 | 1,900,000,000 |
| Others Liabilities | 465,875 | 257,903,971 |
| Total | 12,995,015,926 | 12,077,703,351 |

16. PROVISIONS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---------------------------------|-------------------------|--------------------------|
| Provision for Leave Encashment | 927,224,339 | 721,821,891 |
| Provision for Telecom Allowance | 1,081,065,150 | 1,012,078,801 |
| Provision for Staff Bonus | 824,770,441 | 774,177,636 |
| Total | 2,833,059,930 | 2,508,078,328 |

17. INCOME FROM SERVICES

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---|-------------------------|--------------------------|
| Basic Telephone Service | | |
| Local/ Domestic | 3,302,969,307 | 3,411,471,874 |
| International Trunk | 165,183,840 | 192,034,057 |
| Leased Circuits | 93,672,433 | 103,329,572 |
| IN Services | 16,662,819 | 17,109,285 |
| Internet | 1,011,582 | 710,001 |
| ADSL | 1,480,924,126 | 1,274,265,243 |
| SIP Phone | 111,293 | - |
| Wi-Max Income | 67,901,301 | 30,469,302 |
| Others | 132,897,644 | 124,607,855 |
| Total Revenue from Basic Telephone Service | 5,261,334,345 | 5,153,997,189 |
| GSM Mobile Service | | |
| Local | 1,561,078,162 | 1,389,316,532 |
| International Trunk | 120,449,374 | 119,048,183 |
| Roaming | 147,351,423 | 218,976,912 |
| Pre-paid Card | 135,441,699 | 197,010,256 |
| Re-charge Card | 16,004,796,614 | 14,261,859,064 |
| GPRS | 223,658,772 | 31,308,934 |
| Others | 276,171,443 | 254,733,170 |
| Total Revenue from GSM Mobile Service | 18,468,947,487 | 16,472,253,051 |
| CDMA Service | | |
| Local/ Domestic | 124,128,093 | 145,962,135 |
| International Trunk | 4,051,470 | 6,096,698 |
| Data Services | 2,376,912 | 4,887,661 |
| Pre-paid Card | 30,770,358 | 13,917,948 |
| Re-charge Card | 1,021,048,245 | 1,357,048,292 |
| Others | 28,798,789 | 19,824,513 |
| Total Revenue from CDMA Service | 1,211,173,867 | 1,547,737,247 |
| Revenue from Inter -Administration | 10,617,676,798 | 10,934,443,941 |
| Total Revenue from Services (A) | 35,559,132,497 | 34,108,431,428 |
| Sales of Telephone Sets and Other goods (B) | 30,610,493 | 32,376,460 |
| Total Revenue (A+B) | 35,589,742,990 | 34,140,807,888 |





Royalty and Contribution to RTDF

The liabilities have been provided for on account of 4 percent Royalty as per Telecommunication Rules, 2054 and 2 percent Contribution to Rural Telecommunication Development Fund (RTDF) as per conditions laid down by the Nepal Telecommunications Authority for operating license on the Operating revenue amounting to NPR 35,559,132,497.

18. INTEREST INCOME

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|--|-------------------------|--------------------------|
| Interest on Government Development Bonds | 685,856,644 | 351,330,017 |
| Interest on Corporate Bonds and Debentures | 9,700,173 | 200,101,060 |
| Interest on Bank Deposits | 2,873,391,685 | 2,569,907,264 |
| Interest on Pension fund | 130,398,000 | 124,757,670 |
| Total | 3,699,346,502 | 3,246,096,011 |

19. MISCELLANEOUS INCOME

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---|-------------------------|--------------------------|
| Deferred Income Against the Government Grants | - | - |
| Performance Bond, LQD & Others | 406,154,872 | 258,544,352 |
| Total | 406,154,872 | 258,544,352 |

20. PERSONNEL COSTS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|--------------------------------|-------------------------|--------------------------|
| Salaries & Wages | 1,407,375,201 | 1,151,556,871 |
| Allowances | 945,079,036 | 775,866,706 |
| Uniform Allowances | 55,606,500 | 56,887,502 |
| Contribution to Provident Fund | 119,647,003 | 101,096,616 |
| Leave Encashment | 299,688,601 | 90,240,002 |
| Overtime Allowances | 42,250,443 | 34,013,345 |
| Medical Expenses | 297,918,772 | 252,174,178 |
| Defined Contribution Plan | 6,903,257 | 5,243,590 |
| Defined Benefit Plan | 1,226,949,780 | 1,049,582,707 |
| Total | 4,401,418,593 | 3,516,661,517 |

Employee Benefits



- a. **Defined Benefit Plans** - Pension (for existing and retired employee) and Gratuity liabilities have been provided as per the actuarial assessment. Entire assessed amount has been provided for with the equivalent charge to the Profit and Loss. The movements for the same are given as below:

Retirement Fund Liabilities

(Figures in NPR)

| Particulars | Pension | Gratuity | Total |
|----------------------------------|---------------|---------------|---------------|
| Opening Liability for FY 2070.71 | 5,143,783,067 | 2,144,162,956 | 7,287,946,023 |
| Current Year Provision (Expense) | 1,226,949,780 | - | 1,226,949,780 |
| Pension and Gratuity Paid | (205,316,835) | (5,081,743) | (210,398,578) |
| Actuarial Assessed Liability | 6,464,867,938 | 1,839,629,287 | 8,304,497,225 |
| Pre-payments | (298,046,582) | - | (298,046,583) |
| Closing Liability | 6,166,821,356 | 1,839,629,287 | 8,006,450,643 |

