



**NEPAL TELECOM**

Nepal Doorsanchar Company Limited

# 17<sup>th</sup> ANNUAL REPORT 2023-2024

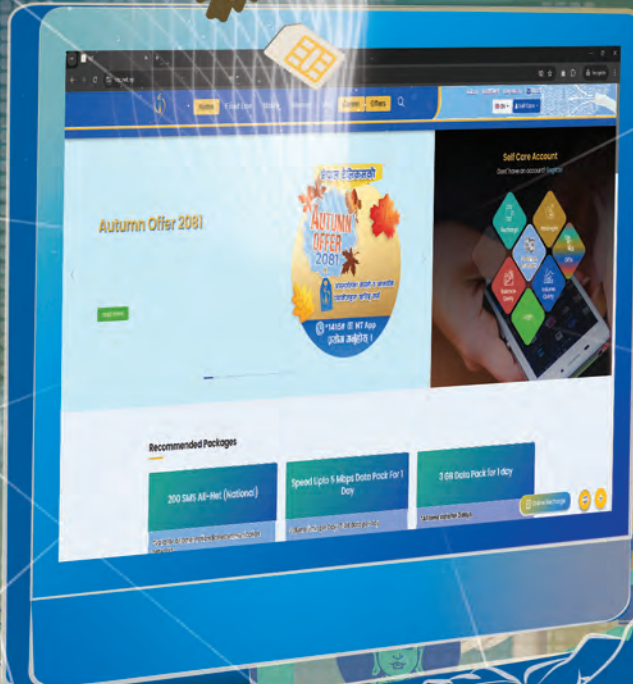
**4G**  
LTE

**VoLTE**

**NTT  
FIBER**

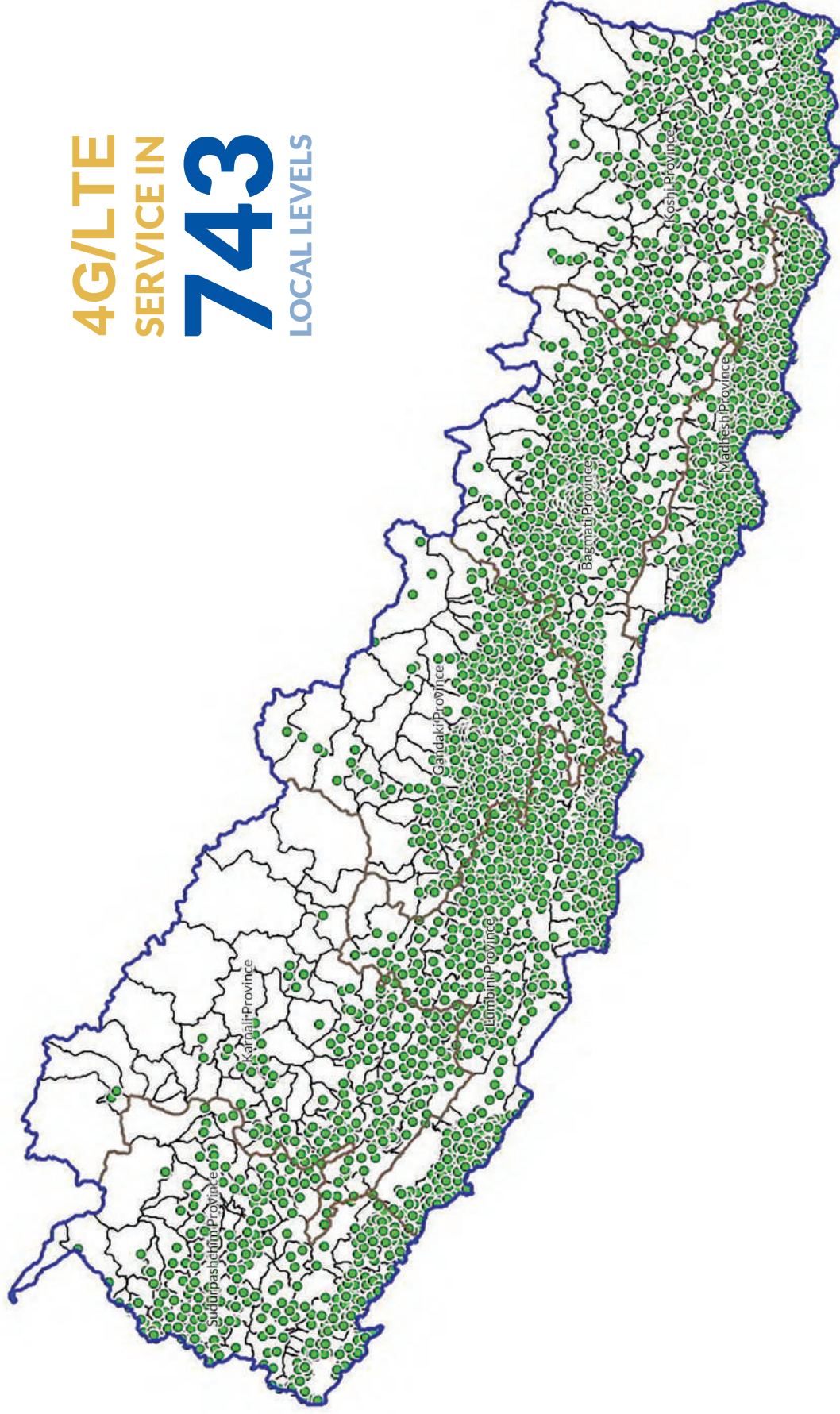
**VoLTE**

**4G**





4G/LTE  
SERVICE IN  
**743**  
LOCAL LEVELS



# TABLE OF CONTENTS



## The Company

General Information	..... 2
Company's Objectives	..... 4
Mission, Vision, Goal	..... 5
Value Creation	..... 6
Performance Highlights of FY 2023-24	..... 9
Major Financial Indicators of FY 2023-24	..... 10
Award and Recognition	..... 11
Significant Milestones	..... 12
Organization Structure	..... 14

## Company Leadership

Board of Directors	..... 16
Message from the Chairperson	..... 20
Message from the Managing Director	..... 24
Management Team	..... 26
Report of the Board of Directors	..... 30

## Business Achievements

Business Landscape	..... 53
Company's Priorities	..... 54
Customer Service and Relations	..... 55
Foundation of the Company's Success	..... 58

## Company's Contribution

Contribution to National Economy	..... 65
Contribution in Technological Transformation	..... 66
Corporate Social Responsibility (CSR)	..... 67

## Corporate Governance and Risk Management

Corporate Governance	..... 70
Annual Compliance Report	..... 75
Risk Management	..... 84

## Management Discussion and Analysis

Management Discussion and Analysis	..... 88
Horizontal and Vertical Analysis	..... 91
Value Added Statement	..... 94
Review of Quarterly Report	..... 95
Business Environment Analysis	..... 98
Human Capital	..... 100

## Financial Statements

Standalone Financial Statements	..... 103
Consolidated Financial Statements	..... 173





# GENERAL INFORMATION

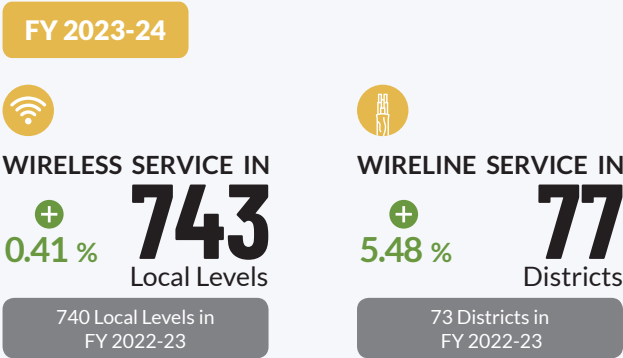
## ABOUT THE COMPANY

Nepal Doorsanchar Company Limited was incorporated on 5 February 2004 in accordance with Companies Act as a continuation of the then Nepal Telecommunication Corporation, a Government of Nepal undertaking, with all assets and liabilities of the corporation transferred to the company. The central office of the company is located at Bhadrakali Plaza of Kathmandu. Leading among the service-providing companies, the company has been offering GSM, FTTH, PSTN, VoLTE as well as 3G, 4G, ADSL and Fiber to the Home (FTTH) technology throughout the nation.

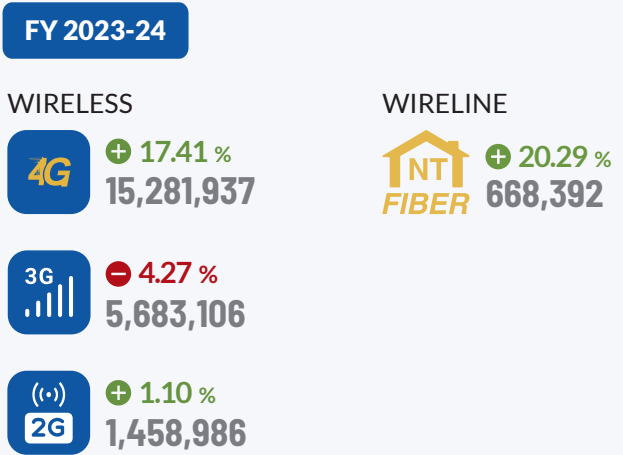
The Company, adopting the fast-changing trend in the technology, has introduced advanced technology catering the needs of customers and is successful in becoming ‘RASTRAKO SANCHAR’. The company serves the entire length and breadth of the country with 162 customer service centers all over Nepal. Based on customer number, capital investment and network, the company is the leading service-provider in the nation.

Having covered all 7 provinces and 77 districts of the country, the company has not only provided services in commercially profitable areas but also in the rural areas. Based on the MIS report published by Nepal Telecommunications Authority in Ashadh 2081, the company has the market share of 63.55 percent in voice and 71.85 percent in internet service based on the SIM card distribution.

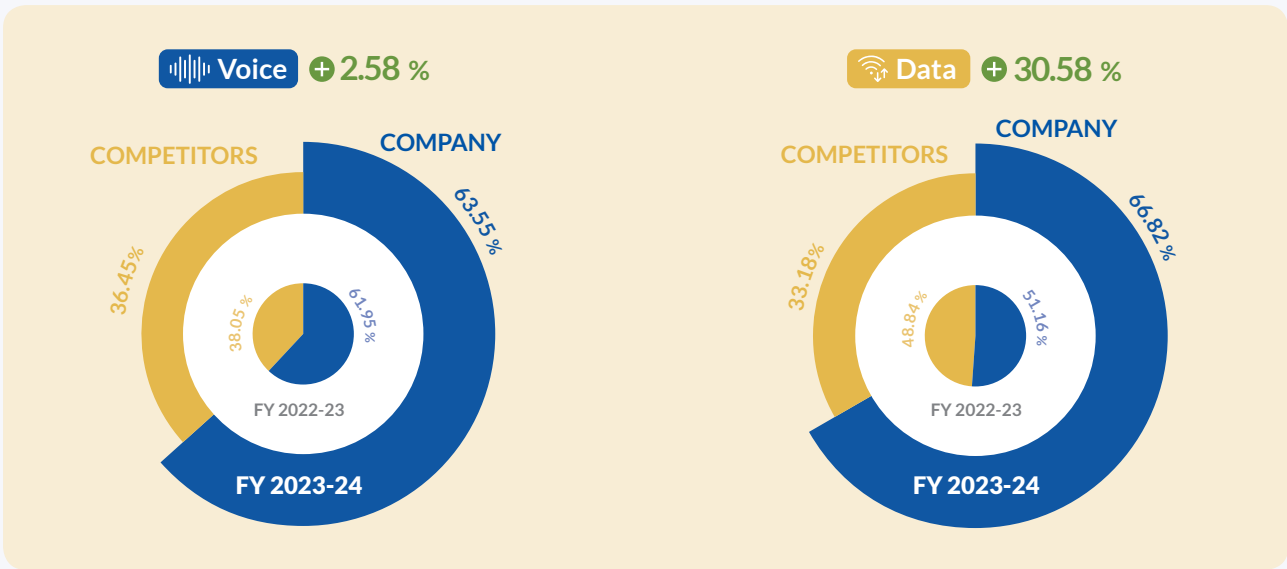
## SERVICE AND NETWORK COVERAGE



## NUMBER OF SUBSCRIBERS



## COMPANY'S MARKET SHARE







नेपाल टेलिकम  
NEPAL TELECOM

ग्राहकको सेवामा समर्पित  
नेपाल दूरसञ्चार कम्पनी लिमिटेड  
नेपाल टेलिकम  
NEPAL TELECOM  
नाम्चे कार्यालय



# COMPANY'S OBJECTIVES



1

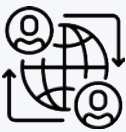


To provide standardized services through commercialization.

2



To provide telecommunication service.



3



To exchange telecommunication services.

4



To develop and expand modern telecommunication technology for the development of telecom services.



5



To set-up satellite, set-up and operate antenna, set-up switch equipment for operation of telecommunication services.

6



To provide telecommunication services to customers within and outside Nepal.



7



To construct other necessary infrastructure for storing cables, poles, antenna and other equipment for telecommunication services.

8



To conduct feasibility studies for the expansion of telecommunication services.



9



To perform other necessary actions required for the operation and development of telecommunication services.





## 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.



## VISION

To remain a dominant player in the telecommunication sector in the country while also extending reliable and cost-effective services to all.




## GOAL

To provide cost effective telecommunication services to every nook and corner of the country.




VALUE CREATION


FOR CUSTOMERS




WIRELESS




2G




3G



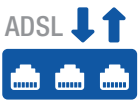
4G




WIRELINE




NT FIBER



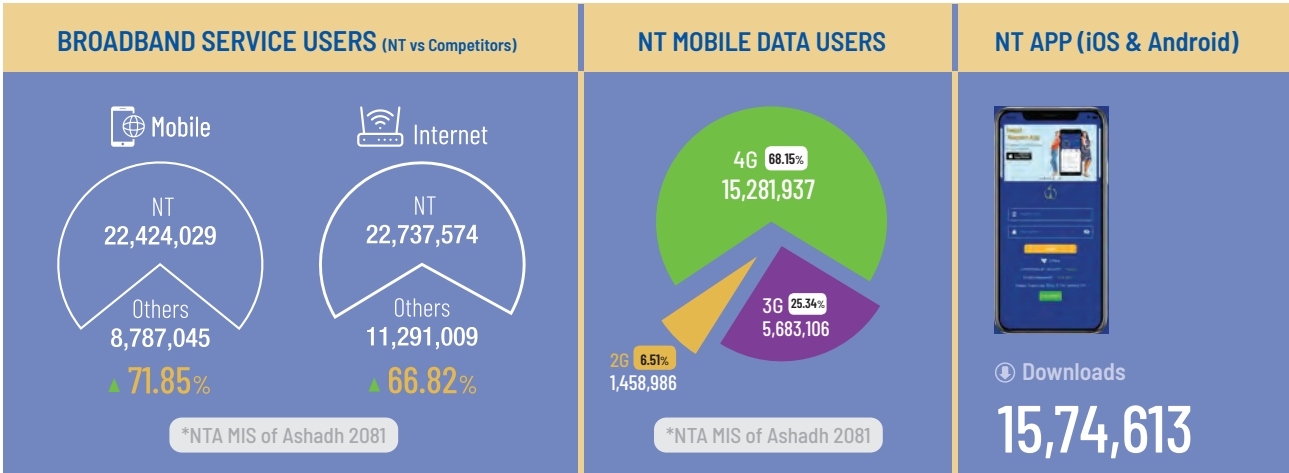
ADSL



SATELLITE

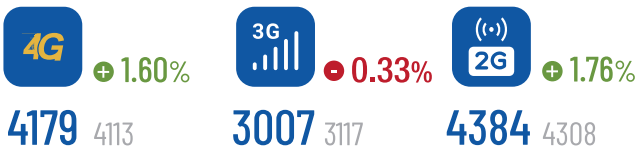


VSAT

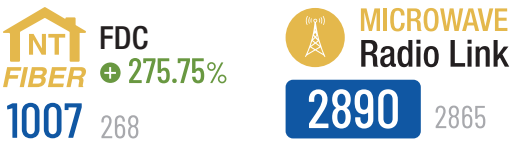


NETWORK Expansion

WIRELESS SITES



WIRELINE







# FOR SOCIETY

## VALUE CREATION



FY 2080-81

- Sanitary pad vending machine has been provided to community schools in 20 Districts.
- 100 Community schools were provided free 50 Mbps internet service for 1 year.
- Free 4G Namaste Wi-Fi service provided for up to 1 year in 50 public school in places without FTTH network.
- Bags and uniforms were provided to 3500 students studying in various public schools in 7 provinces.
- 200 beds-cum-chairs have been distributed to Bir Hospital, Kanti Children's Hospital and other community hospitals.
- Relief material provided to Jajarkot earthquake affected communities.

### FREE TO EMERGENCY SERVICES

• 100	• 101	• 102
• 103	• 104	• 105
• 106	• 1098	• 1111
• 1114	• 1144	

Wireless Calls 2,913,216

Wireline Calls 12,488

Total numbers of calls in FY 2023/24 2,925,704



## CONTRIBUTION

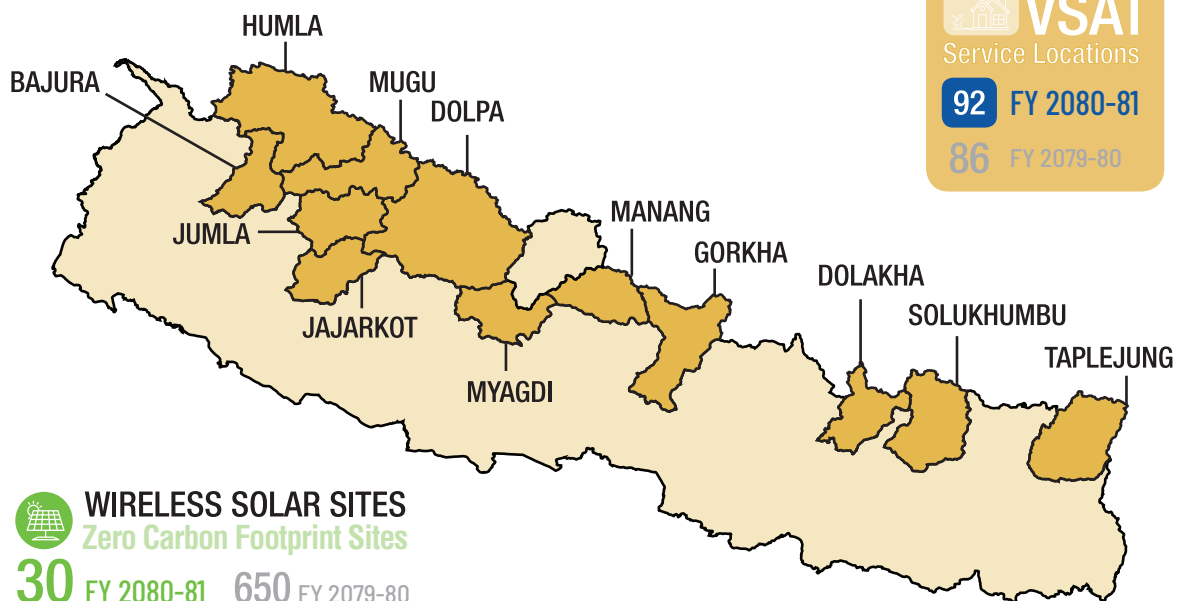
To National Exchequers

FY 2080-81

41.59 Billion

FY 2079-80

28.46 Billion



FREE BULK SMS

of all government agencies

.gov.np FREE ACCESS

of all government websites

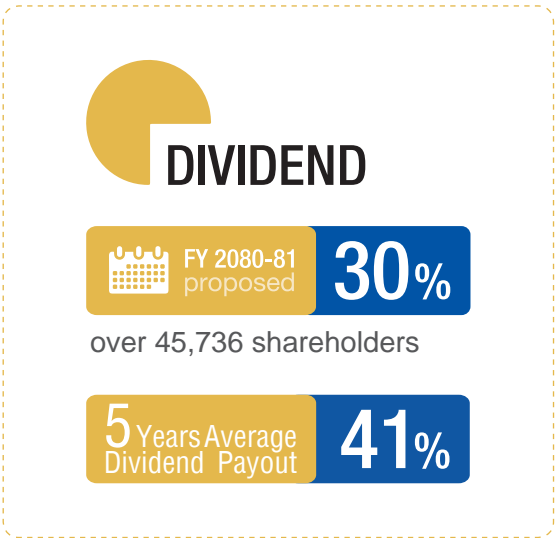
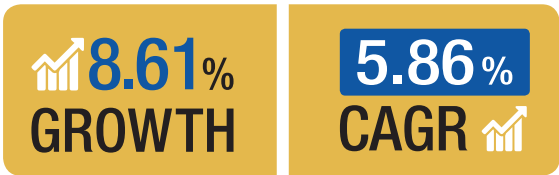


Free call to JAJARKOT EARTHQUAKE affected areas equivalent to NPR 2.70 CRORE



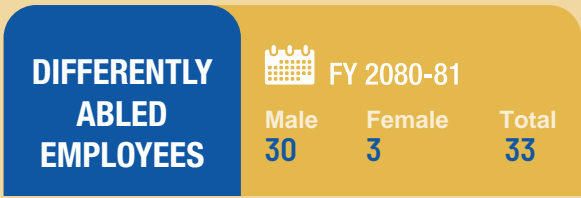
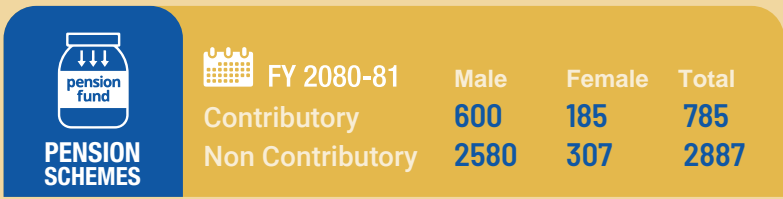
VALUE CREATION

FOR INVESTORS



VALUE CREATION

FOR EMPLOYEES







## PERFORMANCE HIGHLIGHTS OF FY 2023-24



### REVENUE

Rs. **42.11** Billion

### EBITDA Margin

**20.29** Percent

### Net Profit

Rs. **6.23** Billion

### Earnings Per Share

Rs. **34.61**

### Voice Service Revenue

Rs. **20.29** Billion

### Internet Service Revenue

Rs. **12.53** Billion

### Dividend

**30** Percent

### Contribution to Government Exchequer

Rs. **41.59** Billion



### Number of Employees

**3,672**

### Average Revenue Per Employee

Rs. **1.14** Million



### Market Share of Voice Service

**63.55 %**

### Market Share of Internet Services

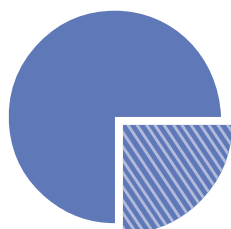
**66.82%**

### Growth in Voice Service

**2.58%**

### Growth in Internet Services

**30.61%**



### Mobile Subscribers

**2.24** Million

### Internet Subscribers

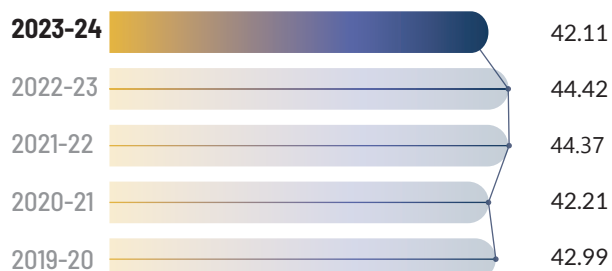
**2.27** Million

### Total Subscribers

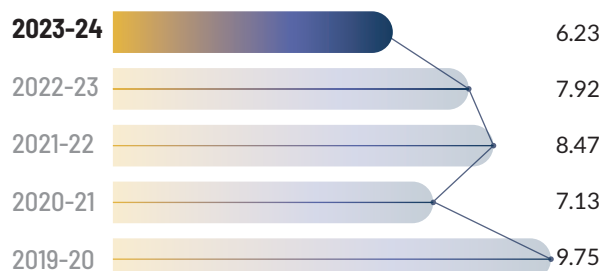
**2.30** Million

# MAJOR FINANCIAL INDICATORS OF FY 2023-24

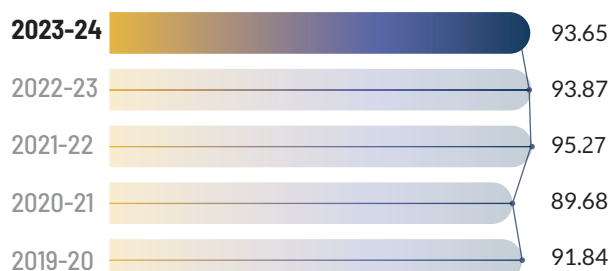
## Total Income: in NPR Billion



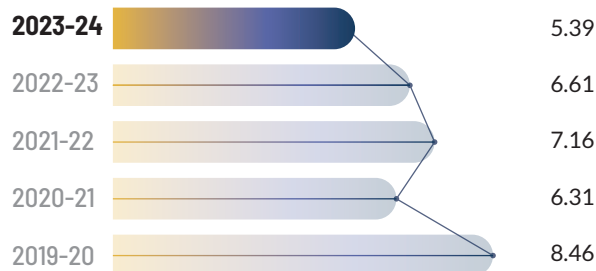
## Net Profit: in NPR Billion



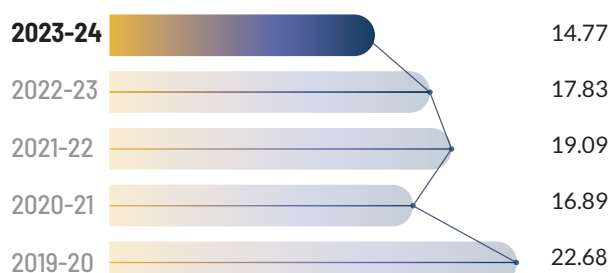
## Net Worth: in NPR Billion



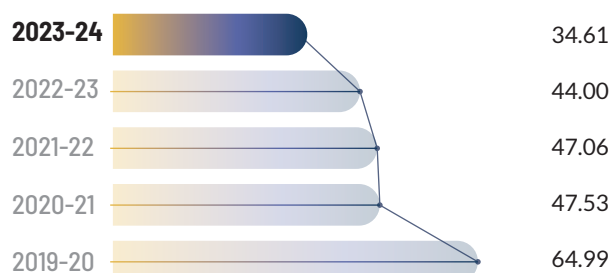
## Return on Capital Employed: in Percentage



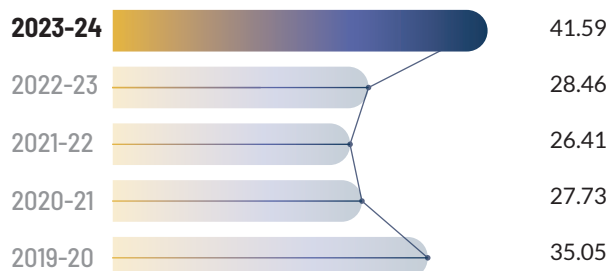
## Net Profit Ratio: in Percentage



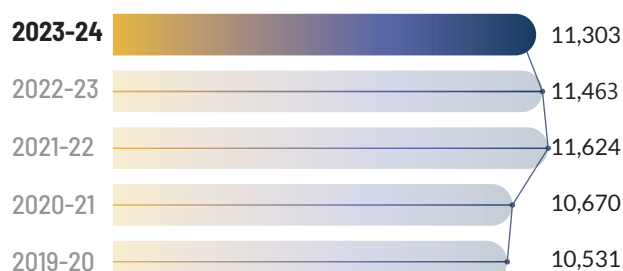
## Earnings Per Share: in NPR



## Contribution to the Government Exchequer: in Percentage



## Average Income Per Employee: in NPR Thousand







## AWARD AND RECOGNITION

The Company received recognition from the Inland Revenue Department as the entity with the highest amount of filed income tax returns in the fiscal year 2022-23. This acknowledgment was conferred on the occasion of the Thirteenth National Tax Day in 2081. On the first National Tax Day, the company had previously been honored for leading in the amount of income tax returns filed for the

fiscal year 2010-11. The company has been recognized six times for submitting the highest amount of income tax returns and twice for submitting the highest value-added tax returns till the thirteenth Tax Day. Consistently, since the fiscal year 2019/20, the company has been recognized by the Inland Revenue Department as the leading entity in the submission of income tax returns.



2  
TIMES

Taxpayer Paying Highest Amount of Value Added Tax

FY 2013-14 & 2014-15

4  
TIMES

Successive Position as the Taxpayer Paying Highest Amount of Income Tax

Last awarded on FY 2023-24

6  
TIMES

Taxpayer Paying Highest Amount of Income Tax

FY 2010-11, 2017-18, 2020-21, 2021-22, 2022-23, 2023-24

8  
TIMES

Contributed Maximum Tax

(Income Tax / VAT) to the Government of Nepal

Felicitated  
on the  
First National  
Tax Day

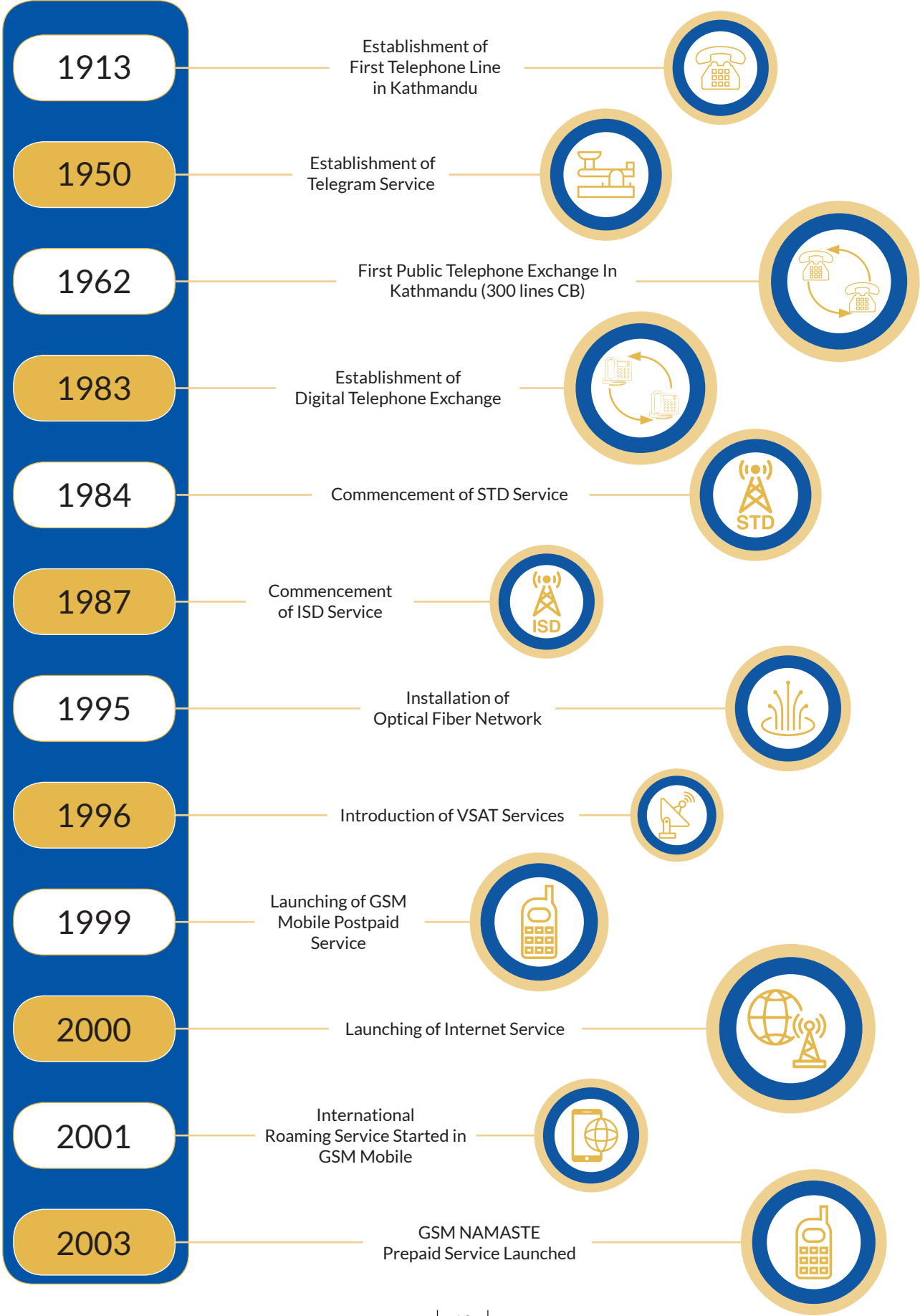
THE FELICITATION OF TAXPAYER  
paying highest amount of taxes started in

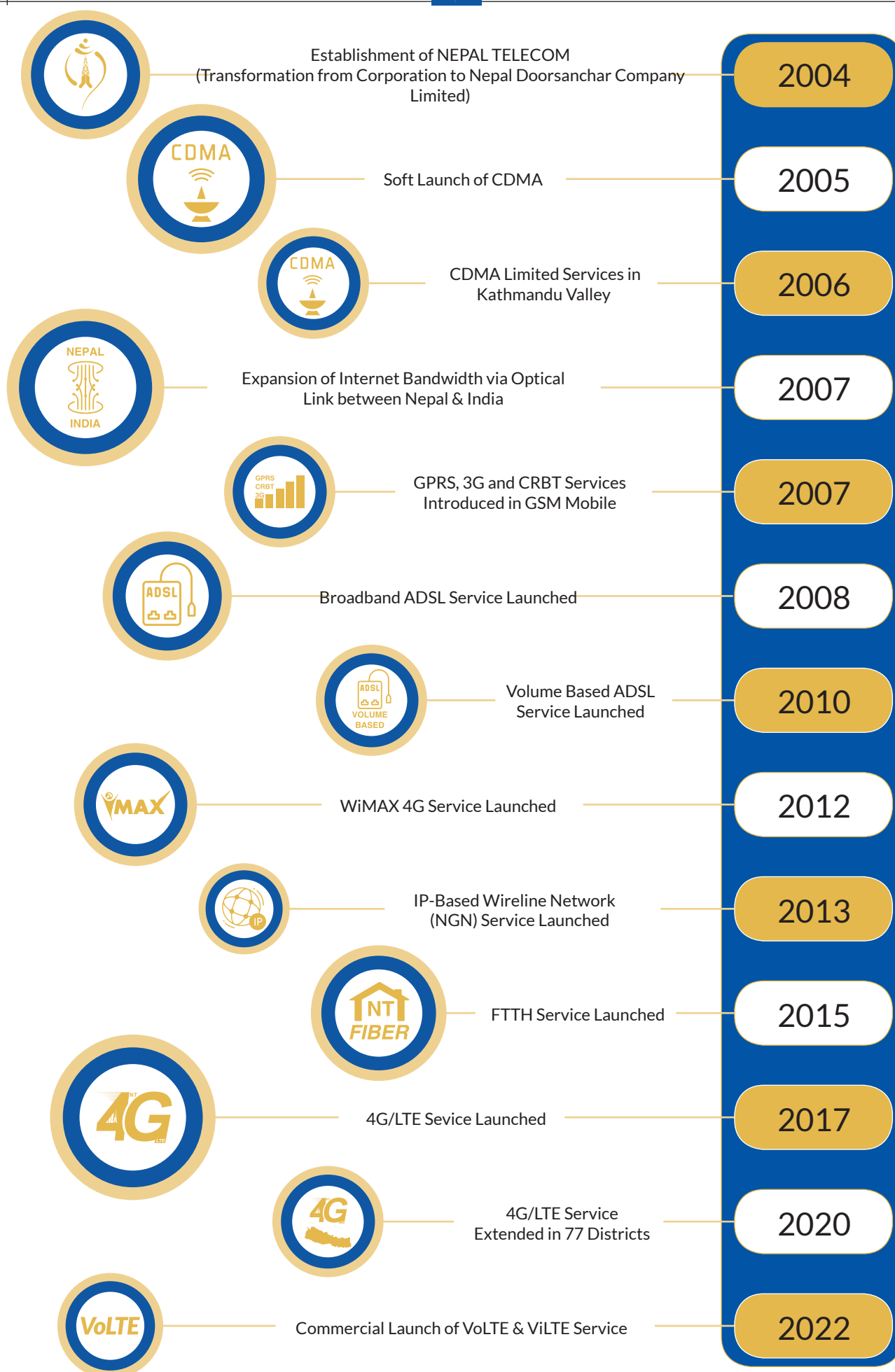
**FY 2010-11**



# SIGNIFICANT MILESTONES

Of Nepal Doorsanchar Company Limited

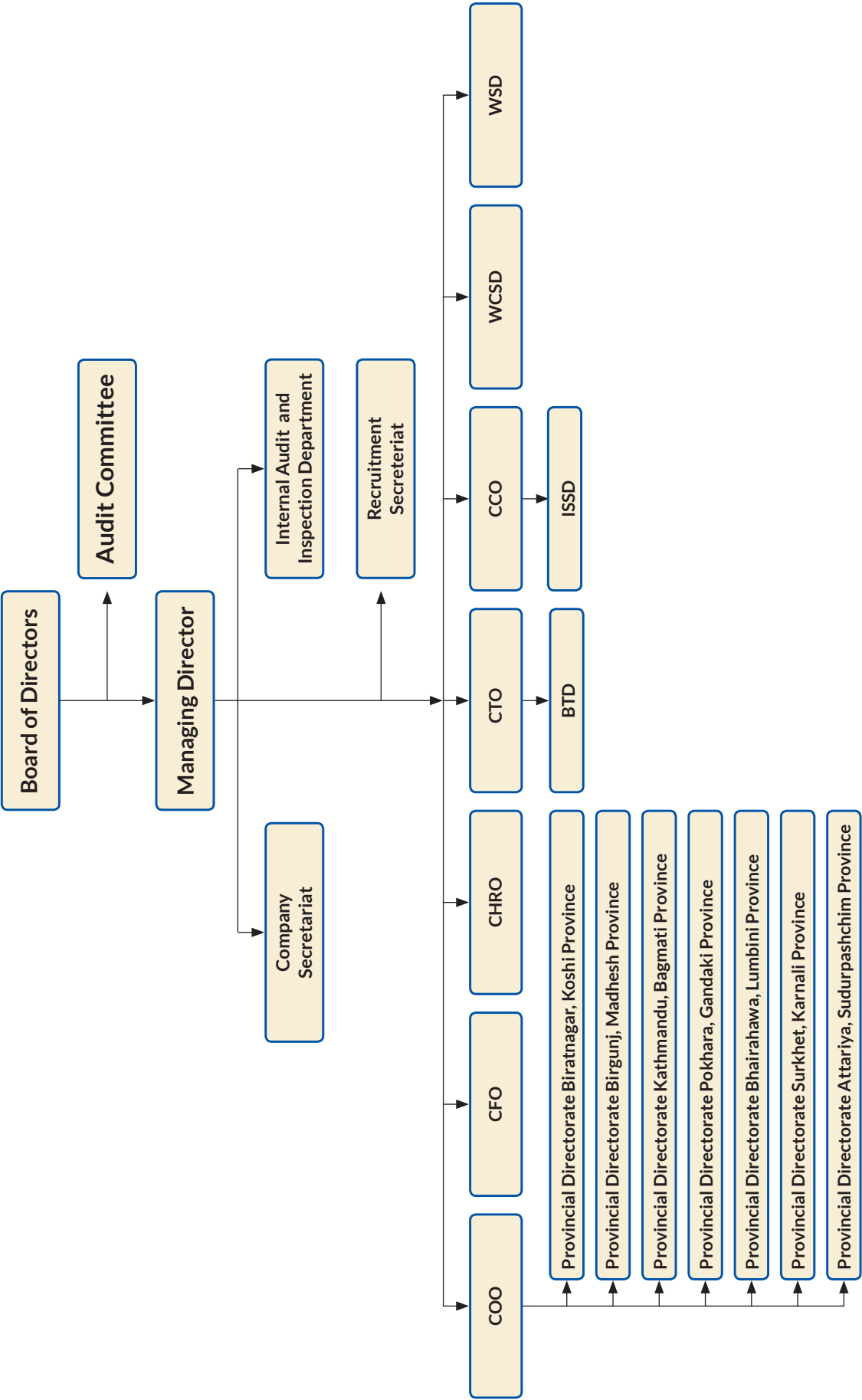








# ORGANIZATION STRUCTURE







स्वागतम्

राष्ट्रको सञ्चार



नेपाल टेलिफोन कम्पनी लिमिटेड

१६औं

वार्षिक साधारण सभा

मिति: २०८० पौष २९ गते आइतबार | स्थान: राष्ट्रिय सभा गृह, काठमाडौं



WELCOME

राष्ट्रको सञ्चार



किशोरी सिँघा  
सञ्चालक



प्रकाश निदेशक  
सञ्चालक



अध्यक्ष  
सञ्चालक



अध्यक्ष  
सञ्चालक



अध्यक्ष  
सञ्चालक



अध्यक्ष  
सञ्चालक



अध्यक्ष  
सञ्चालक



अध्यक्ष  
सञ्चालक



## BOARD OF DIRECTORS



**Mr. Dwarika Prasad Paudel**  
Company Secretary

**Mr. Manish Jung Joshi**  
Member  
Public Shareholder Representative

**Mr. Kosha Hari Niraula**  
Member  
Joint Secretary, Government of Nepal  
Ministry of Communication and Information Technology

**Ms. Sangita Pahadee ( Aryal)**  
Member  
Managing Director, Nepal Telecom





**Ms. Radhika Aryal**

**Chairperson**

Secretary, Government of Nepal  
Ministry of Communication and Information Technology

**Mr. Dhani Ram Sharma**

**Member**

Joint Secretary, Government of Nepal  
Ministry of Finance

**Mr. Lok Bahadur Katuwal**

**Member**

Employee Representative

**Mr. Komal Bahadur Khatri**

**Member**

Joint Secretary, Government of Nepal  
Ministry of Law, Justice and Parliamentary Affairs





### Ms. Radhika Aryal

#### Chairperson

Ms. Radhika Aryal, Secretary of the Government of Nepal, Ministry of Communication and Information Technology has been the chairperson of the Board of Directors of the company since 21 Shrawan 2081. She earlier represented the Ministry of Communication and Information Technology as a board member of the company while holding the position of Joint Secretary from Mangshir 27, 2075 to Ashadh 23, 2077. She also held the responsibility of Acting Chairperson from Jestha 31, 2077 to Ashadh 23, 2077. She has a long experience of holding the responsibilities of Deputy Director General of Environment Department, Joint Secretary of the Ministry of Women, Children and Senior Citizens, Bagmati Province, Secretary of the Office of the Chief Minister and Council of Ministers, Joint Secretary of the Ministry of Industry, Commerce and Supply, Chief Secretary of Lumbini Province and Secretary of the Office of the Vice President.