Retirement Fund Assets

(Figures in NPR)

| Particulars | Amount |
|---|---------------|
| Opening Assets (16 Jul, 2013) | 1,780,731,542 |
| (+) Estimated Investment Returns for the year | 130,398,000 |
| (-) Excess Investment Return booked previous year | (32,130,812) |
| (+) Additional Investment during the year | 1,000,000,000 |
| (-) Withdrawal (pay-outs during the year) | (180,110,962) |
| Closing Assets (16 Jul, 2014) | 2,698,887,768 |

- NPR 1,226,949,780 being the interest cost and current service cost for pension and gratuity has been charged to the current year profit and loss.
 - All retirement fund assets have been invested in Citizen Investment Trust, which is promoted by GoN.
- b. **Defined Contribution Plans** – The expense during the year pertaining to Provident Fund employer's contribution amounted to NPR 119,647,003 and the expense during the year pertaining to Contributory Pension Fund amounted to NPR 6,903,257.
- c. **Staff Bonus and Telecom Allowance** – Staff bonus has been provided according to guidance and directive provided by GoN. Telecom Allowance has been provided as per the rules approved by the Board of Directors. The total number of regular employees as on Ashadh 32, 2071 was 5,274. (previous year 5,451).
- d. **Staff Welfare Fund** – Staff Welfare Fund is separately managed by a committee of employees. The



committee is responsible for managing and accounting of the fund. The assets and liabilities of the fund are not consolidated in the company's financial statements.

21. OPERATION AND MAINTENANCE COSTS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|--|-------------------------|--------------------------|
| Maintenance - Office Equipment | 62,004,984 | 56,530,907 |
| Maintenance - Buildings | 184,680,880 | 149,386,352 |
| Maintenance - Plants/ Machinery | 522,629,123 | 463,421,772 |
| Power, Heating & Lighting | 1,022,472,873 | 961,377,159 |
| Fuel for Vehicles | 127,930,893 | 122,069,929 |
| Maintenance vehicles | 66,259,397 | 59,382,622 |
| Freight & Carriages | 14,668,995 | 13,512,368 |
| International Channel Rent | 1,384,998,357 | 1,195,519,206 |
| Cost of Telephone Sets and Other goods | 75,523,791 | 50,514,549 |
| Cost of Cash Card | 262,607,264 | 192,793,147 |
| Inquiry Service Expenses | 27,391,435 | 25,682,472 |
| Value Added Services Expenses | 106,369,221 | 125,224,409 |
| Data Entry & Sales Commission | 851,725,013 | 747,621,960 |
| Interconnection Expenses | 2,500,328,317 | 2,575,279,818 |
| Total | 7,209,590,543 | 6,738,316,670 |

22. ADMINISTRATIVE COSTS

(Figures in NPR)

| Particulars | Current Year 2070-71 | Previous Year 2069-70 |
|---|-------------------------|--------------------------|
| Travelling Expenses | 165,636,945 | 223,914,642 |
| Rates and Local Taxes | 42,514,989 | 42,467,847 |
| Rent and Leasehold Cost of Land and Buildings | 268,821,738 | 249,395,740 |
| Board Meeting Allowance | 1,504,000 | 1,376,000 |
| Other Meeting Allowances and Expenses | 39,664,697 | 37,591,909 |
| Printing and Stationery | 56,922,301 | 52,879,479 |
| Advertisement | 124,500,913 | 100,718,272 |
| Bank Charges | 13,788,393 | 9,523,283 |
| Training Expenses | 97,391,696 | 102,761,770 |
| Hospitality Expenses | 18,696,316 | 16,303,289 |
| Office Furnishing | 13,028,442 | 12,207,216 |
| Insurance | 149,332,313 | 151,056,841 |
| Statutory Audit | 700,000 | 650,000 |
| Tax Audit Fee | 250,000 | 250,000 |
| Audit Expenses | 1,803,733 | 1,217,001 |
| Trade Promotion Expenses | 1,771,479 | 1,450,777 |
| Postage | 953,650 | 1,191,242 |



| | | |
|--|----------------------|----------------------|
| Books and Periodicals | 6,174,606 | 5,515,685 |
| Professional fees | 3,057,591 | 1,899,886 |
| Assets Impairment (Written off) | 199,719 | - |
| Write Down Charge for Doubtful Advance | 28,660,300 | 17,406,846 |
| Security Expenses | 96,579,539 | 86,689,532 |
| Membership Fee | 5,888,835 | 4,329,006 |
| Telephone Expenses | 108,307,204 | 111,874,672 |
| Anniversary Expenses | 7,637,864 | 39,142,613 |
| Annual General Meeting Expenses | 2,208,573 | 2,055,612 |
| Donation | 3,317,221 | 3,734,700 |
| Impairment Charge of Assets | 218,553,849 | - |
| Miscellaneous Expenses | 97,648,743 | 74,703,405 |
| Total | 1,575,515,649 | 1,352,307,266 |

23. Effect of changes in accounting policies, accounting estimates and errors

Policies and Estimates

As per the requirement of NAS 09 (Income Taxes), the company has changed its practice from presenting for Current Tax Asset and Liabilities separately on gross basis to presenting the same in the Statement of Financial Position on net basis.