### Ms. Sangita Pahadee (Aryal)

#### Member

Ms. Sangita Pahadee (Aryal), who had been in the leadership role of the company since Ashwin 17, 2080, has been appointed as the Managing Director as per the decision of the Government of Nepal, Council of Ministers dated Bhadra 20, 2081. She entered the service as an engineer in the then Nepal Telecommunication Corporation in 2049 B.S. and has gained more than 32 years of experience in various departments and directorates. She graduated in engineering from Allahabad University, India and completed her master's degree in telecommunications from Asian Institute of Technology (AIT), Thailand.



### Mr. Dhani Ram Sharma

#### Member

Mr. Dhani Ram Sharma, Joint Secretary and Chief of the International Financial Aid Coordination Division at the Ministry of Finance, Government of Nepal, has been a member of the company's Board of Directors since Ashwin 2081 B.S. With over 20 years of experience in the Ministry of Finance, National Planning Commission, Provincial Government and Local Government, he has held various key responsibilities in financial management, revenue and taxation. He holds a master's degree in economics from Tribhuvan University and an MBA in Tax Policy and Management from Keio University, Japan. Additionally, he has served as the head of the Revenue Management Division and the Budget and Planning Division at the Ministry of Finance.



### Mr. Komal Bahadur Khatri

#### Member

Mr. Komal Bahadur Khatri, Joint Secretary at the Ministry of Law, Justice and Parliamentary Affairs, Government of Nepal, has been a member of the company's Board of Directors since Kartik 2081 B.S. He holds a Bachelor of Law and a Master's in Public Administration from Tribhuvan University.

With extensive experience in governance and legal affairs, he has served as Joint Secretary at the Truth and Reconciliation Commission, Nepal Law Commission and the Human Rights Division of the Ministry of Home Affairs. His roles have also included positions at the Office of the President, the Office of the Chief Minister of Madhesh Province and the Office of the Council of Ministers. Additionally, he has worked with the Parliament Secretariat, the Commission for Investigation of Abuse of Authority and various other ministries.

In recognition of his contributions, he has been honored with the Prabal Janasevashri Award in 2076 B.S. and the Suprabal Janasevashri Award in 2080 B.S.



### Mr. Kosha Hari Niraula

#### Member

Mr. Kosha Hari Niraula, Joint Secretary at the Ministry of Communication and Information Technology, Government of Nepal, has been a member of the Board of Directors of the company since Mangshir 2081 B.S. He holds a master's degree in Public Administration from Tribhuvan University.

With extensive administrative experience, he has served as Chief District Officer in Ilam, Panchthar, Nuwakot, Syangja, Gulmi, Dhanusha and Morang districts. Prior to this, he held the position of Director General at the Department of Immigration. In addition, he has authored and published various books and articles on public administration and economic administration.



### Mr. Manish Jung Joshi

#### Member

Mr. Manish Jung Joshi holds a bachelor's degree in aeronautical engineering and a Master's in Management. Since 2080 B.S., he has represented general shareholders on the company's Board of Directors.

With 15 years of experience in the aviation sector, he has served as the Head of the Airworthiness and Security Department, overseeing critical functions related to air operations and security while providing effective leadership to his teams.

Beyond aviation, he is an active investor and director in agriculture, investment and technology-related companies. Through these ventures, he has made a significant contribution to industrial development by leveraging his professional expertise.



### Mr. Lok Bahadur Katuwal

#### Member

Mr. Lok Bahadur Katuwal has been serving in Nepal Telecom since 2049 B.S., contributing across various departments and offices of the company. Since Mangshir 2081 B.S., he has been a member of the Board of Directors as an employee representative. Additionally, he has been actively involved in trade union advocacy for an extended period.



- ◆ Proud History of More Than 100 Years
- ◆ More Than 23 Million Delighted Customers
- ◆ Contributing More Than Rs. 41 Billion to National Treasury
- ◆ Modern 4G/LTE Service in 743 Local Levels and FTTH Service in 77 Districts







## MESSAGE FROM THE CHAIRPERSON

### Respected Shareholders,

For over a century, introducing telecommunications services in the country and evolving through institutional and structural transformations—as a government department, committee and corporation, Nepal Telecom has evolved into its current form as a company. By leveraging the latest technologies available in the global market and delivering high-quality telecommunications services, Nepal Telecom has successfully provided accessible and reliable services to the remote and challenging terrains of the country. In a competitive environment, the company has established excellence, leaving a lasting impression and impact on the Nepali populace as the nation's leading communication service provider. It has consistently played a pioneering leadership role in the telecommunications industry.

On behalf of the company, the Board of Directors and myself, I extend a warm welcome and heartfelt greetings to our esteemed shareholders, representatives of regulatory bodies, the company's auditors, legal advisors, dedicated employees, media partners and all other attendees gracing this dignified assembly and all present at the Seventeenth Annual General Meeting (AGM) of Nepal Telecom.

I express my delight that, due to the support, trust and faith of our esteemed shareholders; coupled with the tireless efforts, professionalism, dedication and sincerity of our employees; as well as the diligent work of our auditors; we have been able to convene this AGM within the stipulated time frame as mandated by prevailing laws.

### Respected Shareholders,

In the fiscal year 2080/81 (2023/24), despite numerous internal and external adversities, the company achieved a total revenue of NPR 42.11 billion and a profit of NPR 6.23 billion. This profit reflects a decline of 21.62% compared to the previous year. During the same fiscal year, the company contributed NPR 41.59 billion to the Government of Nepal as revenue in the form of taxes and fees, constituting a significant portion of its total income.

Valuing the contribution and investment of our shareholders, the Board of Directors has proposed a dividend distribution

In recent years, the effects of the COVID-19 pandemic and subsequent disruptions caused by global political and economic instability—such as wars and unrest—have impacted supply chains, contributing to a recessionary trend in the country's macroeconomy. This has eroded the purchasing power of the general public and diminished confidence in the business community. Despite these challenges, I take pride in informing you that Nepal Telecom has succeeded in maintaining its longstanding reputation and prestige it has attained since its inception, achieving relative success under these adverse circumstances.

The company remains committed to enhancing the quality of its services by adopting the latest and most advanced technologies emerging in the global telecommunications market. Amid intense competition in this sector, Nepal Telecom prioritizes service over profit, extending and distributing services to geographically remote and rugged areas. In alignment with the Government of Nepal's vision of a "Digital Nepal", the company continues to support e-governance initiatives, contribute to the construction of an information superhighway using optical fiber networks and reduce the digital divide through its targeted programs.

As a professional business entity, Nepal Telecom remains steadfast in upholding corporate governance, providing customers with high-quality services at affordable rates and ensuring attractive returns for its shareholders, who form the company's bedrock.

of NPR 30 per share for approval at this esteemed assembly. I am pleased to present this proposal for your consideration.

The company adheres to prevailing laws and directives issued periodically by regulatory authorities. It has implemented provisions such as the Citizen's Charter, employee bylaws, financial bylaws, accounting policies and other necessary directives/policies to ensure corporate governance and mitigate risks. Regular Revenue Assurance Audit, Performance Audit and Technical Audit have been conducted with utmost seriousness and continuity.

Furthermore, in fulfilling its corporate social responsibility, the company has continued to support initiatives in environmental conservation, health, education and sports, among other areas.

Globally, due to extensive research, innovation and development, the telecommunications sector, in general and the commercial deployment of 5G technology in GSM services and ongoing studies into 6G, in particular, have been positioned as fundamental necessity for citizens, industries and government sectors alike. The expansion of communication systems through Information Technology has transcended human-to-human connectivity, now encompassing machine-to-machine (M2M) interactions. The widespread availability of Information Technology has established its positive role across industries, businesses, education, health, agriculture, distance learning, telemedicine and other sectors of the broader economy.

Considering Nepal's unique geographical challenges and the limited expansion of other infrastructure, Nepal Telecom has been driven by a spirit of service to enhance the quality and effectiveness of information technology. The company has successfully expanded and upgraded services such as VoLTE based on 4G/LTE technology and Fiber-to-the-Home (FTTH), ensuring their continuous distribution. As a result, by the end of the fiscal year 2081 (July 2024), advanced 4G/LTE telecommunications services have reached 743 local levels across all 77 districts in all seven provinces. Since August 2024, high-speed FTTH services have reached all 77 districts of the country.

In Karnali Province, the copper network has been fully replaced with FTTH services. IPTV has been made more customer-friendly and efforts to expand this service have been continued.

Using appropriate technologies, the work is ongoing for expanding services to the remaining local levels in extremely remote and difficult areas.

We have continued the policy of expanding high-bandwidth connectivity across the country and expanding content-based value-added services. Under the GSM services available in the global market, necessary arrangements have been made to encourage research and studies for service expansion and operation of 5G services. With the support received from the Rural Telecommunications Development Fund (RTDF) of Nepal Telecommunications Authority, efforts are being made to mobilize this assistance in a way that yields maximum returns. As part of this, under the programs to expand optical fiber network along the mid-hill highways, district headquarters and various routes in Koshi, Madhesh and Bagmati provinces, a total of 1,395 km of fiber

infrastructure expansion has been achieved by the end of the fiscal year 2080/81 (2023/24).

Backbone network upgrades have been carried out to expand 4G/LTE and FTTH services nationwide. Based on feasibility, the construction of information highways has been accelerated through underground or ADSS methods. In areas where optical fiber network expansion is not possible, high-capacity microwave radio links have been established. Satellite links are being gradually replaced with microwave radio links which have higher capacity and are more economical. Special emphasis has been given on installing solar power systems to ensure a regular power supply for uninterrupted service.

The company has prioritized replacing traditional Time Division Multiplexing (TDM) and Remote Service Units (RSU) equipment with modern FTTH technology as its primary goal, taking special initiatives for this. A concrete action plan has been implemented to achieve the target of expanding the infrastructure and distribution lines for this popular service across the country by the fiscal year 2080/81 (2023/24). Availability of necessary human resources, equipment and other materials have been ensured for this purpose and work is progressing accordingly. There is a policy to fully replace copper wires with optical fiber across all areas of the country in the near future.

Taking into account the number of customers using voice services based on 2G technology, efforts have been made to improve and enhance its quality, while the expansion of 4G services to all customers has been continued. Following the permission granted by the Nepal Telecommunications Authority for testing 5G technology, tests have been successfully carried out. Efforts are underway for initial commercial operation of 5G services. The company remains committed to achieving excellent results and returns by maximizing the use of its resources and human capital. To ensure uninterrupted, high-quality services, preventive and corrective maintenance, as well as network optimization efforts have been made more effective.

To develop the company as a capable entity in the competitive telecommunications market, internal work environments have been made efficient and effective. Existing policies, decision-making processes, work styles and institutional structures have been made practical and relevant as needed. Efforts have been made to develop the company as a "Learning Institute," advancing it as a change-oriented and dynamic institution, with special attention to restructuring in line with the changing demands of the company's circumstances and the market dynamics. Accumulated funds within the company are being identified for investment in projects that yield high returns. The



potential opportunities are analyzed based on risks, benefits and costs. Accordingly, investments are being initiated in

short-term, medium-term and long-term areas.

### Respected Shareholders,

In line with global practices that recognize employees as human capital, the company has sought to chart its future direction under the leadership of its workforce. Through extensive consultations and interactions with stakeholders and experts, the company's vision and roadmap up to 2030 have been clearly defined. Flexible and necessary strategies for its implementation have been prioritized.

Considering the contraction in revenue and profit, a flexible cost-cutting strategy is under review with expert involvement and I am confident that the resulting recommendations will be swiftly implemented. Additionally, the company's investment policy will diversify investments to strengthen its financial health. Employee career development and service improvements will be updated with flexible policies aligned with current needs. Financial discipline will be maintained, adhering to principles of frugality in expenditure.

Special attention will be given to improving service quality. With the global decline in demand for voice services and the resultant drop in revenue—exacerbated by the rise of Over-the-Top (OTT) services—appropriate evidence-based steps will be taken to identify illegal OTT services and

advocate for necessary policy and legal measures. Given the growing customer interest in data services, efforts will focus on enhancing data quality, optimizing cost-effectiveness and expanding market reach with efficient strategies. Partnerships with reputable national and international institutions will be established to advance value-added and content-based services in the company's interest.

I trust that the active support of our employees, esteemed shareholders and stakeholders will continue to drive these initiatives forward. I deeply appreciate the dedication, hard work and commitment to customer service demonstrated by all employees working tirelessly around the clock. I am confident that, in the days ahead, every employee will fully utilize their skills, expertise and experience to ensure the company's progress and customer satisfaction. I believe a supportive environment will be fostered to motivate employees and enable them to perform with high morale.

Respected Shareholders, I express my heartfelt gratitude for your active participation in this dignified assembly. At last, I extend my sincere thanks to all who have contributed to the successful completion of this AGM, once again offering my warm welcome and greetings with profound appreciation.

**Ms. Radhika Aryal**

Chairperson  
12 January 2025

## MESSAGE FROM THE MANAGING DIRECTOR



### Respected Shareholders and Distinguished Members of Nepal Telecom,

On the occasion of the Seventeenth Annual General Meeting of Nepal Telecom, nation's leading telecommunications service provider, I extend my best wishes to all shareholders, esteemed dignitaries, regulatory representatives, board members, legal advisors, auditors, dedicated employees, journalists, valued customers and all distinguished attendees.

With a legacy spanning over a century, Nepal Telecom has proudly established itself as the backbone of the nation's communication network, ensuring accessible, affordable and reliable services across the country. On behalf of the company, I sincerely express my gratitude to all stakeholders who have contributed to our remarkable journey, enabling us to connect even the most remote corners of Nepal.

For more than two decades, Nepal Telecom has been at the forefront of advancing telecommunications and information technology in the country. As the only government-owned telecom operator in a highly competitive market, we remain committed to strengthening and expanding our services to provide quality, affordable and inclusive communication solutions. Our relentless efforts not only empower individuals but also contribute significantly to Nepal's economic and social development. The trust and unwavering support of our valued customers continue to inspire us in our mission to keep Nepal connected.

In terms of service expansion and quality enhancement, Nepal Telecom has successfully deployed FTTH services nationwide, offering telephone, Internet and television under its wireline service. This service is now accessible in all districts of the country. The company is primarily expanding FTTH using GPON (Gigabit Passive Optical Network) technology while adopting XGSPON (10-GPON) as the





main technology. The XGSPON-based FTTH service will not only provide Ultra Broadband Connectivity to customers but also serve as a critical network infrastructure (backhaul) for future technologies such as 5G.

Additionally, Nepal Telecom remains committed to improving and expanding its 4G/LTE services under the wireless segment by implementing sector splitting and multibeam antennas. The company also has strategic plans to launch high-speed, high-quality 5G services using the frequencies yet to be allocated by the regulatory authority.

Furthermore, Nepal Telecom is strengthening its datacenter and cloud platform to enhance service-related systems and professionally distribute cloud services. By gradually expanding capacity and infrastructure, the company aims to establish a modern datacenter that serves as a direct revenue source. This initiative will streamline operations, reduce costs and align the company's infrastructure with global standards.

To enhance the localization of the Internet content, Nepal Telecom is deploying a Content Delivery Network (CDN) to meet growing content demands. This will ensure that both local and international digital content consumed by its users are delivered efficiently within the company's infrastructure. As a result, bandwidth costs will be controlled, access times will be reduced, service quality will be improved and overall customer satisfaction will be increased.

The increasing adoption of Over-The-Top (OTT) services, driven by technological advancements, has posed a significant challenge to the company's revenue streams. To mitigate this impact, Nepal Telecom is committed to

optimizing various expenses, including equipment and infrastructure maintenance costs. Additionally, the company will introduce and expand new, innovative services aligned with emerging technologies to create fresh revenue streams and sustain long-term growth.

Despite operating in a highly competitive environment alongside companies with greater internal operational flexibility, Nepal Telecom remains dedicated to upholding the principles of good governance. The company strictly adheres to prevailing Nepalese laws, regulatory directives and core values of transparency, accountability and responsible operations. In this context, we will continue delivering quality services to customers' doorsteps by adopting more professional practices, customer-centric policies and dynamic marketing strategies. Efforts will be made to enhance customer satisfaction by ensuring uninterrupted service delivery, streamlining maintenance operations and implementing 24/7 service support.

Finally, I reaffirm my commitment to positioning Nepal Telecom as the nation's leading telecommunications service provider. We will continue to embrace modern technologies and commercial innovations to deliver accessible, high-quality telecommunication services to every Nepali citizen, contributing to the country's development and prosperity through seamless communication.

On behalf of Nepal Telecom, I extend my sincere gratitude to the Government of Nepal, especially the Ministry of Communication and Information Technology, for their continuous guidance, constructive feedback and unwavering support.

**Ms. Sangita Pahadee (Aryal)**

Managing Director

## MANAGEMENT TEAM



### Mr. Amul Pradhan

Chief Technical Officer &  
Director of Wireline and Customer Service Directorate

Having been in the service of the company for the past 30 years, he has gained leadership experience as the head of various departments and directorates and is currently working as the Chief Technical Officer of the company as well as the director of Wireline and Customer Service Directorate. Apart from this, he represents Nepal Telecom as the Director of Trishuli Jal Vidhyut Company Limited.



### Mr. Dilli Ram Adhikari

Chief Commercial Officer &  
Director of Information System Support Directorate

For the past 22 years, he has worked in various departments and directorates of the company in a leading role including the Managing Director. Apart from this, he represents Nepal Telecom as the Director of Trishuli Jal Vidhyut Company Limited.



### Mr. Rajendra Aryal

Chief Financial Officer

For the past 36 years of service in the company, he has held key positions, including Head of Accounts at the Wireless Services Directorate, Company Secretary and currently, Chief Financial Officer. In addition, he represents Nepal Telecom as the Director of Trishuli Jal Vidhyut Company Limited.



### Mr. Suraj Singh Thapa

Chief Human Resource Officer

With 38 years of service in the company, he has held roles as secretary of the Recruitment Secretariat and head of various departments. He is currently serving as the Chief Human Resource Officer.



### **Ms. Sabina Maskey Pradhan**

#### **Chief Operating Officer**

Having worked in the company for the past 30 years, she has gained leadership experience as the head of various departments, director of various directorates and Chief Commercial Officer. She is currently working as the Chief Operating Officer.



### **Mr. Rajendra Shrestha**

#### **Deputy Managing Director, Internal Audit and Inspection Department**

For the past 33 years, he has gained work experience as the head of the company's Financial Planning & Management and Central Expenditure Department, Company Secretary and Chief Financial Officer. He is currently working as the head of the Internal Audit & Inspection Department. Apart from this, he has also represented Nepal Telecom as the Director of Nagarik Stock Dealer Company Limited.



### **Mr. Dwarika Prasad Paudel**

#### **Company Secretary**

For the past 27 years, he has held key positions, including finance and audit incharge of various units and directorates. He has also been the chief of finance & accounts in the Wireline and Customer Service Directorate and Wireless Service Directorate. He has also led the Internal Audit & Inspection Department. Currently, he is serving as the Company Secretary.



### **Mr. Prem Prasad Silwal**

#### **Director, Wireless Service Directorate**

For the past 22 years, he has served as the head of various departments and offices of the company and as the director of the Provincial Directorate Biratnagar. He is currently working as the director of the Wireless Service Directorate.



### Dr. Bimal Acharya

Director,  
Backbone Transmission Directorate

Having been in the service of the company for the past 29 years, he has gained experience in various departments and directorates and is currently working as the director of Backbone Transmission Directorate. In addition to this, he has also represented Nepal Telecom as the Director of Nepal Digital Payments Company.



### Mr. Bimlesh Jha

Director,  
Provincial Directorate Biratnagar

With 26 years of experience in the company, he has led various offices, playing a key role in designing, implementing and operating the ISP Network System in the Information System Support Directorate. He has also gained expertise in designing, operating and implementing MPLS Network and ADSL. Currently, he serves as the Director of the Provincial Directorate Biratnagar, Koshi Province.



### Mr. Namakar Neupane

Director,  
Provincial Directorate Birgunj

He has been working in the company for the past 29 years and has gained experience in the central planning department, the then transmission department, as the head of various offices and the director of the Provincial Directorate Attariya, Sudur Pashchim Province. Currently, he serves as the director of Provincial Directorate Birgunj, Madhesh Province.



### Ms. Reena Dongol

Director,  
Provincial Directorate Kathmandu

For the past 30 years, she has held various positions in various offices, departments and directorates of the company. Currently she is working as the director of Provincial Directorate Kathmandu, Bagmati Province. In addition to this, she has also represented Nepal Telecom as the Chairperson of Nepal Digital Payments Company.



**Mr. Indal Yadav**

Director,  
Provincial Directorate Pokhara

With 28 years of experience in the company, he has held leadership roles in various offices, departments and directorates. He is currently the director of the Provincial Directorate Pokhara, Gandaki Province.

**Mr. Anant Prakash Mallik**

Director,  
Provincial Directorate Bhairahawa

For the past 30 years, he has been serving in various roles including the head of various offices, departments and directorates. Currently he is working as the director of Provincial Directorate Bhairahawa, Lumbini Province.

**Dr. Kamal Lamichhane**

Director,  
Provincial Directorate Surkhet

He has been working in the company for the past 18 years. He has gained experience in various offices including Switching Maintenance Department and Mobile Services Directorate. He is currently working as the director of Provincial Directorate Surkhet, Karnali Province.

**Mr. Drawendra Kumar Chaudhary**

Director,  
Provincial Directorate Attariya

He has been working in various offices and departments of Nepal Telecom for the past 24 years. Currently, he is working as the director of Provincial Directorate Attariya, Sudur Pashchim Province.

# REPORT OF THE BOARD OF DIRECTORS

## Respected Shareholders,

We extend a warm welcome to all shareholders, esteemed guests, representatives of regulatory bodies, auditors, legal advisors, employees and all attendees of the 17th Annual General Meeting of Nepal Doorsanchar Company Limited.

During the review period of 2023/24, despite various challenges, the company has made significant progress in implementing its projects, streamlining service delivery and expanding 4G and FTTH services. Service distribution and market reach have continued to grow even in the face of intense competition, declining consumer prices and socio-economic factors such as the increasing trend of students and workers moving abroad. These factors, along with stagnation in service consumption, have impacted the industry as a whole, reflecting in the company's revenue. Additionally, during this period, the company has paid NPR 20 billion to the Government of Nepal for the third renewal of its previous mobile service license and has successfully obtained a mobile service license for another five years.

Expanding quality telecommunication services across the country remains a core objective for Nepal Telecom. However, challenges persist, particularly in rural areas where the availability of telecommunications infrastructure is limited. As a public institution, the company must navigate complex decision-making processes bound by policy regulations, which often delay the execution of projects and the adoption of new technologies. Moreover, the rapid pace of innovation in the telecommunications sector results in high technology conversion costs and shorter time frames to recover investments. These structural and administrative hurdles create a dual challenge—slowing down the introduction of new projects while requiring continuous adaptation to market advancements. Additionally, the growing use of

Over-The-Top (OTT) services has contributed to a steady decline in interconnect revenue. In response, the company is actively working to ensure financial stability by minimizing expenses and optimizing the use of financial resources.

Amidst the evolving technological and market landscape, Nepal Telecom remains committed to leveraging its available resources to provide high-quality telecommunication services that align with customer needs and expectations. As part of its mission to deliver cutting-edge connectivity nationwide, the company has successfully launched high-speed 4G/VoLTE Advanced services in all 77 districts. Efforts are ongoing to extend connectivity to remote areas that remain underserved. Furthermore, in alignment with the "Digital Nepal" vision, the company has prioritized the expansion of FTTH (Fiber to the Home) services, ensuring coverage in all 77 districts and 283 municipalities. Work is actively underway to extend FTTH connectivity to the remaining municipalities. Additionally, the company continues to enhance its financial position through the expansion of wireless services, technological upgrades, international roaming services and service quality improvements.

As a responsible public commercial entity, Nepal Telecom upholds transparency and corporate governance as fundamental principles. This report, which outlines the company's progress during the financial year 2023/24, the challenges encountered and short-term and long-term strategic plans, has been prepared in accordance with the Companies Act, 2063 and the Securities Registration and Issuance Regulations, 2073. On behalf of the Board of Directors, we hereby present this report for approval in this meeting.

## Performance of the Company

### 1. Financial Performance

The company's total revenue for the Fiscal Year 2023-24 reached NPR 42.11 billion, with a 5.22% decrease compared to the preceding fiscal year. The operating revenue experienced a decline of 4.72% during the review period. Likewise, the net profit for the company in the same period amounted to NPR 6.23 billion, reflecting a decrease of 21.62% compared to the previous reporting period. The factors contributing to the changes in both revenue and net profit are outlined below.

- Reduction in both international and national incoming voice calls due to advancement of telecommunication technology, the increase in the utilization of over-the-top (OTT) services (such as Viber, Whatsapp, Messenger, lmo) facilitated by widespread access to smartphones and internet services.



- Continuous decline in revenue from copper-based PSTN and ADSL services is attributed to technological advancements favoring fiber-based networks. Conversely, there is a growing trend in revenue for FTTH (Fiber-to-the-Home) services.
- Inability to increase the service tariff rates to reflect actual costs and return on investments..
- Increase in Employee expenses due to the contributions made to the Contributory Pension Fund for employees who joined the company after Kartik 1, 2066 B.S.

The key financial highlights of the company are as follows:

Amount in NPR Billion

Particulars	Fiscal Year		Change (Increase/(Decrease))	
	2023-24	2022-23	Amount	%
Total Revenue	42.11	44.43	-2.32	-5
Operating Revenue	34.56	36.27	-1.71	-5
Employee Expenses	8.69	7.95	0.74	9
Repair and Maintenance Expenses	6.36	7.63	-1.27	-17
Office Operation Expenses	1.30	1.31	-0.01	-1
Total Expenditure	30.87	32.69	-1.82	-6
<b>Profit</b>	<b>6.23</b>	<b>7.94</b>	<b>-1.71</b>	<b>-22</b>
Earnings per Share (NPR)	34.61	44.16	-9.55	-22
Net-worth Per Share (NPR)	521.71	521.92	-0.21	-4

## 1.1 Revenue

The consistent reduction in tariff rates driven by increased competition, coupled with shift in customer behavior from pay-as-you-go to opting for low-cost package offers, has led to a decrease in revenue for GSM service by approximately NPR 440 million. Similarly, the revenue of CDMA service has declined attributed to the migration of customers from CDMA to GSM technology. The advancements in telecommunication technology, increased access to internet services and smartphones, widespread usage of OTT services (such as Viber, Whatsapp, Messenger, imo, etc.) and changes in international and domestic call patterns has resulted in a decrease in interconnection income by around Rs. 1.43 billion. Overall, total operating income has declined by NPR 1.71 billion in the review period.

Furthermore, interest income from investments in banks and financial institutions totalled NPR 7.79 billion in the previous fiscal year. However, during the review period, it decreased by NPR 1.1 billion, reaching NPR 6.78 billion.

## 1.2. Intangible Assets

During the review period, the value of intangible assets has decreased by 10.09 percent to NPR 1.51 billion. The decrease is attributed to the software addition of NPR 0.12 billion and an adjustment of NPR 0.17 billion for the previous year's amortization. During the review period, the company paid its GSM license fee of NPR 0.21 billion for a 5-year period, which has been reported as an intangible asset.

## 1.3 Property, Plant and Equipment

During the review period, the value of property, plant and equipment has decreased by 4.99 percent to NPR 48.32 billion due to the depreciation of assets in accordance with their useful life.

## 1.4 Right of Use Assets

As a result of the amortization of lease assets, in accordance with the company's accounting policy and Nepal Financial Reporting Standards, the value of right of use assets has decreased by 13.71 percent to NPR 1.76 billion compared to the previous period.

## 1.5 Capital Work in Progress

As a result of the capitalization of assets worth NPR 1.31 billion under the 4G/LTE project, along with other completed projects, the value of capital work in progress has decreased by 30.25 percent to NPR 3.79 billion during the review period, compared to the previous period.

## 1.6 Long Term Loan and Advances

Due to the capitalization of assets after completion of the project, the initial advance provided to the vendor has been reallocated to property, plant and equipment. Consequently, the long-term loan and advances have decreased by 13.45 percent to NPR 0.85 billion as compared to the previous period.

## 1.7 Investment in Term Deposit, Debenture and Mutual Fund

The investment made in term deposit, debenture and mutual fund for optimum utilization of reserve funds available in the company, have decreased by 30.44 percent to NPR 39.31 billion in the review period as compared to previous period. The decline is attributed to lump sum GSM License fee payment of NPR 20 billion and contribution of NPR 4.97 billion towards plan assets for post-retirement employee payments, as per the Board of Directors' decision in the review period.

## 1.8 Deferred Tax Assets

During the review period, deferred tax assets have decreased by 55.49 percent, falling to NPR 4.41 billion as compared to the previous period. This decline is due to the expenses claimable for taxation purposes being lower than the expenses reported in the financial statements.

## 1.9 Equity Investment

As a result of investment of NPR 14.4 million made in Sarbottam Cement Limited through book-building method, the value of equity investment has been increased by 15.28% to NPR 219 million as compared to previous period.

## 1.10 Inventories

Since most of the major projects of the company are in process of closure, the value of inventories has decreased by 26.36 percent, reaching to NPR 0.52 billion as compared to previous period.

## 1.11 Accrual, Advances and Other Receivables

During the review period, the value of accrual, advances and other receivable have been increased by 25.99 percent to NPR 0.98 billion, primarily due to non receipt of accrued interest income.

## 1.12 Post Employee Benefit Liability

Actuarial valuation is carried out by the company in the review period for determining post employee benefit liability. Due to the contribution of NPR 4.97 billion towards plan assets for post-retirement employee payments, as per the Board of Directors' decision in the review period, post employee benefit liability has decreased by 20.27 percent as compared to the previous period, reaching to NPR 18.18 billion.

## 1.13 Deferred Government Grant

During the review period, the value of deferred government grant has increased by 8.55 percent to NPR 1.66 billion as compared to the previous period.

## 1.14 Trade Payable

Due to the reduction in the rate of bandwidth services procured to expand service and maintain service quality along with the settlement of related dues, the value of trade payable has decreased by 38.87 percent reaching NPR 0.27 billion, as compared to previous period.

## 1.15 Provisions

Due to payment of the third GSM License Renewal Fee, the value of provisions has been reduced by 98.49 percent to NPR 0.25 billion, as compared to the previous period.

## 1.16 Operation and Maintenance Cost

The considerable decline in the unit rate of bandwidth service fees, due to procurement through international bidding, combined with the efficient utilization of bandwidth in relation to consumption, driven by an increase in local content usage, resulted in a significant reduction in bandwidth service expenses. During the review period, due to decrease in expenses including fuel expenses, the value of operation and maintenance cost has decreased by 16.62 percent to NPR 6.36 billion.

## 1.17 Office Operation Expenses

During the review period, the value of office operation expenses has decreased by 1.1 percent to NPR 1.29 billion due to decrease in expenses including taxes and fees, rent expenses and insurance expenses.

## 1.18 Foreign Exchange Loss/Gain

During the review period, changes in the foreign currency exchange rate resulted in a foreign exchange gain of NPR 98 million, compared to NPR 208.7 million in the previous year.





## 2. Business Performance

### 2.1 Voice Service

In the previous fiscal year, the customer base was 21.546 million. During the review period, 1.474 million new customers were added, bringing the total customer base of the company to 23.02 million. Among the total voice service customers, 97.41% are GSM mobile service users. The company's overall market share in voice services across the country increased by 2.58% during the review period, reaching 63.55%.

The number of voice service customer distribution across different technologies is as follows:

Description	Fiscal Year		Increase/(Decrease)	Percentage Change	Share of Total Customers (2023/24)
	2023/24	2022/23			
Basic Telephone	230,468	407,346	-176,878	-43%	1.00%
GSM	22,424,029	20,394,953	2,029,076	10%	97.41%
FTTH	366,010	307,271	58,739	19%	1.59%
Total Customers	23,020,507	21,546,003	1,474,504	7%	100%
Company's Market Share	63.55%	61.95%	—	2.58%	—

- Last year's total market share calculation includes CDMA service customer base.

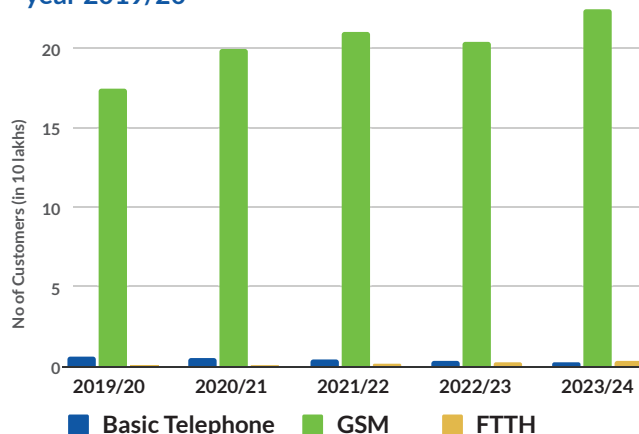
### 2.2 Data Service

In the previous fiscal year, the customer base was 20.82 million, which increased to 22.73 million during the review period. Among the total data service customers, 98.62% are GSM mobile service users. The company's overall market share in broadband data services across the country was 51.06% last year, which grew to 71.85% during the review period.

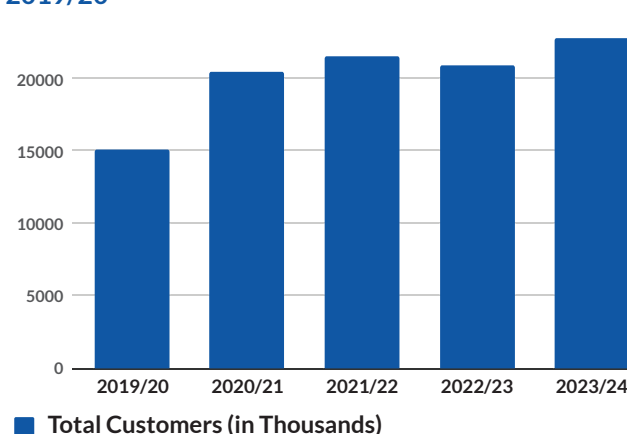
The number of data service customer distribution across different technologies is as follows:

Description	Fiscal Year		Increase/(Decrease)	Percentage Change	Share of Total Customers (2023/24)
	2023/24	2022/23			
GSM	22,424,029	20,394,953	2,029,076	10%	98.62%
CDMA	0	136,573	-136,573	-100%	0%
ADSL	5,227	43,854	-38,627	-88%	0.02%
FTTH	308,318	248,385	59,933	24%	1.36%
Total Customers	22,737,574	20,823,765	1,913,809	9%	100%
Company's Market Share	71.85%	51.06%	—	40.72%	—

The status of Voice service customers since fiscal year 2019/20



The status of data service customers since fiscal year 2019/20



## 2.3 Service Expansion

In FY 2080/81, a total of 542,208 FTTH service-ready networks were prepared, with a plan to add 300,000 new and migrated customers. By the end of Ashwin, the network capacity was expanded to 563,248 lines and a total of 88,320 FTTH lines (Unique CPE) were distributed. By the end of Ashadh 2081, infrastructure expansion resulted in the network capacity to distribute 2,002,736 FTTH lines, covering 76 districts and various local government bodies. Using that capacity, a total of 424,538 FTTH lines (Unique CPE) have been providing FTTH services to our end users. Among these, there are 366,010 FTTH Voice users, 308,318 FTTH Data users and 48,658 NTTV users. During the review period, three additional districts—Rukum East, Dolpa and Mugu—were covered. Furthermore, commercial FTTH services were launched in Humla district in Bhadra 2081, extending FTTH service coverage to all 77 districts.

Similarly, in FY 2080/81, a total of 66 eNodeBs were installed, extending 4G-LTE service coverage to 743 local government bodies. Additionally, to enhance the effectiveness of voice services in both accessible and remote areas, 91 new 2G BTS were installed in FY 2080/81.

In FY 2080/81, as part of the highway coverage expansion, 26 high gain antennas have already been installed and the remaining installations are in progress.

The optical fiber network for telecommunications infrastructure along the Mid-Hill Highway, built using the Rural Telecommunications Development Fund of the Nepal Telecommunications Authority, has been put into operation.

Under the Rural Telecommunications Development Fund's project, optical fiber network has been expanded along the Mid-Hill Highway and various routes connecting district headquarters in the Koshi, Madhesh and Bagmati Provinces. By the end of FY 2080/81, a total of 1,395 km of optical fiber network has been expanded. Similarly, under the optical fiber network expansion project (UG/ADSS) in the Karnali and Sudurpaschim Provinces, which connects the Mid-Hill Highway and district headquarters, a total of 672 km of optical fiber network has been added, bringing the total optical fiber network in Karnali and Sudurpaschim Provinces to 977 km.

Similarly, to establish reliable connectivity in the most remote and difficult-to-reach district headquarters of Karnali and Sudurpaschim Provinces, where immediate optical fiber expansion is not feasible, an agreement has been made with the supplier for the operation of 21-Hop Microwave Radio. Out of these, 20 Hops have been successfully installed and are now operational.

## 2.4 Improvement in Quality of Service

Nepal Telecom has been adopting various measures to improve the quality of its services. To remain competitive in the telecommunications sector and prioritize customer satisfaction, the company has achieved significant progress in QoS improvement through technical, managerial and customer-centric approaches.

- Considering the increasing demand for FTTH service, the company has made an arrangement for customers to request service installation by calling 198, eliminating the need to visit the company's offices. By the end of Ashwin 2081, more than 14,000 customers had availed of this service for FTTH installation.
- The company continues to expand services to areas without network coverage while ensuring the minimum quality standard for its various services. To enhance service availability and ensure quality of service, initiatives such as preventive maintenance, network optimization, transmission network capacity upgrades, service core network capacity upgrades, solar power supply installations and additional battery backups have been consistently implemented. The company prioritizes service expansion, uninterrupted availability of service and quality improvement. To achieve this, skilled personnel are assigned to critical tasks, while other auxiliary functions are outsourced.
- Preventive, corrective and scheduled maintenance, as well as network optimization have been further strengthened to ensure efficient service operation and maintenance.
- The company is also actively working on organizing and managing overhead cables in coordination with local governing bodies and entities like the Department of Roads, the Water Supply Authority, the Electricity Authority and other relevant agencies.



### 3. Economic Environment

#### 3.1 Global Economy

The International Monetary Fund (IMF) has projected the global economic growth rate to be 3.2 percent in 2024, as economic activity worldwide has expanded due to a decline in inflation rates in most countries since mid-2022. The projected global economic growth rate of 3.2 percent in 2024 takes into account several challenges, including the ongoing Russia-Ukraine war, geopolitical tensions, low productivity and high debt costs. In 2023, the global economy also grew by 3.2 percent. The developed economies recorded a growth rate of 1.6 percent in 2023, while developing economies grew by 4.3 percent. For 2024, growth in developed and developing countries is projected at 1.7 percent and 4.2 percent, respectively. China and India posted strong growth in 2023, at 5.2 percent and 7.8 percent, respectively. However, their growth is expected to moderate to 4.6 percent for China and 6.8 percent for India in 2024.