24. Contingent Liabilities

- There were 13 legal cases against the company pending in the court of law during the year. Liability, if those are decided against the company, could not be assessed reliably; management feels that such liability would not be significant requiring quantified disclosure.
- Reassessment order of Value Added Tax was issued by Large Tax-Payers Office on the Self-Assessment Tax Return filed by the company for the financial year 2064-65. The company has opted to appeal against the order and consequently has applied for an Administrative Review with the Director General, Inland Revenue Department but the verdict went against the company. The company has then applied to Revenue Tribunal against the decision of the Director General. Pending resolution of the matter, contingent liability of NPR 127,796,453 would have existed against the company for the year 2064-65, if the appeal goes against the company.
- Reassessment order of Value Added Tax and Income Tax was issued by Large Tax-Payers Office on the Self-Assessment Tax Return filed by the company for the financial year 2065-66. The company has opted to appeal against the order and consequently has applied for an Administrative Review with the Director General, Inland Revenue Department. Pending resolution of the matter, contingent liability of NPR 223,327,553 for Value Added Tax and NPR 41,036,688 for Income Tax would have existed against the company for the year 2065-66, if the appeal goes against the company.
- Reassessment order of Value Added Tax and Income Tax was issued by Large Tax-Payers Office on the Self-Assessment Tax Return filed by the company for the financial year 2066-



67. The company has opted to appeal against the order and consequently has applied for an Administrative Review with the Director General, Inland Revenue Department. Pending resolution of the matter, contingent liability of NPR 308,278,676 for Value Added Tax and NPR 34,542,834 for Income Tax would have existed against the company for the year 2066-67, if the appeal goes against the company.

- e. With respect to the frequency used by the company for providing telecom services from FY 2056/57 to FY 2067/68, Nepal Telecommunication Authority (NTA) raised a demand of NPR 745,434,000 as Frequency Fee. Out of the Frequency Fee demanded, NPR 253,604,676 was paid by the company in FY 2068/69. The remaining fee amounting to NPR 491,829,324 was still in dispute with NTA. Regarding this matter, NTA issued a letter dated 2071/06/05 to the company thereby mentioning to take necessary steps for waiving off an amount of NPR 436,327,600 taking into consideration the fact that the company had used such frequency to provide telecom services in rural areas of Nepal. Balance NPR 55,501,724 has been paid by the company in FY 2071/72.

25. Prior Period Adjustments

The following adjustments are made from opening balance of equity for income and expenditure relating to prior periods:

(Figures in NPR)

| S.No. | Particulars | Expenditure | Income |
|-------|---|--------------------|--------------------|
| 1 | Excess staff bonus & incentive provision for 2068/69 written back | - | 10,418,046 |
| 2 | Inter-administration Settlement | 4,609,307 | 1,407,318 |
| 3 | Non-operating Income | 1,372,280 | 5,279,383 |
| 4 | Inter-unit adjustment | 38,883 | 119,408,446 |
| 5 | Non-operating Expenses | 32,431,921 | 644,037 |
| 6 | Repair & Maintenance | 52,074,739 | - |
| 7 | Frequency Fees | 830,672,712 | - |
| 8 | Operating Income | 411,256 | 1,478,346 |
| 9 | Operating Expenses | 7,952,421 | 992,046 |
| 10 | Liabilities written back | 13,000 | 81,285 |
| 11 | Depreciation Adjustment | 4,415,766 | - |
| 12 | Stock | - | 474,705 |
| 13 | House Rent | 61,197 | 343,410 |
| 14 | Salary Adjustment | 19,522,799 | 339,263 |
| | Total | 953,576,283 | 140,866,285 |

The net prior period amount of NPR 812,709,998 has been adjusted directly to the equity through Statement of Changes in Equity.



26. Related Party Disclosures

- NPR 1,504,000, NPR 782,055, NPR 92,000, NPR 39,813 and NPR 3,726,665 have been paid as Board Meeting Fees, Board Meeting Expenses, Audit Committee Fees, Audit Committee Expenses and Travel Expenses for the Directors respectively.
- NPR 62,746,425 has been paid as remuneration and other payments to the key managerial personnel of the company which included 53 officials in level 10 and above.

27. Dividend

Dividend is yet to be proposed by the Board of Directors. Dividend is distributed only after obtaining required approval from the authorities.

28. Income Taxes

- NPR 4,402,584,651 has been provided for as income tax liability for the period by way of self-assessment as per the Income Tax Act, 2058. NPR 4,973,178,691 has been paid as advance tax during the year and NPR 350,000,000 has been claimed as excess income tax paid in FY 2069/70, the total advance tax paid thereby being NPR 5,323,178,691.
- The company's final income tax assessment has been completed for the Income Year 2064/65. For the remaining financial years the assets and liabilities have been recognised and carried as under.

(Figures in NPR)

| Income Years | Provision for Tax (as per self-assessment) | Advance Tax Paid |
|----------------|---|-----------------------|
| 2065/66 | 3,642,589,401 | 3,678,233,721 |
| 2066/67 | 4,467,919,801 | 4,516,864,233 |
| 2067/68 | 4,927,428,049 | 4,933,519,853 |
| 2068/69 | 4,634,539,999 | 5,819,450,267 |
| 2069/70 | 4,310,972,666 | 3,630,931,796 |
| 2070/71 | 4,402,584,651 | 5,075,938,250 |
| Total | 26,386,034,567 | 27,654,938,120 |
| Net Off | | 1,268,903,553 |

NPR 102,759,559 paid by the company during the year as an appeal for Inter-Administration VAT issue raised in Tax assessment of FY 2066/67 has been included in the total advance tax for the FY 2070/71.

The taxes are shown on net basis in the Statement of Financial Position as required by NAS 09 (Refer Note 23 above).

29. Other Information

- Rate of Exchange** – The closing rates of US Dollar and European Euro applied to translate the balances of monetary assets and liabilities as on Ashadh 32, 2071 was NPR 95.90 (for Buying) and NPR 96.50 (for Selling) and NPR 130.56 (for Buying) and NPR 131.38 (for Selling) respectively.



b. Inter- Unit Transactions – NPR 28,660,300 (debit) pending in the financial statement on account of unadjusted inter unit balances do not represent amount recoverable and has been provided for with equivalent charge to profit and loss for the current period.

NPR 119,408,446 of (credit) pending in inter unit transactions pertaining to past periods have been taken to income through prior period adjustment as disclosed in note 25.

c. Earnings Per Share – The Company’s earnings per share (EPS) is NPR 77.02 (previous year NPR 75.33). The company does not have any convertible or similar instruments, therefore computation and disclosure of Diluted EPS is irrelevant.

d. Operating Segment – Reporting operating segments under NAS 23 Segmental Reporting is under voluntary compliance. However, the company has disclosed its revenue from its various business/service segments separately under Note 17 of the financial statements.

e. Contribution to Government Treasury - The Company made the following contributions to the government treasury. The list is not exhaustive and includes the data as per currently available information, which is not exhaustive.

(Figures in NPR)

| Description | Current Year 2070/71 | Previous Year 2069/70 | Remarks |
|--------------------------|-------------------------|--------------------------|---------------------------------|
| Advance Income Tax | 5,075,938,250 | 3,630,931,796 | Claimable against tax liability |
| Value Added Tax | 3,865,698,209 | 3,560,090,151 | Net VAT collections. |
| Telecom Service Charge | 2,350,899,583 | 2,086,608,511 | TSC collection deposited. |
| Ownership Fee | 470,613,123 | 434,301,255 | Fee collection deposited. |
| Customs Duty | 190,221,048 | 527,922,968 | Paid on import. |
| Royalty and RTDF | 2,046,505,886 | 1,968,451,393 | Liability paid. |
| Dividend | 6,313,037,700 | 6,587,517,600 | Dividend paid. |
| Property and Vehicle Tax | 42,449,078 | 42,332,576 | Liability paid. |
| Total | 20,355,362,877 | 18,838,156,250 | |

As Per Our Report of Even Date

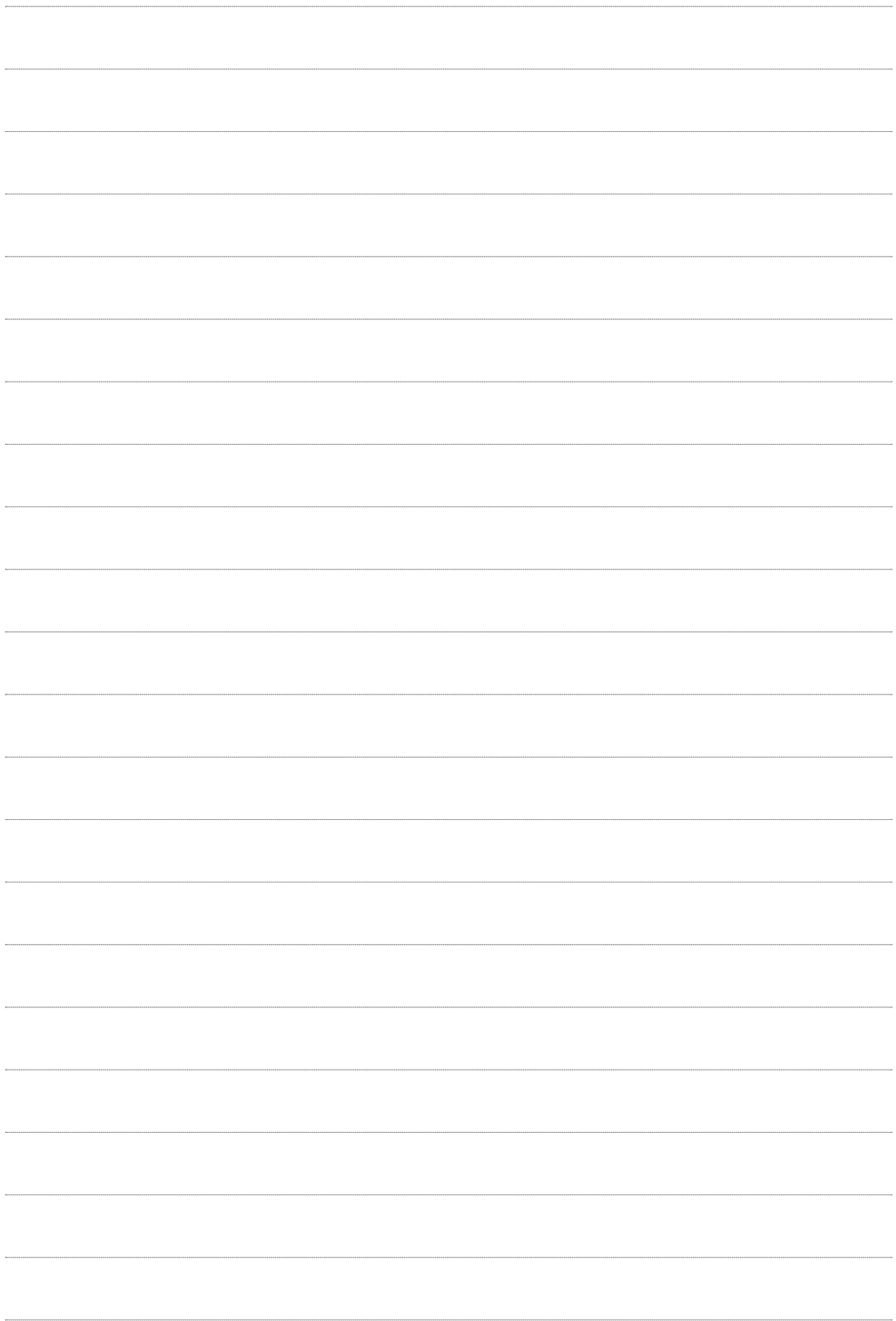
| | | | | |
|---|---|--|--|--|
| Sunil Bahadur Malla Chairman | Buddhi Prasad Acharya Managing Director | Baikuntha Aryal Director | Kamalshali Ghimire Director | CA. Narendra Bhattarai N. Bhattarai & Co. Chartered Accountants |
| Binaya Kumar Chalise Director | Kabiraj Khanal Director | Niraj Kumar Adhikari Deputy Managing Director(Finance) | Pradeep Raj Upadhyay Manager | Date: Poush 28, 2071 Place: Kathmandu |