#### 3.2 Review of National Economy

According to the Economic Survey for FY 2080/81 published by the Ministry of Finance, Nepal's economic growth rate is recorded at 1.95 percent, which is projected to reach 3.87 percent, driven by progress in sectors such as agriculture, transportation and storage, housing and food services, financial and insurance and professional scientific services. The foreign currency reserve has reached a record high, primarily due to increased income from remittance inflows and the tourism sector, as well as a recovery in business losses. The external sector of the economy has remained balanced and strengthened, maintaining stability. The decline in petroleum fuel prices in the international market, along with reduced inflation in neighboring India, has contributed to a decrease in domestic inflation, which had previously been high. The contribution of the agricultural and non-agricultural sectors to GDP was 23.9 percent and 76.1 percent, respectively. For FY 2080/81, these are projected to be 24.1 percent and 75.9 percent, respectively. Similarly, the average consumer inflation in Falgun of FY 2080/81 was 4.82 percent, reflecting a decrease of 7.44 percent compared to the same period of the previous year.

#### 3.3 Review of Telecommunication Sector

According to the report published by International Telecommunications Union<sup>1</sup> (ITU) in July 2023, the global average mobile services density reached 109.4 percent by the end of 2023. In developed countries, the mobile service density was 125 percent, while in developing countries, it stood at 100 percent and in underdeveloped countries, it was 61.1 percent. The Commonwealth of Independent States (CIS) recorded the highest mobile services density at 147.4 percent, whereas Africa reported the lowest at 86.3 percent. The Asia Pacific region's mobile services density was noted at 110.6 percent.

Globally, cellular mobile networks are accessible to 99.2 percent of the world's population, with 95.4 percent coverage for 3G mobile networks and 91.4 percent for 4G-LTE/WiMAX mobile networks. Developed countries recorded higher accessibility, with 100 percent of the population having access to cellular mobile networks, compared to 98 percent in low-middle-income countries. However, 4 percent of individuals in rural areas of low-middle-income countries still lack access to cellular mobile networks.

According to the same report published by ITU, 67.6 percent of global households have Internet access in 2024. By region, developed countries record a high level of Internet access at 93.4 percent, while developing countries and underdeveloped countries have rates of 55.1 percent and 26.5 percent, respectively. The Asia Pacific region reports a household Internet access rate of 66 percent.

There is a global trend indicating that the demand for data services is increasing at a rate higher than that of voice services. Additionally, the widespread availability of free Internet-based voice calling services facilitated by various software applications (Over The Top-OTT) has led to their widespread adoption. Consequently, this has not only impacted revenue for international services but has also negatively affected national voice and SMS services. While there is a quantitative growth in the data services sector, the competitive landscape has resulted in a continuous reduction in tariff rates for both voice and data services.

Furthermore, due to the lower tariff rates for data services compared to voice services, telecommunication service providers are facing challenges in maintaining overall revenue. To minimize the impact of decline in revenue caused by various factors, efforts are being made to enhance revenue through customer-friendly value-added services.

1 <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>



As per the MIS Report of the Nepal Telecommunications Authority for Ashadh 2080, the total number of voice service subscribers has reached 34,782,000, resulting in a tele density of 119.26 percent. Among these, the company holds a significant market share of 61.95 percent. Similarly, the overall density of broadband data services has reached 135.90 percent, with the company securing a market share of 51.16 percent in this segment.

## 4. Corporate Governance and Transparency

The Board of Directors and company management remain steadfast in their commitment to upholding the highest standards of corporate governance. Recognizing its significance, Nepal Telecom has integrated corporate governance principles into its policies and regulations to enhance service quality while aligning with the interests and expectations of shareholders, stakeholders and the valued customers.

To ensure effective compliance and monitoring, the company has developed strategic goals and implemented necessary systems. Agile corporate governance practices have been strengthened by strictly adhering to the policies and directives issued by the Government of Nepal and regulatory bodies, including the Telecommunications Act, 2053; Companies Act, 2063; Securities Board Act, 2063; Good Governance (Management and Operation) Act, 2064; Public Procurement Act, 2063; and Labor Act, 2074. In line with the federal structure, provincial directorates have been established across all seven provinces. Additionally, in compliance with Rule 26(1) of the Securities Registration and Issuance Regulations, 2073, the company prepares its annual report in accordance with Nepal Financial Reporting Standards (NFRS) and publishes financial statements quarterly.

Nepal Telecom is fully committed to preventing corruption by strictly following the Prevention of Corruption Act, 2059 and the Asset (Money) Laundering Prevention Act, 2064. In line with the Prevention of Corruption Act, 2059, employee property details are submitted to relevant agencies at the beginning of each fiscal year. To further strengthen financial discipline, a comprehensive control system has been implemented and an Audit Committee has been established. This committee periodically reviews audit reports and internal control systems, ensuring corrective actions are taken as needed. Additionally, staff regulations outline the code of conduct expected from employees, reinforcing accountability.

To drive efficiency and ensure timely execution of key projects and operational tasks, performance agreements have been established between the company's executive heads and department heads, with evaluations conducted accordingly. A citizen's charter has also been introduced to enhance institutional governance. Nepal Telecom remains dedicated to addressing customer grievances effectively by incorporating feedback from the Government of Nepal, the Hello Sarkar initiative under the Prime Minister's Office, regulatory bodies and other concerned institutions.

Furthermore, to ensure transparency and competitiveness, the company has transitioned to an electronic procurement system, streamlining purchasing processes and fostering uniformity. By continuously refining its governance framework and operational strategies, Nepal Telecom remains committed to delivering high-quality telecommunication services while upholding ethical business practices.

## 5. Board of Directors

The Company's Board of Directors has been formed in accordance with Rule 12 of the Company's Articles of Association and the Companies Act, 2063. The Board of Directors operates under the Company's Memorandum and Articles of Association. As per the Company's Memorandum of Association, the board is composed of seven directors.

### 5.1 The Structure of the Board of Directors of the Company

S.N.	Name of the Director	Position	Representing Organization
1	Ms. Radhika Aryal	Chairperson	Secretary, Nepal Government, Ministry of Communication and Information Technology
2	Ms. Sangita Pahadee (Aryal)	Member	Managing Director, Nepal Telecom
3	Mr. Dhani Ram Sharma	Member	Joint-secretary, Nepal Government, Ministry of Finance
4	Mr. Kosha Hari Niraula	Member	Joint Secretary, Nepal Government, Ministry of Communication and Information Technology



5	Mr. Komal Bahadur Khatri	Member	Joint-secretary, Nepal Government, Ministry of Law, Justice and Parliamentary Affairs
6	Mr. Manish Jung Joshi	Member	A representative of the public shareholders
7	Mr. Lok Bahadur Katuwal	Member	A representative of the employees

## 5.2 Changes Made in the Board of Directors and the Reasons

The changes in the company's board of directors in the financial year 2023-24 are as follows.

S.N.	Name of the Director	Position	Representing Organization	The person at the forefront of the organization	Reasons
1	Ms. Radhika Aryal	Chairperson	Secretary, Nepal Government, Ministry of Communication and Information Technology	Mr. Ramkrishna Subedi	According to the decision of the government of Nepal
2	Mr. Ramkrishna Subedi	Chairperson	Secretary, Nepal Government, Ministry of Communication and Information Technology	Mr. Krishna Bahadur Raut	According to the decision of the government of Nepal
3	Ms. Sangita Pahadee (Aryal)	Member	Managing Director, Nepal Telecom		According to the decision of the government of Nepal
4	Ms. Sangita Pahadee (Aryal)	Member	Managing Director, Nepal Telecom	Mr. Sunil Paudel	According to the decision of the government of Nepal
5	Mr. Dhani Ram Sharma	Member	Joint-secretary, Nepal Government, Ministry of Finance	Dr. Tokraj Pandey	According to the decision of the government of Nepal
6	Mr. Kosha Hari Niraula	Member	Joint Secretary, Nepal Government, Ministry of Communication and Information Technology	Mr. Baburam Bhandari	According to the decision of the government of Nepal
7	Dr. Tokraj Pandey	Member	Joint-secretary, Nepal Government, Ministry of Finance	Mr. Uttar Kumar Khatri	According to the decision of the government of Nepal
8	Mr. Komal Bahadur Khatri	Member	Joint-secretary, Nepal Government, Ministry of Law, Justice and Parliamentary Affairs	Ms. Nirmala Adhikari Bhattarai	According to the decision of the government of Nepal
9	Ms. Nirmala Adhikari Bhattarai	Member	Joint-secretary, Nepal Government, Ministry of Law, Justice and Parliamentary Affairs	Mr. Komal Bahadur Khatri	According to the decision of the government of Nepal
10	Mr. Komal Bahadur Khatri	Member	Joint-secretary, Nepal Government, Ministry of Law, Justice and Parliamentary Affairs	Mr. Koshalchandra Subedi	According to the decision of the government of Nepal
11	Mr. Koshalchandra Subedi	Member	Joint-secretary, Nepal Government, Ministry of Law, Justice and Parliamentary Affairs	Mr. Sushil Koirala	According to the decision of the government of Nepal
12	Mr. Manish Jung Joshi	Member	Public Shareholder Representative	Mr. Ambika Prasad Poudel	Appointed By Annual General Meeting
13	Mr. Lok Bahadur Katuwal	Member	Employee Representative	Mr. Shankar Lamichhane	Director Appointed By Employee Election

### 5.3 Remuneration, Allowances and Facilities to the Board of Directors

In the review year 2023-24, the board of directors had 41 meetings and the directors present in the meeting were paid the salary, allowances and benefits as follows.

				NPR
S.N.	Name of the Director	Position	Number present at the meeting	Total amount
1	Mr. Ramkrishna Subedi	Chairperson	21	157,500
2	Mr. Krishna Bahadur Raut	Chairperson	20	150,000
3	Dr. Tokraj Pandey	Member	39	292,500
4	Mr. Uttar Kumar Khatri	Member	01	7,500
5	Mr. Baburam Bhandari	Member	40	300,000
6	Ms. Nirmala Adhikari Bhattarai	Member	09	67,500
7	Mr. Komal Bahadur Khatri	Member	04	30,000
8	Mr. Koshalchandra Subedi	Member	10	75,000
9	Mr. Sushil Koirala	Member	06	45,000
10	Ms. Sangita Pahadee (Aryal)	Member	32	240,000
11	Mr. Sunil Paudel	Member	09	67,500
12	Mr. Manish Jung Joshi	Member	19	142,500
13	Mr. Ambika Prasad Poudel	Member	18	135,000
14	Mr. Shankar Lamichhane	Member	31	232,500
15	Mr. Rajendra Aryal	Company Secretary	38	285,000
16	Mr. Rajendra Shrestha	Company Secretary	3	22,500

## 6. Audit Committee

The company has an Audit Committee as per provision of Companies Act, 2063, under the chairmanship of non-executive director of the company for the evaluation of effectiveness of internal control, risk management system and corporate governance. Deputy Managing Director of the Internal Audit and Inspection Department of the company is the Member Secretary of the committee.

The composition of the Audit Committee is as follows:

S.No.	Officials	Position
1	Director Mr. Dhani Ram Sharma	Chairperson
2	Director Mr. Kosha Hari Niraula	Member
3	Director Mr. Komal Bahadur Khatri	Member
4	Director Mr. Manish Jung Joshi	Member
5	Deputy Managing Director Mr. Rajendra Shrestha, Internal Audit and Inspection Department	Member Secretary

The Audit Committee of the company has been regularly reviewing the company's financial position, internal control and risk management systems and compliance with prevailing rules and regulations. It also provides necessary suggestions to the Board of Directors and management in accordance with Sections 164 and 165 of the Companies Act, 2063.





### Major objectives of the Audit Committee are as follows:

- To give necessary suggestions to the board of directors and management by periodically reviewing the financial condition, internal control and risk management system of the company.
- To ensure the transparency and reliability of financial management, the audit process and financial statements.
- To review the company's internal financial control, internal control system and risk management.
- To supervise and review the internal audit process of the company.
- To conduct revenue assurance audits, performance audits and technical audits, as well as review audit reports and report the findings to the Board of Directors.
- To recommend potential auditors for appointment, determine their remuneration and terms of appointment and present the same in the general meeting for ratification.
- To ensure compliance with directions issued by the regulatory body.
- To conduct internal audits according to the approved plan.
- To review whether the company's operations adhere to regularity, economy, appropriateness and effectiveness and to propose necessary improvements along with suggestions to the Board of Directors for management guidance.
- To assess the internal audit system, internal control, risk management and corporate governance of the company and provide necessary directions to the management.
- To review observations raised in the internal and external audit reports and provide necessary directions to the management regarding corrective actions.
- To undertake the responsibilities outlined in Section 165 of the Companies Act, 2063.

### Major Agenda discussed & decisions made in the meeting of Audit Committee during the review period:

- Discussion on whether the company has complied with the provisions of the prevailing laws, regulations and the directives issued by the regulatory authorities.
- Recommendations and suggestions for necessary improvements submitted to the Board of Directors for directives, following a review of key aspects such as debtor collection, revenue and market growth, project implementation, cost control and financial discipline, in order to strengthen the company's internal control, risk management system and administration.
- Recommendations, including necessary improvements, submitted to the Board of Directors for directives based on periodic reviews conducted on issues raised in internal and external audits.
- Recommendations, including necessary improvements, submitted to the Board of Directors for further directives, based on the discussions held on the issues raised in technical audit reports, conducted on various matters as approved by Audit Committee for the FY 2023-24.
- Discussion and selection of topics for technical audit of FY 2023-24.
- Recommendation regarding final auditor's remuneration and terms and conditions of appointment for FY 2023-24.
- Discussion on the preliminary financial statement of FY 2023-24 and instruction issued to the management for completion of audit within stipulated time.
- Evaluation and review of the company's internal control system.

During the review period, the Audit Committee had 13 meetings and the following meeting allowances were paid to the committee members.

S.N.	Name	Position	No of Meetings	Total Allowance (NPR)
1	Mr. Sushil Koirala	Chairperson	3	22,500.00
2	Mr. Koshalchandra Subedi	Chairperson	5	37,500.00
3	Ms. Nirmala Adhikari Bhattarai	Chairperson	3	22,500.00
4	Dr. Tokraj Pandey	Chairperson	2	15,000.00
5	Dr. Tokraj Pandey	Member	10	75,000.00
6	Mr. Baburam Bhandari	Member	11	82,500.00
7	Mr. Komal Bahadur Khatri	Member	1	7,500.00
8	Mr. Ambika Prasad Poudel	Member	7	52,500.00
9	Mr. Manish Jung joshi	Member	5	37,500.00
10	Mr. Prem Bahadur Gurung	Member Secretary	8	60,000.00
11	Mr. Dwarika Prasad Paudel	Member Secretary	9	67,500.00

## 7. Internal Control System

The significance of internal control in enhancing organizational efficiency and effectiveness, ensuring the reliability, completeness and timeliness of financial and management information and ensuring compliance with relevant laws and regulations cannot be overstated. A robust internal control system is crucial for preventing fraud, minimizing errors and managing risks. Recognizing the critical role of a sound internal control process in achieving established goals and maintaining financial reliability and transparency, the company has established an independent internal audit system and structure to ensure secure and sound operations.

The company has an independent Internal Audit and Inspection Department that conducts audits under the close supervision of the audit committee. These audits adhere to the internal audit manual approved by the Board of Directors, as well as prevailing principles and audit standards. Operationally

independent, adequately trained and competent staff carry out a comprehensive internal audit of the internal control system. The findings from Internal Audit reports are regularly submitted to the Audit Committee and the results of all audits are reported to management for prompt corrective actions. Actions have been taken in response to the issues raised in the audit reports.

To maintain financial, business and managerial discipline, the company has enacted employee regulations and financial regulations. Employees with specific responsibilities are held accountable for any misconduct or misuse of authority in accordance with the provisions of the company's employee regulations. In an effort to enhance the effectiveness of internal control, the company has initiated Revenue Assurance Audits, Performance Audits and Technical Audits in certain areas based on risk assessment. The Revenue Monitoring and Inspection Committee actively works to control revenue leakages.

## 8. Statutory Auditor

The Statutory Audit of the Company for the FY 2023-24 has been carried out by Mr. Narendra Bhattarai, Chartered Accountant and Mr. Mahesh Kumar Guragain, Chartered Accountant, appointed on the consultation of the Office of Auditor General. Auditors for FY 2024-25 will be appointed on the consultation of the Office of the Auditor General and the recommendation of the Audit Committee.

## 9. Customer Service

As the country's leading telecommunications service provider, the company has been conducting various activities with a strong focus on customer satisfaction and needs. To ensure the satisfaction of its service users, the company provides necessary services through telecom offices and customer service centers at 164 locations across the country. In line with the concept of Omni Channel Customer Care, the company provides effective customer support through various channels such as social media, mobile apps, websites, telephone, email and chatbots. Additionally, as part of a pilot project, the company launched "Maina" robot at Telecom Office, Sundhara to provide customers with service details and information about new packages. With an understanding of changing customer preferences and needs, the company regularly updates the packages and services it offers, continuously striving to maintain customer trust and confidence. Customers can register their issues via 198 for landline and fiber internet services and 1498 for mobile services. To effectively manage complaints, the company has designated complaint officers at its central office and telecom offices across the country. The company is committed to providing high-level customer service by implementing the suggestions received through regular customer satisfaction surveys.



## 10. Company's Contribution to Environmental Protection

While conducting its business activities, Nepal Telecom actively plays a role in environmental conservation. Through the use of modern technologies and green strategies, the company strives to reduce its environmental impact. The solar energy systems installed at various offices and BTS (Base Transceiver Stations) sites have contributed to reducing carbon emissions. To reduce paper consumption, the company has implemented the Dealer Management System and efforts are underway to implement the Digital Signature and Document Management System. To reduce the use of plastic recharge cards, the company promotes digital payments by providing attractive offers and conducting various campaigns. The company is involved in the recycling of old equipment and the management of electronic waste, aiming to help control environmental pollution. It also conducts tree plantation programs in various areas, contributing to the expansion of green spaces and collaborates with social organizations to raise public awareness about the importance of environmental protection. In continuation of past efforts, the company has promoted greenery along the Maitighar to Tinkune road section in Kathmandu. It has also beautified 10 picnic spots in Tribhuvan Park, Thankot, created resting areas and selfie points for senior citizens in Madan Bhandari Park, Tinkune, Kathmandu and beautified the Krishna Sen Smriti Park located in the Nepal Press Union, Dang premises. Additionally, the company has placed 250 dustbins and visitor chairs at 35 important public places, including religious temples, archaeological sites, tourist destinations, bus parks, public parks and gardens across the country.

## 11. Auction and Scrap Management

Throughout its long history of commercial operations, the company has acquired a diverse range of technologies, equipment and assets at various stages to enhance its service delivery. As technological advancements have occurred, the company has continually adopted new systems, tools and equipment to meet its evolving needs. Over time, a large number of assets with obsolete technology and from older generations have become unused and are no longer in operational condition. Although these items no longer have commercial use, their scrap value remains significant. The company could generate a substantial income by auctioning off these assets. Past auctions of various scrap items, including wires, batteries, iron and computer-related materials, have generated a significant amount of income for the company. The auctioning of the remaining scrap items, as well as future auctions, will continue over time. This process is expected to contribute not only to additional income but also to improving the cleanliness of the office premises, freeing up valuable space and promoting more systematic inventory management.



## 12. Relationship with Stakeholders

The company is conscious of developing harmonious relationships with all stakeholders involved in its business, as cordial professional relationships with stakeholders can ensure long-term growth and success. Nepal Telecom has maintained strong relationships with key entities, such as the Government of Nepal, Nepal Telecommunications Authority, Department of Road, Nepal Electricity Authority and other organizations that play a significant role in the effective implementation of telecom policies and the development of telecom infrastructure. In order to improve the company's competitive capabilities, Nepal Telecom is also actively working to develop relationships with telecom and IT equipment manufacturers, suppliers and consultants who can contribute to adopting new technologies and innovations. The company firmly believes that its relationship with the community helps in social development and contributes to building a positive image for the organization, which is why it runs various programs related to corporate social responsibility. For the information of shareholders and other stakeholders, the company regularly provides financial and other information via its website, newsletters, annual reports and press conferences. These efforts have enabled Nepal Telecom to build long-term, trustworthy relationships with all of its stakeholders.