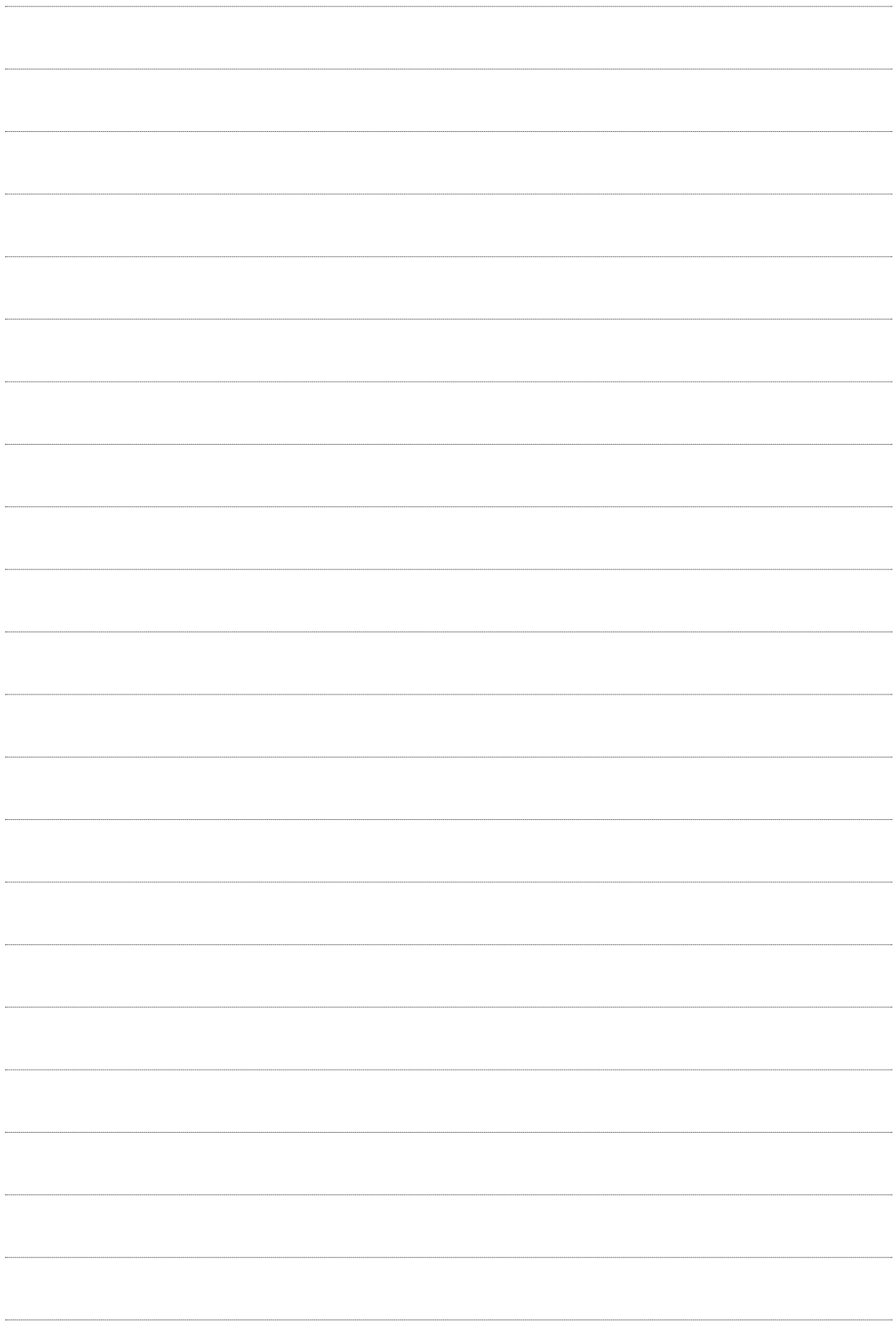
Definition of Terms

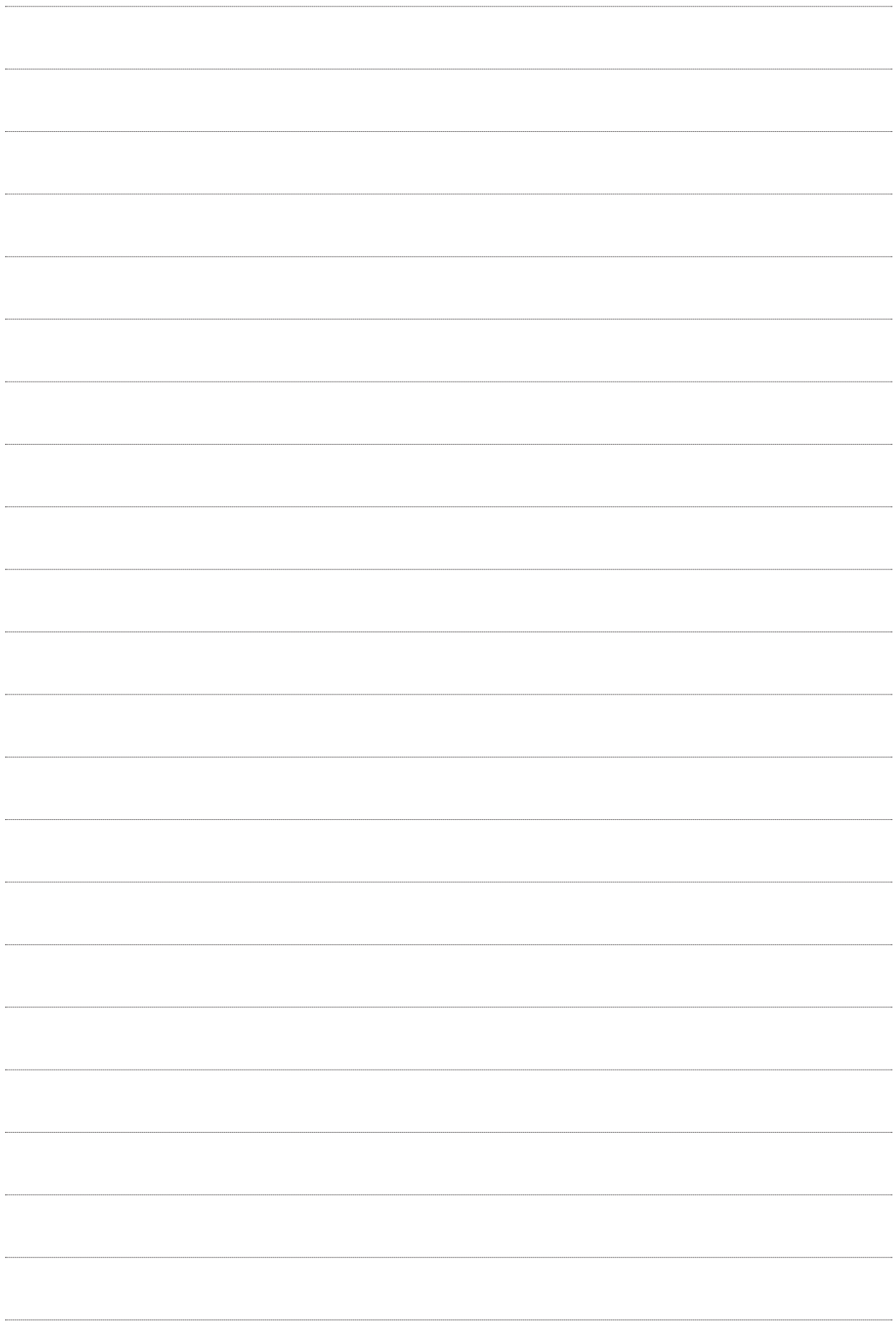
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| 2G | 2G networks are operated using global system for mobile (GSM) technology which offer services such as voice, text messaging and low speed data. |
| 3G | A cellular technology based on wide band CDMA (WCDMA) delivering voice and faster data services. |
| 4G/LTE | 4G or long-term evolution (LTE) technology offers even faster data transfer speed than 3G/HSPA |
| Access Network | An access network is the part of a telecommunications network which connects subscribers to their immediate service provider. |
| ADSL | Asymmetric digital subscriber line (ADSL) is a type of digital subscriber line (DSL) technology, a data communications technology that enables faster data transmission over copper telephone lines than a conventional voiceband modem can provide. |
| ARPU | Average revenue per user, defined as total service revenue divided by total number of subscribers. |
| Book Value per Share | A ratio of shareholders equity to the average number of common shares. |
| Broadband | A high-capacity transmission technique using a wide range of frequencies, which enables a large number of messages to be communicated simultaneously. |
| BTS | The base transceiver station (BTS), commonly referred to as a "cell phone tower", is the networking component of a mobile communications system from which all signals are sent and received. BTS facilitates wireless communication between user equipment and a network. The network can be that of any of the wireless communication technologies like GSM, CDMA, wireless local loop, and WiMAX. |
| Capital Employed | The sum of stockholders' equity and long-term finance. |
| CDMA | This is a channel access method used by various radio communication technologies. |
| CPE | Customer-premises equipment (CPE) is any terminal and associated equipment located at a subscriber's premises and connected with a carrier's telecommunication channel at the demarcation point. Such equipment might include cable or satellite television set-top boxes, digital subscriber line (DSL) or other broadband Internet routers, telephone handsets or other customized hardware used by a particular telecommunications service provider. |
| CRBT | Caller Ring Back Tone |
| Current Ratio | A ratio that measures a company's ability to pay short-term obligations. |
| Earning per Share (EPS) | The portion of the company's distributable profit which is allocated to each outstanding equity share (common share). |
| EBITDA Margin | Stands for earnings before interest, taxes, depreciation and amortization, and a measure of revenue relative to cash expenses from operations. |
| EVDO | Evolution-Data Optimized (EVDO) is a telecommunications standard for the wireless transmission of data through radio signals, typically for broadband Internet access. It is an evolution of the CDMA2000 standard that uses advanced multiplexing techniques including code division multiple access (CDMA) as well as time division multiplexing (TDM) to maximize throughput. It has been adopted by many mobile phone service providers around the world – particularly those previously employing CDMA networks. |

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| FTTH | Operators deploy FTTH (Fiber To The Home) so as to bring high-speed networking, digital television and telephone service to residences using fiber optic cables |
| Gross Domestic Product (GDP) | Monetary value of all the finished goods and services produced within a country's borders in a specific time period, usually calculated on an annual basis. |
| GSM | Global System for Mobile communication (GSM) is a digital mobile telephony system that is the most widely used digital wireless telephony technology |
| Hotspot | A hotspot is a physical location that offers Internet access over a wireless local area network (WLAN) through the use of a router connected to a link to an Internet service provider. Hotspots typically use Wi-Fi technology. |
| HSPA+ | An evolution of high speed access (HSPA) or third generatoin (3G) technology that enhnaces the existing 3G network with higher speeds for the end user. |
| Intelligent Network | Intelligent Network (IN) is a telephone network architecture in which the service logic for a call is located separately from the switching facilities, allowing services to be added or changed without having to redesign switching equipment. |
| ISP | An Internet service provider (ISP) is an organization that provides services for accessing, using, or participating in the Internet. |
| IVR | Interactive voice response (IVR) is a technology that allows a computer to interact with humans through the use of voice and DTMF tones input via keypad |
| LAN | A local area network (LAN) is a computer network that interconnects computers within a limited area such as a home, school, computer laboratory, or office building, using network media. |
| Mobile Internet | Mobile Internet allows internet access anytime, anywhere through a browser or a native application using any portable or mobile device such as smartphone, tablet, laptop connected to a wireless network. |
| MPoS | Mobile point of sale (MPoS) is a smartphone, tablet or dedicated wireless device that performs the functions of a cash register or electronic point of sale terminal. |
| Net Profit Ratio | The ratio of net profit (after taxes) to net sales. |
| NGN | Next Generation Networks (NGN) is a packet-based network able to provide Telecommunication Services to users and able to make use of multiple broadband, QoS-enabled transport technologies and in which service-related functions are independent of the underlying transport-related technologies. It enables unfettered access for users to networks and to competing service providers and services of their choice. It supports generalised mobility which will allow consistent and ubiquitous provision of services to users. |
| Optical Fiber | Optical fiber refers to the medium and the technology associated with the transmission of information as light impulses along a glass or plastic wire or fiber. Optical fibers are widely used for transmission of telecommunication signals over longer distances and at higher bandwidths (data rates) than wire cables. Fibers are used instead of metal wires because signals travel along them with less loss and are also immune to electromagnetic interference. |
| PDSN | The Packet Data Serving Node (PDSN) is a component of CDMA2000 mobile network through which users can access data at the rate of 153.6 kbps. |
| PSTN | The public switched telephone network (PSTN) is the circuit-switched telephone network providing infrastructure and services for public telecommunication that is based on copper wires carrying analog voice data. |

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| Return on Capital Employed (Post Tax) | Measures the profitability of a company by expressing its operating profit as a percent of its capital employed. |
| Return on Shareholders' Equity (Post Tax) | The amount of net income returned as a percent of shareholders equity. |
| Roaming | Allows customers to make calls, send and receive texts and data on other operators' mobile networks while travelling abroad. |
| Shareholders Equity | A share capital plus retained earnings |
| Smartphone | A smartphone is a mobile phone offering advanced capabilities including access to email and the internet. |
| Soft Switch | A Softswitch is a central device in a telephone network which connects calls from one phone line to another, entirely by means of software running on a computer system. |
| Tablet | A tablet is slate shaped, mobile or portable computing device equipped with a finger operated touchscreen or stylus. |
| VAS | A value-added service (VAS) is a popular telecommunications industry term for non-core services, or in other words, all services beyond standard voice calls, data and fax transmissions telcos deploy to promote their primary business. VAS add value to the standard service offering, spurring the subscriber to use their phone more and allowing the operator to drive up their ARPU. |
| Voice Mail | A centralized electronic communication system in which spoken messages are recorded or digitized for later playback to the intended recipient |
| VSAT | Very Small Aperture Terminal (VSAT) is an earthbound station used in satellite communications of data, voice and video signals. |
| Wi-Fi | A facility allowing computers, smartphones, or other devices to connect to the Internet or communicate with one another wirelessly within a particular area. |
| WiMAX | WiMAX (Worldwide Interoperability for Microwave Access) is a wireless communications standard designed to provide 30 to 40 Mbps data rates |
| WLAN | A wireless local area network (WLAN) is a wireless computer network that links two or more devices using a wireless distribution method (often spread-spectrum or OFDM radio) within a limited area such as a home, school, computer laboratory, or office building. |