## 13. Risk Management

Financial, business and operational activities are diligently assessed to minimize potential losses and risks to the company. The increased use of Over-the-Top (OTT) services such as Viber, WhatsApp, Messenger, etc., due to the development of telecommunication technology, data services and widespread use of smartphones, has influenced both international inbound and outbound roaming. The company has, historically, been significantly contributing to the nation's revenue by obtaining a substantial amount from international inbound roaming. Intense market competition has compelled the company to reduce prices in order to thrive in the business expansion process, resulting in increased challenge in sustaining revenue. The company faces challenges in overall revenue management due to these factors.

The company has maximized the utilization of resources and assets for revenue growth and international roaming revenue replenishment from international roaming partners. The development and expansion of new services such as data services and Value-Added Services (VAS) have been the focal point for revenue growth. Additionally, to address the increasing demand for high-speed data services, Internet services have been made available at competitive prices. Customer service has also been enhanced by improving the billing system, ensuring timely upgrades.

To enhance its financial condition, the company is focused on the massive transformation of wireless services, including the expansion of international roaming and improving the quality of services. The continuous effort in enhancing the financial status includes the expansion of international roaming services and upgrading service quality through the utilization of advanced technologies.

The unauthorized use of the company's network has resulted in revenue leakage and tax evasion by certain individuals and groups involved in illegal activities. The company is actively collaborating with the Central Investigation Bureau of Nepal Police to control revenue leakage and implement various modern technologies for detection.

In response to the market's intense competition, the company always strives to provide affordable and reliable services, focusing on customer satisfaction. To maintain customer engagement and enhance service usage, we have adopted a strategy to keep our customers engaged by providing affordable, accessible and reliable services. We believe that these efforts will help us to increase our revenue and maintain our position as a leading telecommunications and information technology company in Nepal.

## 14. Company's Contribution for Employees

Nepal Telecom considers dedicated, committed and motivated human resources as very valuable assets to achieve its organizational goals. The company has given high priority to the efficient management of its workforce. To achieve the highest productivity from the available workforce, each employee is provided with a clear job description and periodic evaluation of their work, based on which they are appropriately rewarded. The company is mindful that employees must maintain harmonious relationships with colleagues through communication, cooperation and collaboration to stay productive. To foster creativity among employees, the company has prioritized employee relations management. In order to make Nepal Telecom one of the best companies to work for in Nepal, the company actively works to create positive relationships between the company and employees, enhancing employee satisfaction and productivity. Since overall company productivity is based on the knowledge, skills and attitude of the employees working within the company, regular training programs are provided to enhance these aspects.



## 14.1 Recruitment of Employees

The company has implemented transparent policies, rules and norms to ensure the recruitment of skilled and competent employees. Hiring is conducted through a competitive selection process, adhering to the principles of inclusiveness. Additionally, employee recruitment follows the guidelines set by the Public Services Commission who are also involved in the recruitment process and conduct screening exams on behalf of the company.

## 14.2 Benefits and Facilities

The company offers attractive service benefits to its employees, including salary, allowances, bonuses and performance-based telecom allowances. Employees at Level 10 and Level 11 also receive vehicle facilities. Additionally, considering the inflation and price index, employee benefits are periodically reviewed and adjusted as needed.

## 14.3 Performance Contract

A performance contract has been signed between the Secretary of the Ministry of Communications and Information Technology, the Chairperson of the company's Board of Directors and the Managing Director. Additionally, similar agreements have been signed between the Managing Director and key executives, including the Chief Technical Officer, Chief Commercial Officer, Chief Operating Officer, Chief Human Resource Officer, Chief Financial Officer, Deputy Managing Director (Internal Audit and Inspection Department), Company Secretary, Director of Wireless Services Directorate and Director of Wireline and Customer Service Directorate.

Furthermore, performance agreements have been made between directors, departmental heads and managers. During the review period, the process of signing performance contracts with employees from Level 11 to Level 8 has continued. Additionally, job descriptions have been assigned to employees at all levels to ensure clarity in roles and responsibilities.

## 14.4 Training and Career Development

Training programs have been implemented to foster creativity, positivity and competence among the company's human resources. The Board of Directors recognizes that human resource development is essential not only for daily work but also for the introduction of new technologies and ideas to the company. The company views training as an investment, rather than an expense and is committed to preparing skilled and competent manpower. To keep up with the dynamic and technical environment and to encourage employee skill development, the company regularly organizes internal and external training programs and seminars. During the review year, a total of 109 trainings and 44 seminars/workshops were conducted by the Telecom Training and Research Center. Similarly 579 employees actively participated in the abroad training, workshops and seminars. The company evaluates employee performance annually based on established criteria to ensure transparent evaluation and facilitate effective performance growth. The details of active employees in the company are as follows:

### Training Details

S.No	Wing	No of Programs			Trainees/ Participants				
		Training	Seminar/ Workshop	Total	Male	Female	Officer	Non Officer	Total
1	Finance	9	7	16	313	76	374	15	389
2	Information Technology	22	1	23	301	66	222	145	367
3	Management	11	6	17	313	52	266	99	365
4	Marketing	8	6	14	304	56	327	33	360
5	Power	22	7	29	287	15	176	126	302
6	Wireless & Transmission	16	2	18	246	16	181	81	262
7	Wireline Access Network	21	0	21	189	16	58	147	205
8	Research Section	0	15	15	479	45	512	12	524
Total		109	44	153	2432	342	2116	658	2774

## 15. Contribution to the National Economy

Considering the pivotal role telecommunication services play in fostering economic development, the company has made an unparalleled contribution to nation-building. This contribution is evident through tax revenue collection, the reduction of the digital divide, the expansion of digital literacy, the realization of the concept of electronic governance and the establishment of a knowledge-based society. It's noteworthy that the majority portion of the company's total income, including income tax, value-added tax, Telecom service fees, royalty and dividends, is directed toward government revenue. This highlights the company's significant role in contributing to the country's gross domestic product. In the fiscal year 2023-24, our contribution to the government treasury for taxes and non-taxes amounted to NPR. 41.59 Billion.



## 16. Company's Plan on Digital Divide Reduction and Digital Framework

The development of communication and information technology has played a vital role in the overall progress of the country. The company has been providing affordable and dependable telecommunication services by utilizing suitable technology, even in remote and challenging areas where profitability is difficult to achieve. The expansion of internet access has significantly contributed to bridging the digital gap. The Government of Nepal has recognized the expansion of Internet access as a crucial pillar for implementing the Digital Nepal concept. As the Internet facilitates easy access to information, communication and other developmental opportunities, the company has placed special emphasis on expanding high-speed Internet services across the country using 4G/LTE technologies. The company's provision of broadband services through various technologies, including 4G/LTE, has significantly reduced both the digital and physical divides.

The company has been actively working to help drive Nepal towards economic and social progress by incorporating a total of eight major sectors into the Digital Nepal Framework.

### 16.1 Digital Foundation

The company has expanded its fiber optic services to 743 local levels across the country, with the goal of rapidly extending coverage to the remaining local levels. The company's fiber optic services aim to enhance digital literacy and provide easy access to electronic governance, among other services, at the local government levels. The company's objective is to make modern telecommunications services available to all citizens through wireless and wired technologies. Additionally, the company has also planned to launch 5G services in the coming days.

### 16.2 Agriculture

The company has expanded its services under the wireless and wired services along with Value Added Services (VAS), to provide connectivity and associated services using various methods in the agricultural sector. The company aims to contribute to the growth and improvement of agricultural production and productivity through these services.

### 16.3 Health

The company has implemented advanced services such as Telehealth and Telemedicine, extending coverage to nearly all healthcare centers nationwide. This initiative ensures access to healthcare services even in rural areas. Moreover, the company provides health-related information through free services like Bulk SMS and CRBT.





## 16.4 Education

The company is committed to supporting the Government's goal of enhancing development of the education sector through digital means. The company has gained trust by using various wireless and wired technologies to contribute to this objective. Additionally, the company provides education-related information to students through free services such as Bulk SMS and CRBT. Moreover, it operates various offers/packages, including the distribution of free SIM cards and educational materials for students.

## 16.5 Energy

The company operates wireless services in locations specifically designated for energy production, particularly in places where electrical power is generated. Additionally, the company is distributing M2M SIM cards for smart meters provided by Nepal Electricity Authority.

## 16.6 Tourism

The company provides modern and high-quality communication services in tourist destinations. Additionally, the company operates a "Tourist SIM and Tourist Packages" to attract tourists.

## 16.7 Finance

The company operates services to digitize financial services through wireless and wired technology. SIM cards are available in various PoS devices and machines. Moreover, the company, in collaboration with Nepal Digital Payments Company Limited, provides a digital wallet service called "Namaste Pay" for transactions, even without the Internet. Customers can make payments by scanning QR codes at the company's customer service centers using various mobile financial services, including "Namaste Pay", other wallet services and mobile banking.

## 16.8 Urban Infrastructure

The company is committed to expanding its services with the appropriate management of urban infrastructure development, including the enhancement of urban aesthetics in due course. It adheres to suitable standards for expanding and developing services and collaborates with relevant authorities for effective coordination and cooperation.

As part of the Digital Nepal initiative, the company is actively operating nationwide wireless and wired services using appropriate and modern technology to improve essential services related to urban infrastructure. These services include water management, waste management and public transportation. The company is also eager to collaborate further with the respective stakeholders and government bodies at various levels to ensure that the development of telecom infrastructure happens in coordination with these agencies to enhance their effectiveness.

# 17. Future Plan and Program

## 17.1 Developing Infrastructure with Modern Technology for Expansion of Telecommunication Services:

- Enhancing the Backbone Network to support 4G/LTE services and expanding FTTH coverage.
- Utilizing shared infrastructure to reduce construction costs and improve efficiency.
- Collaborating with the Nepal Telecommunications Authority and the Ministry of Communication and Information Technology to develop essential infrastructure (towers, transmission links, power systems and RAN equipment) in remote Himalayan and hilly regions using the Rural Telecommunication Development Fund. (RTDF)
- Expanding the Multiple Cross-Border Optical Fiber Network to ensure a reliable international information highway.
- Completing the Optical Fiber Network project along the Mid-hill Highway through the RTDF.
- Identifying underserved areas and installing towers, power systems and BTS to ensure comprehensive service coverage.
- Deploying solar power systems in regions without electricity access.
- Strengthening project management for systematic and efficient execution.

## 17.2 Nationwide Expansion of Wireline and Wireless Services

- Gradual phase-out of 2G services operating at 1800 MHz, with an upgrade of B3 LTE bandwidth to 20 MHz.
- Expansion of international leasing services.
- Further enhancement of roaming services.
- Feasibility study for the commercial implementation of Travel e-SIM.
- Transitioning copper-based customers to Optical Fiber-based FTTH service.
- Improving the efficiency of FTTH service delivery and maintenance.
- Expanding broadband internet access through alternative technologies in areas where FTTH has not yet been deployed.
- Facilitating IPTV broadcasting services.

## 17.3 Enhancement of Service Quality

- Ensuring that Key Performance Indicators (KPIs) meet the standards set by both the regulatory body and the company.
- Establishing and refining necessary standards to enhance the effectiveness of maintenance and operations.
- Optimizing the use of advanced technology, resources, tools and manpower to improve maintenance and operations.
- Strengthening the efficiency of the Integrated Network Operation Center.
- Enhancing the quality of national and international collaborations.
- Continuation of efforts to organize aerial cables.
- Modernization of the Power System.
- Attracting corporate customers through Service Level Agreements (SLA).
- Strengthening system and cyber security to safeguard company operations.
- Controlling unauthorized calls and SMS.
- Conducting research on the competitive telecommunications market to introduce the latest services.
- Establishing bilateral agreements with other telecom providers to offer interconnection services at affordable and competitive rates.

## 17.4 Customer Base Growth and Revenue Assurance

- Implementing promotional programs to expand the customer base.
- Increasing the number of corporate customers.
- Expanding and diversifying Value-Added Services (VAS).

## 17.5 Organizational, Managerial and Competitive Capacity Building & Systemic Improvement

- Providing performance-based telecom allowances to employees.
- Implementing institutional reforms and development initiatives.
- Introducing various employee retirement plans.
- Enhancing management and operational efficiency through training programs for employees.
- Improving employee benefits, character development and motivation.
- Strengthening relations between trade unions and management for a collaborative work environment.



## 17.6 Development of Institutional Governance and Internal Control System

- Strengthening Standard Operating Procedures (SOPs) as needed.
- Conducting management, technical and operational audits.
- Enhancing monitoring and supervision processes.
- Ensuring effective auditing to uphold financial discipline and good governance by adhering to internal audit procedures, company financial regulations, employee regulations, corporate law, income tax law and other applicable laws and directives.
- Implementing revenue assurance measures and conducting technical and performance testing of various company services.

## 17.7 Increase in Revenues and Profits

- Expanding Internet of Things (IoT) services to drive growth.
- Diversifying investments to maximize returns.
- Enhancing the efficiency of the auction process.
- Implementing economic discipline and austerity measures by reducing unproductive expenses.

## 18. Awards and Recognitions

On the occasion of the 13th National Tax Day 2081, the company has been felicitated by the Inland Revenue Department as the highest income-tax payer for the fiscal year 2022-23 among all entities filing income tax returns.

## 19. Achievements of the Current Fiscal Year

In the pursuit of nationwide high-speed wireless 4G/LTE services, the company has successfully added 66 eNodeBs, resulting in a total of 6737 BTS/eNodeBs in operation by October 2024. The deployment of these additional eNodeBs has significantly expanded 4G/LTE services, making them available in 743 local levels across all seven provinces, covering all the 77 districts by October 2024.

As of the current fiscal year, the FTTH service has expanded its network capacity to a total of 2,059,400 through FDC Port, with a line capacity of 1,791,439. Out of this, a total of 717,245 FTTH subscriptions have been distributed, including 306,025 Data, 362,367 Voice and 48,853 IPTV subscriptions.

The operation of the optical fiber network for telecommunications infrastructure along the Mid-Hill Highway, constructed using the Rural Telecommunication Development Fund of the Nepal Telecommunications Authority, has commenced.

Under the Rural Telecommunication Development Fund mobilization project constituting the routes in Koshi, Madhesh and Bagmati provinces, a total of 1,395 km of optical fiber network expansion was completed by the end of the fiscal year 2080/81 along the Mid-Hill Highway and various routes connecting district headquarters.

Similarly, under the program to extend the optical fiber network (UG/ADSS) along different routes of the Mid-Hill Highway to connect district headquarters in Karnali and Sudurpashchim provinces, an additional 672 km of optical fiber network has been added by utilizing the company's existing OFC network. With this, a total of 977 km of optical fiber network has been established to provide services in Karnali and Sudurpashchim provinces.

To ensure that the company's ongoing projects are completed on time, monitored effectively and that the company operations remain efficient, the management has signed performance agreements with departmental heads and periodically reviews progress. This initiative is expected to enable timely implementation of projects, expansion of infrastructure and network and an overall increase in the company's revenue and customer base.

## 19.1 Financial Achievements in the Current Fiscal Year by the Company:

Description	Target of FY 2024-25	Till October 2024	
		Progress	Progress (Percentage)
Revenue (Billion)	46.19	10.06	21.78
Profit (Billion)	9.55	1.73	18.20

## 19.2 Business Achievements in the Current Fiscal Year by the Company:

Description	Target of FY 2024-25	Till October 2024	
		Progress	Progress (Percentage)
GSM	2,050,000	479,630	23.40
FTTH	125,000	12,594	10.08

## 20. Operation and Financial Performance of Subsidiary Company

### About the Company

A subsidiary company "Nepal Digital Payments Company Limited" has been established in collaboration with Rastriya Banijya Bank Limited to provide mobile financial services to the general public. Nepal Digital Payments Company Limited (NDPC) was established on 28th July 2020 as a public limited company under Companies Act, 2063 and has obtained licenses from Nepal Rastra Bank under Payment and Settlement Act, 2075.

NDPC has been established with the objective of providing easy, affordable, reliable and convenient digital payment services across the country. As a new service provider in the market with the brand 'Namaste Pay' from September 12, 2021, the company aims to create a digital society by including the banking and digitally inaccessible population in the cashless financial system.

### Financial Performance of Nepal Digital Payments Company Limited

Amount in NPR	2023-24	2022-23
Operating Income	39,968,159	15,439,758
Finance Income	19,471,131	29,558,170
Other Income	87,073	43,129
Total Income	59,526,363	45,041,057
Employee Expenses	26,691,004	19,037,376
Operation and Maintenance Expenses	35,852,982	15,173,232
Advertisement and Promotion Expenses	8,945,654	31,460,714
Office Operation Expenses	13,382,237	16,315,210
Total Expenses	121,849,208	114,946,952
Profit/ (Loss)	(47,449,848)	(53,218,129)
EPS	(11.86)	(13.30)
Net worth Per Share	67.12	78.35

## 21. Disclosure of Information Under Section 109 of Companies Act (First Amendment), 2063

### Overview of Last Year's Business

Detailed Information is mentioned in the report of Board of Directors





### Impacts caused on the transactions of the company, if any from National and International Situation:

The challenges in expanding, distributing and maintaining services arise from issues related to the supply of equipment and other essential goods. These challenges are intensified by the global economic crisis, attributed to various factors.

### The opinion of Board of Directors regarding the achievements of the current fiscal year and the work to be done in the future up to the date of preparation of the report:

Detailed information about this is mentioned in the report of Board of Directors

### Industrial or commercial relations of the company:

Detailed information about this is mentioned in the report of Board of Directors

### Changes in the Board of Directors and the reason for change:

Detailed information about this is mentioned in the report of Board of Directors

### Key Factors Affecting Business:

The overall turnover of the company has been affected due to the following reasons:

- Increased competition and technological advancements (such as the utilization of Over-The-Top applications) have impacted the company's revenue growth.
- The challenge of geographical diversity poses difficulties in installing and operating telecommunication equipment.
- Adapting to rapid technological changes requires providing services based on the latest technology and shrinks the time available for return on the investment.
- Attracting new customers is imperative in the face of heightened competition.

### If any qualification is mentioned in the audit report, Board of Directors' response:

The attention of the board of directors has been drawn on general qualification, feedback and suggestions seen in the regular business in the audit report and necessary action have been taken for resolution.

### Recommended Amount to Distribution Dividend:

According to the Companies Act, 2063, the Board of Directors has recommended to distribute cash dividends at the rate of 30 percent of the paid-up capital, amounting to Rs. 5.4 billion (including tax) from the profit amount of the fiscal year 2023-24 with the approval of the Government of Nepal.

### Details of shares forfeited (number of shares, face value, amount received by the company prior to forfeiture, amount received by the company after putting such forfeited shares into subscription and amount refunded on account of forfeited shares):

No shares have been forfeited in the review period.

### Transactions, progress and financial position of the company and its subsidiary company during the period:

Transaction and progress of the company and its subsidiary company are disclosed in the Report of the Board of Directors. Financial positions of the company are disclosed in the financial statement section.

### Main transactions carried out by the company and its subsidiary company during the financial year and any important changes in the business of the company during the period:

Major transactions of the company and its subsidiary company have been disclosed in the Report of the Board of Directors.

### Any information given to the Company by its substantial shareholders (holding share more than 1%) during the financial year:

No such information received from substantial shareholders.

### Particulars of the ownership of shares taken up by the Directors and office-bearers of the company

during the previous financial year and information received by the company from them about their involvement, if any, in the transactions of the shares of the company:

No such information received from Directors and office bearers of the company.

Particulars of information furnished by any Director or any of his close relatives about his personal interest in any agreement connected with the company signed during the previous financial year:

The company has not received any such information.

Buyback of share by the Company, reason thereof for buyback and number of shares bought back, face value of share and amount paid during the buyback:

The company has not bought back any shares during the review period.

Whether or not there is an internal control system and if there is any such system, details thereof:

Details about the internal control system have been disclosed in the Report of the Board of Directors.

Details of management expenses incurred during the year:

Detailed information about management expenses has been disclosed in the Financial Statements section.

Any remarks and observations stated in the Auditors' Report and Board of Directors' response thereon:

No material issues and observations are noted in the audit report and necessary action has been taken for resolution.

Payments due, if any, to the company from any Director, Managing Director, Executive Chief or substantial shareholder (holding share more than 1%) of the company or any of their close relatives, or from any firm, company or corporate body in which he/she is involved:

The company has no such dues.

Details of Salaries and Benefits Paid to the Managing Director and Officials:

In the FY 2023-24, a total amount of NPR 129,693,671 (In words: One hundred twenty-nine million six hundred ninety-three thousand six hundred seventy-one rupees only) was paid as salaries and other benefits to officials of level 10 and above.

Dividends yet to be collected by Shareholders:

Total dividends yet to be collected by the shareholder amount to NPR 311,624,164 (In words: Three hundred eleven million six hundred twenty-four thousand one hundred sixty-four rupees only) at the end of the FY 2023-24.