MILE STONES

Year Nepal Telecom Milestones

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|------|---|------|---|
| 1913 | Establishment of first telephone lines in Kathmandu | 2004 | SLC Results published by 1600 IVR Service |
| 1914 | Establishment of Open wire Trunk Link from Kathmandu to Raxaul (India) | 2005 | FIN Advanced FreePhone Service (AFS) launched |
| 1935 | Installation of 25 lines automatic exchange in Royal Palace | 2005 | Soft launch of CDMA |
| 1936 | Installation of Open Wire Trunk line from Kathmandu to Dhankuta | 2005 | Access Network Services introduced |
| 1950 | Establishment of Telegram Service | 2005 | Outsourcing of PSTN Telephone Enquiry Service (197) |
| 1950 | Introduction to High frequency Radio System (AM) | 2006 | FIN PSTN Credit Limit PCL Service launched |
| 1950 | Establishment of CB telephone exchange (100 lines) in Kathmandu | 2006 | FIN NepalDirect Home Country Direct (HCD Service) launched |
| 1951 | Installation of Open Wire Trunk line from Kathmandu to Palpa | 2006 | Introduction of IVR 198 Service for PSTN Fault Complaint in Kathmandu Valley |
| 1955 | Distribution of telephone line to general public | 2006 | CDMA Limited Services in Kathmandu Valley |
| 1962 | First Public Telephone Exchange in Kathmandu (300 lines CB) | 2006 | 10+2 Results published via IVR 1601 Service |
| 1964 | Beginning of International Telecommunications Service using HF Radio to India and Pakistan | 2006 | PSTN Voice Mail Service (VMS) launched |
| 1965 | First Automatic exchange in Nepal (1000 lines in Kathmandu) | 2007 | National Roaming for CDMA Mobile (SkyPhone) started |
| 1971 | Introduction of Telex Services | 2007 | Expansion of Internet Bandwidth via Optical link between Nepal & India |
| 1974 | Microwave transmission links establishment for internal trunk | 2007 | PSTN Bill Enquiry Service started via 1606 IVR Service |
| 1982 | Establishment of Standard "B" Type Earth Station for international circuits | 2007 | VOIP Call Complaint Registration started via 188 IVR Service |
| 1982 | Establishment of SPC telex exchange | 2007 | GPRS, 3G and CRBT Services introduced in GSM Mobile |
| 1983 | Establishment of digital Telephone Exchange | 2008 | Broadband ADSL Service launched |
| 1984 | Commencement of STD service | 2008 | IVR Service 1607 started for GSM and CDMA PUK Enquiry |
| 1984 | Reliable Rural Telecom Service (JICA) started | 2008 | IVR 198 service extended for ADSL Fault Complaint Registration |
| 1987 | Commencement of STD service | 2008 | PSTN VMS – Notice Board Service |
| 1995 | Installation of Optical Fiber Network | 2009 | IVR 198 Service extended outside KTM valley |
| 1996 | Conversion of all Transmission link to Digital transmission link | 2009 | IVR 1606 Service extended outside Kathmandu Valley |
| 1996 | Automation of the entire Telephone Network | 2009 | SMS Service from GSM to CDMA mobile started |
| 1996 | Independent International Gateway Exchange established | 2009 | Postpaid CDMA Mobile Service started |
| 1996 | Introduction of VSAT services | 2010 | EasyPhone (SoftPhone) SIP PCC Service launched |
| 1997 | Digital Link with D.O.T. India through Optical Fiber in Birgunj - Raxaul | 2010 | All 3915 VDCs served by Nepal Telecom's services |
| 1998 | Direct Link with Bangladesh established | 2010 | Volume Based ADSL Service Launched |
| 1999 | Launching of GSM Mobile Postpaid service | 2011 | EasyPhone (SoftPhone) SIP PPP Service launched |
| 2000 | Implementation of SDH Microwave Radio | 2011 | GSM 3G Data Card Service introduced |
| 2000 | Launching of Internet Service | 2011 | First International Carrier Partner's Meet organized by NT |
| 2001 | Launching of Payphone Service | 2012 | WiMAX 4G Service launched |
| 2001 | International Roaming Service started in GSM Mobile | 2012 | IP-CDMA System commissioned |
| 2002 | East West Highway Optical Fiber Project started | 2012 | Convergent Real Time Billing and Customer Support System Launched |
| 2003 | GSM NAMASTE Prepaid Service launched | 2013 | IP-Based Wireline Network (NGN) Service launched |
| 2004 | Establishment of NEPAL TELECOM (Transformation from Corporation to Nepal Doorsanchar Company Limited) | 2014 | Wi-Fi Hotspot, NT Official Mobile Apps and Facebook Page (http://www.facebook.com/NepalTelecom.NT) Service launched |
| 2004 | FIN EasyCall Pre-paid Calling Card Service (PCC Services) launched | | |



Nepal Doorsanchar Company Limited

Central Office, Bhadrakali Plaza, Kathmandu, Nepal

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