Detail of purchase or sale of property with subsidiary company as per Clause 141:

No such transactions have been carried out.

Details of related party transaction as per Section 175 (transactions between associated companies):

Information relating to this is disclosed in the notes to Financial Statement section of Audit Reports.

Any matter to be mentioned in the Report of the Board of Directors under Companies Act, 2063:

All required matters are disclosed in the appropriate part of this report and financial statements section.



On behalf of the board of directors, I extend my sincere gratitude to the company's shareholders and well-wishers for their unwavering support, cooperation and encouragement towards the advancement and progress of the company. I also express my thanks to the Government of Nepal, Ministry of Communication and Information Technology, Nepal Telecommunications Authority, Securities Board of Nepal, suppliers and media personnel for their continuous support and guidance in the development and expansion of the company's services.

I would like to extend a special thanks to the company's management and employees, who are constantly and diligently working for the company's development and progress. The Board of Directors appreciates the commitment, diligence and honesty of the employees towards the progress of the company and expects their continued commitment in the coming years.

I reiterate the company's commitment to provide more quality services based on the latest technology in the future, as per the wishes of our valued customers. Lastly, I express my sincere gratitude to all our esteemed customers who have given us the opportunity to provide services and I look forward to their continued cooperation and goodwill in the future.

Thank you,

On behalf of Board of Directors

Ms. Radhika Aryal

Chairperson

Date: 12 January 2025



# BUSINESS ACHIEVEMENTS





## BUSINESS LANDSCAPE

Nepal Telecom has been playing a vital role in the development, expansion and operation of telecommunication services through various state-of-the-art technologies and equipment to realize the Government of Nepal's vision of transforming the country into an information and knowledge-based society through the use of information and communication technology. As a dynamic institution with a broader national development goal, the company remains committed to customer service, ensuring reliable telecommunication services across the country and making a significant contribution to the socio-economic development of the nation. The company is consistently active in its mission to provide affordable and reliable telecommunication services to all while maintaining its position as the country's leading telecom service provider. The trust of valued customers, collaboration with business partners, confidence of shareholders and the relentless dedication of employees serve as key factors in achieving this vision.

The increasing use of information and communication technology (ICT) globally has brought about multifaceted transformations. In the current context, where ICT has become essential for sustaining modern society and the economy, it remains at the core of strategies aimed at achieving broader sustainable development goals. Today, ICT has had a profound impact on all aspects of human life, including communities, organizations and economic, social and technological sectors. The opportunities created through its development and applications have significantly enhanced the ease of daily life for people.

ICT is facilitating and empowering digital education by expanding access to e-learning, online classes and digital educational resources, providing equal opportunities for students in both rural and urban areas. Its integration into healthcare services has improved citizens' quality of life. Additionally, ICT has played a vital role in fostering entrepreneurship and job creation. Through e-governance systems, public services delivered by the government have become faster, more transparent and more efficient.

Recognizing its significance, the Government of Nepal has prioritized ICT as a national agenda and formulated dedicated policies to support its growth. The effective implementation of concepts such as the Digital Nepal Framework, Digital Economy, Smart City and Smart Society will establish Nepal in the digital era, enhancing its competitiveness in this sector.

The company remains proactive in addressing the challenges posed by technological advancements and effectively utilizing emerging opportunities. Nepal Telecom is not solely focused on profitability but is committed to providing reliable telecommunication services at affordable rates across diverse geographical terrains, from accessible urban areas to the most remote locations, by utilizing appropriate technologies.

The company plays a crucial role in infrastructure development to expand telecommunication services nationwide, ensuring access to communication and information technology in rural and remote areas. This effort helps bridge the digital divide and realizes the concept of digital inclusion in Nepal. These initiatives significantly contribute to the country's economic development, improve the living standards of citizens and reduce the digital divide.

Furthermore, past efforts in service expansion and development have led to widespread access to telecommunication services and increased Internet usage in Nepal. As a result, the ICT sector has played a vital role in enhancing competitive intensity within the telecommunications industry.

By the end of Ashwin 2081, the company has provided telecommunication services to 21,884,631 customers across the country. As a result, the tele-density of the services provided by the company has reached 73.68%. Among the total customers 21,419,560 are using GSM mobile services, 89,481 are subscribed to PSTN (landline) telephone services, 375,590 are using FTTH voice services and 322,632 are using FTTH data services. Similarly, by the same period, the number of Internet service users, including ADSL, FTTH, mobile data and leased lines, has reached 21,745,239. According to the MIS Report published by the Nepal Telecommunications Authority (NTA) as of Ashadh 2081, Nepal Telecom holds a 63.55% market share in the overall voice service segment and 71.85% market share in broadband (data) services. Considering the rapid technological advancements, evolving social landscape and shifting business environment, the company recognizes the need to enhance its service delivery further. Despite growing customer expectations, fast-paced technological developments, rising competition and continuously decreasing service prices, Nepal Telecom has successfully maintained its market leadership and reputation by retaining the trust of both its customers and investors.

# COMPANY PRIORITIES

## “Nation Building is Our Goal”

In the context of modern society, where the use of information and communication technology has become almost mandatory, the increasing adoption of this technology has made urban and semi-urban areas a reliable source of revenue and profit for telecommunications service providers. Despite the pressure to ensure steady income and profit in a competitive market, the company has continued to expand its services beyond profitable areas by adopting various technologies to extend its reach to rural and non-profitable regions as well.

The development, expansion and operation of services confined only to urban and semi-urban areas cannot reduce the digital divide or realize the vision of digital inclusion. Therefore, as the country's leading service provider and a responsible public entity, the company is actively working to ensure equal access to services even in remote and underdeveloped areas, despite the lack of profitability. By integrating rural and remote populations into the digital era, the company has contributed to education, healthcare and employment opportunities through technology.

By utilizing technologies such as 4G and FTTH, the company has expanded high-speed internet and data services, significantly contributing to the realization of the Digital Nepal initiative. Furthermore, collaboration with various stakeholders in establishing permanent and emergency communication systems for natural disasters and other emergencies has made disaster management more effective.

As one of the largest taxpayers in Nepal, the company's contribution to the national economy plays a crucial role in the country's development.

## Dedicated to Customer Service

Providing affordable and high-quality telecommunication services to every corner of the country, the company remains committed to maintaining its status as a premier service-oriented business institution. Embracing the core value of "Dedicated to Customer Service", the company is steadfast in fulfilling the evolving expectations of its customers. In the course of meeting our customers' comprehensive communication needs, the company firmly believes that "Superior Customer Service" is the cornerstone of its business success.

## Transparency

Since its incorporation, the company has adhered to the highest standards of institutional governance and transparency. It prepares all its transactions and financial reports in accordance with national and international standards and publishes them quarterly through daily newspapers as well as its official website.

The company's business operations and transactions are regularly audited by both internal and external auditors. Additionally, the company consistently provides information regarding its services, tariffs, projects, operations and corporate social responsibility initiatives to the general public. The company remains deeply committed to ensuring the highest level of transparency and efficiency in all its activities and service operations.

## Innovation in Technology

With the changing environment, technological advancements and evolving customer expectations, the company has been actively modernizing basic and value-added services such as landline telephony, mobile telephony and broadband internet by adopting the latest technologies available in the global market.

The company has expanded 4G/LTE services to 743 local levels across all 77 districts in all seven provinces of the country, with further expansion underway. Similarly, FTTH (Fiber to the Home) services, which provide voice, data and television through a single fiber connection, have already been extended to all 77 districts.

To facilitate electronic payments, the company, in collaboration with Rastriya Banijya Bank, has established Nepal Digital Payments Company Limited (NDPC). NDPC is providing mobile financial services through its "Namaste Pay" mobile wallet service. Additionally, QR code-based payment systems have been introduced at customer service centers.

Continuously adopting innovative technologies to meet customer expectations, provide high-quality services and remain competitive, the company has recently launched "Maina," an AI-powered robot at its Sundhara Telecom Office. This robot assists customers by addressing their inquiries and providing information about telecom services and new packages as part of a pilot project.



# CUSTOMER SERVICE AND RELATIONS

Embracing the core value of "Dedicated to Customer Service," the company remains committed to delivering exceptional customer service by meeting the evolving expectations and demands of its valued customers. With over 21.8 million customers, Nepal Telecom has established itself as the largest telecommunication service provider in the country. The company continues to move forward toward achieving its motto, "Nation Building is Our Goal," with the strong support and goodwill of its customers. In this regard, the guidance, feedback and suggestions from customers have been instrumental in the progress and prosperity of the company.

Dedicated to customer satisfaction and service excellence, the company is committed to maintaining and strengthening a harmonious relationship with its customers while providing reliable telecommunication services across the country. To enhance customer convenience, the company has introduced SMS and web-based Self-Care Portal and Mobile App, enabling customers to purchase services, choose packages, recharge accounts and register complaints without physically visiting NT offices or customer service centers. Additionally, the company actively addresses complaints and feedback received through social media platforms in a timely manner.

The company firmly believes that its strong relationship with customers plays a crucial role in delivering a high-quality customer experience and fulfilling its commitment to service excellence.

## Information Dissemination

Regular information flow plays a crucial role in establishing a strong connection with consumers, enhancing customer satisfaction, maintaining trust in the company's services and ensuring business transparency and success. To raise awareness about its services, keep customers well-informed and provide timely updates, the company actively utilizes various communication channels, including FM radio, newspapers, television and social media platforms.

- Telecom Offices and Customer Service Centers**  
 To keep consumers well-informed about the company's services and provide necessary support for service purchases and after-sales assistance, telecommunication offices and customer service centers have been established and are operating in various locations across the country.
- Radio, Television and Newspapers**  
 To raise awareness about service usage, inform customers about available services and provide timely updates, the company extensively utilizes FM radio, newspapers and television as key communication channels. These mediums play a significant role in maintaining close engagement with customers and the company remains actively committed to enhancing their effectiveness.
- SMS Services**  
 To deliver various company-related updates, important public messages and announcements quickly, effectively and directly to customers, the company utilizes SMS services. This service has proven to be highly effective in notifying customers about technical issues, maintenance schedules and service disruptions, as well as informing them once services are restored. Additionally, SMS services are used to promote special offers and new packages launched by the company.
- Company Website and Social Media**  
 With the rapid advancements in communication and information technology and its increasing accessibility, there has been a significant shift in how people consume information. Recognizing this change, Nepal Telecom has been utilizing its website and social media presence as effective channels for information dissemination. Given the widespread use of smart-phones, computers, laptops and tablets, delivering information through websites and social media has proven to be a highly effective business strategy. Keeping this in mind, the company actively provides updates, addresses customer complaints and facilitates service delivery through its official website and social media channels, including Facebook, X (Twitter), Instagram, LinkedIn, YouTube, Viber Community and TikTok. To enhance user experience and service accessibility, the company regularly updates and upgrades its website for better functionality and efficiency. Here are the official links to Nepal Telecom's website and social media pages:
  - ◆ Website: [www.ntc.net.np](http://www.ntc.net.np)
  - ◆ Facebook: [Nepaltelecom.NT](https://www.facebook.com/Nepaltelecom.NT)
  - ◆ Twitter: [ndcl\\_nt](https://twitter.com/ndcl_nt)
  - ◆ Instagram: [nepaltelecomofficial](https://www.instagram.com/nepaltelecomofficial)
  - ◆ YouTube: [NepalTelecom](https://www.youtube.com/NepalTelecom)
  - ◆ LinkedIn: [Nepal Telecom](https://www.linkedin.com/company/NepalTelecom)
  - ◆ Viber: [NepalTelecom](https://www.viber.com/NepalTelecom)



#### • Chatbot and Robot

The company has integrated a chatbot on its website and Facebook Messenger to provide customers with information, address complaints and facilitate service delivery. This has helped make the process of sharing service-related information and resolving customer concerns more efficient. As part of a pilot project, this year the company has also introduced “Maina” robot at its Sundhara Telecom Office to provide information about telecom services and new packages, while also addressing customer queries. This initiative aims to enhance customer service and engagement.

#### • Spokesperson and Information Officer

The company regularly releases public information about its services, plans and new projects through its spokesperson. By coordinating with journalists and media professionals, the spokesperson plays a key role in establishing communication between the company and the public, as well as discrediting misleading information to build a positive image of the company.

In addition, as directed by the Right to Information Act, 2007, the company has designated an Information Officer to manage and facilitate flow of information. The Information Officer’s role is crucial in respecting and protecting citizens’ right to information, ensuring the accurate dissemination of information and enhancing transparency in the company’s operations, ultimately increasing customer trust and public participation.

#### • Mobile App

The company provides information about various services through the Nepal Telecom App (NT App). To make it easier for customers to access service details and updates, the company continuously adds new features to the app to improve its functionality. Through the mobile app, customers can get information about Nepal Telecom’s services, such as GSM, PSTN, ADSL, FTTH and more. The app allows users to purchase packages, check service consumption, pay bills and access many other services. For the convenience of users, data consumed for the use of Nepal Telecom mobile app, website and government websites (.gov.np) is free of charge. This app is available for download on Google Play Store and iOS App Store.





## Customer Service Center

Nepal Telecom is committed to providing seamless customer support by offering comprehensive information about its services and facilities through dedicated customer service centers. The company considers customer base growth and effective service delivery as key indicators of its success. Accordingly, it continuously integrates the latest global technologies to meet the evolving needs and preferences of its customers.

To enhance customer experience and efficiently address inquiries and complaints, Nepal Telecom utilizes multiple communication channels, including Chatbots, IVR (Interactive Voice Response), USSD, SMS, Social Media and its official Website. Additionally, customer support services are available through the company's offices in all 77 districts, ensuring accessible and prompt complaint resolution.

By adopting modern customer engagement strategies and expanding its support channels, Nepal Telecom remains committed to delivering high-quality, customer-centric telecommunication services.



## New Sources of Revenue

The company generates revenue from a variety of services, including wireline services, wireless services, SMS services, broadband Internet, leased line services, interconnection services, international calling services and value-added services. Key sources of income under these services include (a) national and international voice calls made through landline and mobile phones, (b) roaming services used by foreign tourists visiting Nepal or Nepalese citizens traveling abroad, (c) mobile and FTTH data services, (d) SMS services, (e) NTTV services and (f) other value-added services. Additionally, the M2M (Machine to Machine) service, used by various organizations to establish connections between their devices, has become an emerging source of income for the company. In line with its infrastructure-sharing policy, the company has created additional revenue streams by renting out towers, optical fiber and other resources to other telecom service providers.

The company's total revenue is 85.45% from service sales and 14.55% from other income sources. Most of the services are provided on a prepaid basis or with credit limits, which helps mitigate the risk of outstanding payments and positively impacts cash flow. Additionally, the company has diversified its income sources by investing in the hydropower sector including projects like Upper Tamakoshi Hydropower Limited, Trishuli Jalbidhyut Company Limited and the Hydroelectricity Investment and Development Company Limited. The company has also made investments in other sectors such as Nagarik Stock Dealer Company Limited and Nepal Digital Payments Company Limited. Furthermore, it generates additional income by investing in term deposits and debentures with commercial banks and national-level development banks.

The company plays a supportive role in delivering essential services like education and healthcare to targeted groups, thereby making telecommunications service delivery more effective. In this regard, the company aims to remain a leader in the future by addressing customer demands through modern services. One of the key priorities is to identify various business sectors under IoT (Internet of Things) and develop necessary action plans to cater to these emerging needs.

# FOUNDATION OF THE COMPANY'S SUCCESS

## Our Services and Customers

Since its establishment, Nepal Telecom has consistently adopted the latest technologies to provide high-quality and reliable telecommunications services at affordable rates, fulfilling the communication needs of its valued customers nationwide. To achieve this, the company has introduced a variety of services based on different technologies and has remained actively engaged in modernizing its offerings with the latest global technological advancements.

For over a hundred years and in various institutional forms, Nepal Telecom has been dedicated to the development and expansion of the country's telecommunications sector. Since its inception, it has received immense support and goodwill from customers and well-wishers. With more than 21.8 million customers, Nepal Telecom has established itself as the leading telecommunications service provider in the country and continues to move forward unwaveringly toward its goals. The technologies company has adopted, the diverse services it offers and the trust placed in it by its consumers serve as the primary foundations of its success.

## Basic Telephone (PSTN) and FTTH Service

Nepal Telecom introduced basic telephone service in 1913 with the establishment of the first telephone line in Kathmandu. Continuing its service expansion, the company became the first in South Asia to provide fully automated digital telecommunication services in 1983. Currently, the company delivers services nationwide through various exchanges.

Transitioning from the traditional TDM-based system to an IP-based system, Nepal Telecom now operates IP-based soft switches, IP Multimedia Subsystems (IMS) and Media Gateways. The company has already upgraded its technology to provide Voice, Data and Television (Triple Play) services through IP-based Next Generation Networks (NGN), IMS and Access Gateways. Under the ongoing TDM Migration project, older exchanges are being replaced with Access Gateways.

As a result, Copper-based PSTN and Optical Fiber-based FTTH services are now operational. As of the end

of Ashwin 2081 (October 2024), Nepal Telecom has 89,481 basic local telephone subscribers. In the FTTH service category, the company has expanded its network with an FDC Port capacity of 2,058,306, supporting 1,845,158 line. A total of 737,523 FTTH subscriptions have been distributed, including 315,802 data services, 367,020 voice services and 54,701 IPTV services.

### Key features of basic telephone services include:

- Local, National and International calls (Access code: 00, 1424, 1425, 1445)
- Caller ID (CLIP)
- Locking Code
- Call Hunting
- Three Party Conference
- Call Transfer
- Call Waiting
- Abbreviated Dialing
- Wake-up Call

## Telecommunication Services via Satellite Technology in Rural Areas

To extend telecommunication services to customers in extremely remote and inaccessible geographical locations where providing such services is challenging, the company has been offering VSAT service through Satellite Backhaul. The company has successfully won people's trust by delivering services even in extremely remote areas, despite the low return on investment.

Since the establishment of the Sagarmatha Earth Station on October 19, 1982 (2 Kartik 2039 B.S.), the company has continuously provided such services. Additionally, satellite technology has played a crucial role in ensuring emergency communication services during disasters such as earthquakes, floods and landslides, aiding in rescue operations.





## GSM Based Mobile Service

Nepal Telecom officially launched GSM mobile services in Nepal for the first time on 30 Baisakh 2056 B.S. (May 13, 1999 AD) from Kathmandu. Over time, with advancements in GSM technology, services evolved from third-generation (3G) to the latest fourth-generation (4G/LTE) technology. The 4G/LTE service was launched on Poush 17, 2073 BS (January 1, 2017 AD) in Kathmandu and Pokhara.

Currently, 4,177 eNodeB towers have been installed across all 77 districts, expanding the service to 743 local levels. As of Ashwin 2081 (October 2024 AD), Nepal Telecom has 21,419,560 (21.42 million) GSM mobile subscribers.

Additionally, the fifth-generation (5G) technology service was tested starting from January 1, 2022 AD and the trial has been successfully completed.

### Services available under Wireless Mobile are:

- Prepaid and Postpaid services
- SMS service
- Various Value-Added Services (VAS)
- International roaming service
- Friends & Family service
- CRBT (Caller Ring Back Tone) service
- Call forwarding, call waiting and call hold services
- Closed User Group (CUG) service
- Voice and data packages
- VoLTE service
- Other services

## Internet Service

Nepal Telecom launched its first Internet service in May 2000 using dial-up technology, which was the latest innovation at that time and operated through local telephone lines. With technological advancements, the company now provides modern and globally used wired Internet services, including FTTH (Fiber to the Home), ADSL and Leased Line services.

Currently, Nepal Telecom offers Internet services through various technologies, as listed below:

### Wireline Internet Service

#### • Leased Line Service

Targeting large business organizations, Nepal Telecom introduced Leased Line Service using optical fiber and copper leased circuits based on Dedicated Data Lease technology. The demand for leased services using optical fiber is increasing, especially among customers requiring higher bandwidth.

Initially, the company provided a minimum bandwidth of 512 Kbps through copper leased circuits. However, with optical fiber technology, the minimum bandwidth has now been upgraded to 2 Mbps.

As of Ashwin 2081 (October 2024), the total number of Internet Leased Line and Intranet Leased Line customers is 2,384.

Additionally, Nepal Telecom provides: E1 Leased Circuit services to Internet Service Providers (ISPs) and IPLC (International Private Leased Circuit) services to international businesses and diplomatic entities.

#### • ADSL Internet Service

Nepal Telecom has been providing broadband Internet service based on ADSL technology alongside basic telephone services operating through copper cables. However, due to technological advancements and increasing customer demands, ADSL technology is no longer sufficient. Therefore, the company aims to migrate all ADSL customers to high-speed internet services provided via optical fiber (FTTH).

As of Ashwin 2080 (October 2023), there were 32,580 customers using ADSL-based broadband internet. After migrating to FTTH technology, this number decreased to 3,047 by Ashwin 2081 (October 2024). The company plans to complete the migration of remaining ADSL customers to high-speed FTTH internet services within this fiscal year.



● **FTTH Internet Service**

To meet the growing demand for broadband internet, Nepal Telecom has replaced the old copper cable network with high-speed FTTH service. As of Ashwin 2081 (October 2024), the company has expanded its FTTH network capacity to 1,845,158 lines through 2,058,306 FDC Ports.

A total of 737,523 FTTH subscriptions have been distributed, including 315,802 data connections, 367,020 voice connections and 54,701 IPTV connections.

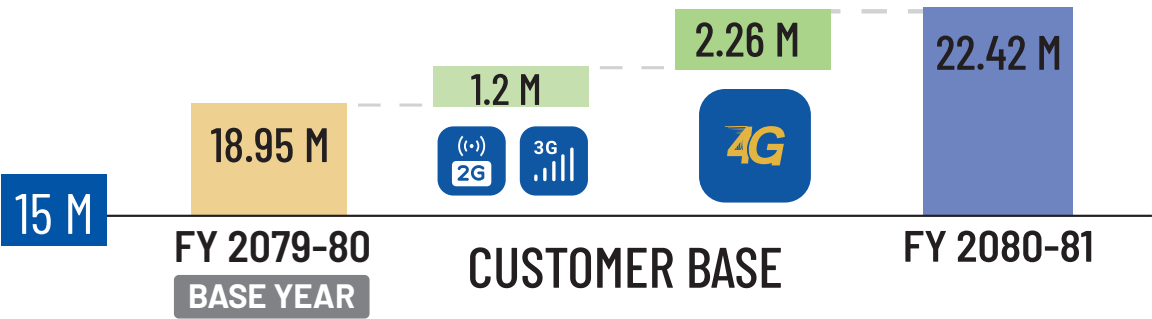
● **SIP-PBX Service**

Nepal Telecom introduced the SIP-PBX service in Baisakh 2075 (April 2018), specifically targeting business organizations and office use. Currently, there are more than 467 institutional customers using this service. It was launched to replace the old PABX and PRI Line systems that operated on copper networks. In addition to providing telephony over broadband intranet and Internet leased line services, SIP-PBX allows multiple telephone lines to operate through a single fiber connection, enhancing efficiency and connectivity.

**Wireless Internet Service**

Nepal Telecom provides wireless Internet services through GSM and 4G/LTE technologies. As of Ashwin 2081 (October 2024), a total of 21,419,560 customers are using wireless Internet services via GSM 2G/3G/4G networks. Additionally, Namaste WiFi service has been introduced in areas where fixed broadband is unavailable but 4G/LTE coverage is accessible.

**WIRELESS CUSTOMER HIGHLIGHTS**





## Value Added Services (VAS)

Company has been providing various additional services apart from the basic telecom services such as voice, data and SMS. These valued added services include the following:

### Wireline Value Added Services

- **Toll-free Number Service**

Many organizations across the country have benefited from this service. Under this service, an organization can obtain the same toll free number across its branches and outlets. The calls to these numbers are reverse-charged, i.e. the call charges are imposed on the owner of the number and not on the calling party. Organizations use this service to expand their customer base by enabling free telephone calls from customers to the organizations.

- **Notice Board Service**

Commercial organizations, schools, colleges etc use this service to provide automated and repetitive messages to person calling in to their official numbers. Clients can upload their audio messages to the notice board easily by calling pre-defined numbers and recording the messages. The callers to the designated numbers then can listen to these messages. This service has been very useful to provide information about new products, to disseminate information about weather, flight information of airline companies and other various services such as exchange rates, horoscopes, breaking news etc.

- **Interactive Voice Response (IVR) Service**

This service enables automated voice interaction between the caller and the service entity. The caller provides her identification number such as exam symbol number or class roll number etc and get automated information from the system. This service has been very effective in exam result publication.

Currently, the services are being provided with their specific codes:

- SEE Result Enquiry - Code 1600
- 10+2 Result Enquiry - Code 1601
- TU Result Enquiry - Code 1602

- **NTTV Service**

Besides voice and Internet services through FTTH technology, the company has also been offering NTTV television service based on IPTV technology since January 1, 2021. To make the NTTV service more attractive, an à-la-carte pricing system was implemented from 20 Chaitra 2080. As of the end of Ashwin 2081, a total of 54,701 customers have subscribed to this service.

### Wireless Value Added Service

- **Caller Ring Back Tone (CRBT)**

Caller Ring Back Tone (CRBT) is a highly popular Value-Added Service (VAS) among mobile service users. This service allows a person making a call to hear a tune, song, informative message, or jingle until the receiver picks up the call. With CRBT, mobile phone users can personalize their phone's ring-back tone.

Customers using this service can replace the standard ringing tone with popular tunes or messages related to their organization, offering a unique experience to the caller. Instead of hearing a regular ringtone, the caller can listen to a specific song, music, or message.

This service is provided by many mobile service providers worldwide. Users can set their favorite songs, tunes, or sounds as their CRBT, making the calling experience more enjoyable and informative for the caller. CRBT is usually available on a subscription basis, often with a monthly fee, allowing users to customize their phone experience according to their preferences.

In addition to customer-selected ringback tones, the CRBT service can also be used to provide notices and information of public-interest including information related to disaster alerts, preparedness, national festivals etc.

Nepal Telecom has been offering the CRBT service as VAS (Value-Added Services) since Falgun 2073 (March 2017).



- **Missed Call Alert - MCA**

If a customer's number is busy, their mobile is switched off, or the network is unavailable, this service allows them to receive an SMS notification when someone tries to call them. The company is currently providing this service free of charge to all its mobile users. If customers wish to deactivate this service, they can do so by sending an SMS with "UNSUB MCA" to 1400 or by dialing \*1400#. To reactivate the service, they can send an SMS with "SUB MCA" to 1400 or dial \*1400#.

- **Educational Material**

There is increasing customer interest in educational services and related material available for purchase using mobile balance. Similar services and content shall be introduced as and when deemed pertinent.

- **M2M Service**

With technological advancements, various new types of devices have become available in the market. In this scenario, mobile service usage is no longer limited to communication between individuals but has also expanded to interactions between devices and individuals, as well as between devices - known as Machine-to-Machine (M2M) communication.

In this context, the company has been expanding its services to support M2M communication. It has been providing M2M services to various organizations, including the Nepal Electricity Authority, the Civil Aviation Authority of Nepal, the Department of Hydrology and Meteorology and companies using GPS/POS machines.

The M2M communication packages offered by the company have gained popularity, attracting various organizations to adopt this service.

## NT Suchana ko Sansar

Nepal Telecom has continued the "NT Suchana ko Sansar" service, which was launched in partnership with a private company. This service operates as an IVR (Interactive Voice Response) system, allowing Nepal Telecom mobile users to call and access various information related to agriculture, health, news, weather and natural disasters. Currently, this service is available free of charge. Users can dial 32100 from their Nepal Telecom mobile and follow the instructions to access the service in Nepali language.

## Inquiry and Grievance Registration Service

The company has implemented an Inquiry and grievance registration service to directly engage with customers and enhance the effectiveness of service delivery through the following ways:

### A. Through Voice call

- **1498:** Mobile-related inquiries and complaint management.
- **197:** Local Telephone (PSTN) number inquiries.
- **198:** Inquiries and complaint management regarding general telephone and FTTH services.

### B. Through IVR

- **1606** (PSTN Bill query)
- **1607** (GSM and CDMA PUK query)
- **198** (PSTN Phone, ADSL, Leased Line, FTTH Complain)
- **188** (VOIP Call Complain)

### C. Through Access code 1424

- Through access code **1424**, the company offers international calling services at discounted rates for PSTN, GSM, VSAT customers.
- To utilize this service, the user needs to dial **1424** (followed by 00 for international calls) and then enter the phone or mobile number with the country code and area code before making the call.



## Interoperability with International Service Providers

### International Partners

Among the various services provided by Nepal Telecom for Nepalese travelling or residing abroad, roaming service has proven to be highly useful. Currently, the company has agreements for Postpaid Roaming services with 195 service providers in 92 countries and Prepaid Roaming services with 59 service providers in 44 countries, allowing calls at standard/discounted rates. Nepal Telecom is continuously working to expand roaming services for prepaid mobile users. Additionally, the company plans to introduce data roaming packages to make roaming services more attractive, especially in countries frequently visited by Nepalese travellers.

To enhance the appeal of roaming services and increase revenue, Nepal Telecom provisioned international roaming services for all prepaid mobile numbers from Shrawan 30, 2081 (August 2024). All prepaid numbers will have this feature by default. Previously, prepaid customers had to manually activate roaming services.

Both prepaid and postpaid mobile users can dial \*1415# and select the appropriate option from the menu to verify whether roaming service is available on their number. Customers with active international roaming can use voice, data and SMS services abroad with their Nepal Telecom SIM card.

Default roaming activation is provisioned for countries except India. Customers travelling to India can activate international roaming by dialing \*1415# from their mobile phone while in Nepal or through the Nepal Telecom app. To activate roaming service while abroad, customers can send request via email to [roaming.support@ntc.net.np](mailto:roaming.support@ntc.net.np).

### Adjustment of International Call Rates for Calls to Nepal from Abroad

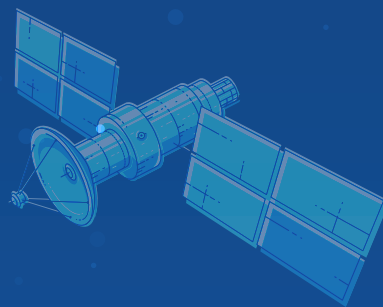
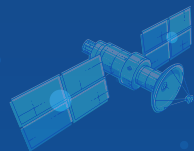
The company periodically adjusts the tariff rates for making calls to Nepal from abroad, based on international market conditions and the company's plan for business expansion. In this process, the company collaborates with service providers in various countries, facilitating Nepali nationals working abroad and other service users. This collaboration allows the company to provide favorable call rates to Nepal from those countries, directly benefiting Nepali individuals residing there.

### Call Bypass Control

To control international incoming call and SMS bypass, Nepal Telecom collaborates with the Regulatory Authority (Nepal Telecommunications Authority), the Central Investigation Bureau (CIB) of Nepal Police and other related agencies under the coordination of its Revenue Monitoring and Supervision Committee.

The company continuously monitors unauthorized international incoming call and SMS bypass activities using internal monitoring tools and internationally recognized Fraud Management Systems. In addition to technology-based monitoring, further analysis is conducted to control such illegal activities effectively.

These efforts have not only improved the quality of international services but have also had a positive impact on revenue growth and prevention of leakage of government taxes through unauthorized call bypass.



# COMPANY'S CONTRIBUTION





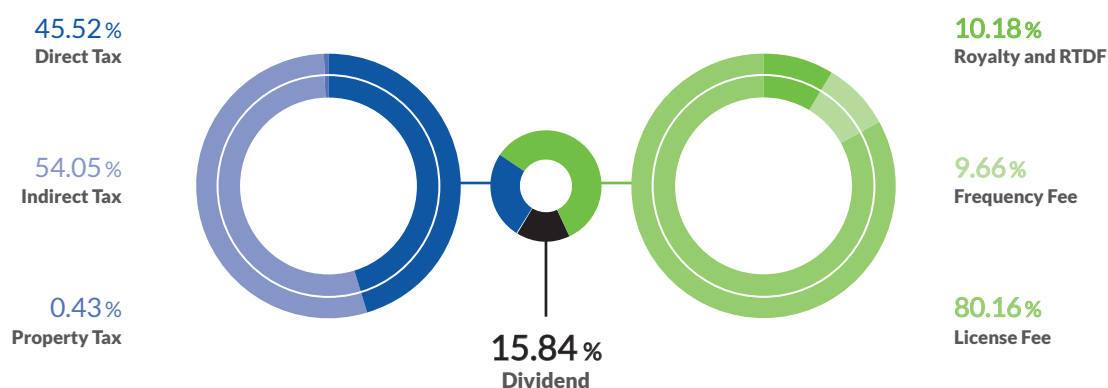


## CONTRIBUTION TO NATIONAL ECONOMY

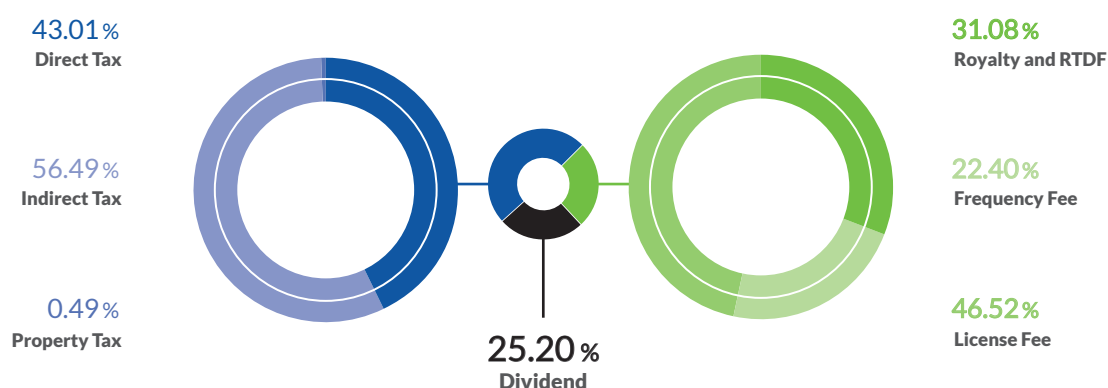
The company has continued its long-standing role as a leading business institution in the country, making a significant contribution to the national economy during the review period. As part of this, the company paid NPR 20 billion for the third renewal of its mobile service license, bringing its total contribution to the government treasury to over NPR 41 billion during the period. In addition to the renewal fee, the company contributed NPR 2.04 billion as frequency fees, NPR 6.58 billion as dividends, NPR 4.58 billion as withholding tax, NPR 3.14 billion as telecom service fees, NPR 1.70 billion as advance income tax, NPR 2.15 billion as royalty and contributions to the Rural Telecommunication Development Fund and over NPR 350 million as VAT.

Beyond these direct cash payments to the government, the company has also played a vital role in economic growth by generating direct and indirect employment opportunities and ensuring the smooth operation of its services nationwide. By providing essential telecommunication infrastructure, the company continues to contribute to the dynamism and progress of the national economy.

### Company's Contribution (15 July 2024) in NPR 41,593,307,711



### Company's Contribution (16 July 2023) in NPR 28,455,697,385



# CONTRIBUTION IN TECHNOLOGICAL TRANSFORMATION

Nepal Telecom has been making significant contributions to the transformation of the country's technology by adopting and commercializing the use of the latest technologies. Through the use of modern communication and information technologies, Nepal Telecom has played a leading role in establishing the foundation for digital transformation in Nepalese society. As a result, the country has made significant strides in the economic, social and technological sectors.

In 1999, the company initiated a revolution in the country's telecommunications services by introducing GSM technology. Through the launch of 3G services, it improved the quality of data services and successfully expanded Internet access across the country. With the introduction of 4G LTE services, high-speed mobile Internet services helped meet the needs of smartphone users. Recently, the company completed trials of 5G services, laying the foundation for the future of the technology in Nepal. By transforming data services from older technologies like ADSL to FTTH (Fiber to the Home), which allows high-quality telephone services, high-speed internet and television (NTTV) to be used simultaneously on a single line, the company has continued its journey of technological transformation. The establishment of an optical fiber network nationwide and the construction of the National Information Highway have made high-speed data services possible. The company has created a technological foundation to realize the government's Digital Nepal initiative and has continued expanding digital services in collaboration with the private sector. As a result, the development of e-governance, e-commerce and digital payment services has been facilitated, along with the establishment of new enterprises based on information technology.

The progress the company has made in technological transformation during the review period is as follows:

- In the fiscal year 2080/81, a total of 542,208 distributable networks were added for FTTH services and as per the plan to add 300,000 customers (including both new and migration), the network capacity was expanded to 563,248 lines by the end of Ashwin. A total of 88,320 additional FTTH lines (Unique CPE) were distributed. By the end of Ashadh 2081, the infrastructure network was expanded to a distribution capacity of 2,002,736 FTTH lines. The FTTH services are being distributed to end-users through 424,538 lines (Unique CPE) across various local bodies in 76 districts. Among these, there were 366,010 FTTH Voice users, 308,318 FTTH Data users and 48,658 NTTV users. During the review period, the three newly added districts were Rukum East, Dolpa and Mugu. Additionally, with the commercial launch of FTTH services in Humla district starting from Bhadra 2081, FTTH service coverage has now reached all 77 districts.
- In the fiscal year 2080/81, a total of 66 eNodeBs were installed, extending 4G-LTE service to 743 local bodies. Similarly, to make voice services more effective in both urban and remote areas, 91 2G BTSs were installed in the fiscal year 2023/24.
- As part of the expansion of Highway Coverage, 26 High Gain Antennas have already been installed in the fiscal year 2080/81 and the remaining installations are currently underway.
- The operation has officially started of the optical fiber network for telecommunications infrastructure along the Mid-Hill Highway, constructed using the Rural Telecommunications Development Fund of the Nepal Telecommunications Authority.
- Under the Rural Telecommunications Development Fund's operational project, the optical fiber network has been extended along the Mid-Hill Highway connecting district headquarters in the Koshi, Madhesh and Bagmati provinces. By the end of the fiscal year 2080/81, a total of 1,395 km of optical fiber network has been expanded. Similarly, under the optical fiber network (UG/ADSS) expansion program for the Mid-Hill Highway and various routes connecting district headquarters in the Karnali and Sudurpashchim provinces, an additional 672 km of optical fiber network has been developed utilizing the company's existing OFC network. As a result, a total of 977 km of optical fiber network has been fully established in the Karnali and Sudurpashchim provinces.
- Similarly, to establish reliable connectivity in the extremely remote and difficult-to-reach district headquarters of the Karnali and Sudurpashchim provinces, where optical fiber expansion cannot be immediately carried out, an agreement has been made with the supplier to operate 21 hops of microwave Radio. As of now, the installation of 20 hops has been completed and is operational.

Nepal Telecom has made significant contributions to Nepal's telecommunications and digital sectors through technological transformation. The expansion of modern technology, high-speed Internet and digital services has had a positive impact not only on telecommunications services but also on the overall economic and social development of the country. By continuing to invest in latest innovative technology, the company is committed to providing more effective services in the future.



# CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES BY NEPAL TELECOM

Nepal Telecom is committed to providing excellent telecommunication services to its customers while also prioritizing Corporate Social Responsibility (CSR) as a responsible national entity. The company has formulated a clear CSR policy aligned with the Sustainable Development Goals (SDGs) to contribute to social, economic and environmental development. In addition to continuing previously initiated programs, new CSR initiatives have been launched this fiscal year. The company's CSR efforts mainly focus on education, health, sports, environment and disaster management.

The key initiatives undertaken during the review period include:

- **ICT and Digital Education Support:**
  - Procurement and distribution of computers and accessories for establishment of ICT Labs in 40 government and community schools and installation of Digital Smart Boards in 25 schools are underway.
- **Environmental and Beautification Projects:**
  - Continuation of the greenery promotion program along the Maitighar-Tinkune road section in Kathmandu.
  - Beautification of 10 picnic spots in Tribhuvan Park, Thankot.
  - Construction of a senior citizen resting area and a selfie point at Madan Bhandari Park, Tinkune, Kathmandu.
  - Beautification of Krishna Sen Memorial Park in the premises of Nepal Journalists Association, Dang Branch.
- **Women's Health Initiatives:**
  - Installation of Sanitary Pad Vending Machines in government/community schools in 20 districts in an effort to support women's health.
- **Recycling and Donations:**
  - Repair and redistribution of unused but functional computers and furniture to five government/community schools, five orphanages/old age homes and other public organizations.
- **Free Internet for Schools:**
  - 100 government and community schools across Nepal (at least 10 schools per province) with FTTH service access are being provided with 50 Mbps FTTH Internet free of charge for one year.
  - 50 government and community schools in all seven provinces (at least five schools per province) without FTTH service have been provided with Namaste Wi-Fi routers and 4G Internet packages free of charge for one year.
- **Public Cleanliness & Facility Installation:**
  - Placement of 250 dustbins and visitor chairs at 35 significant public locations (at least 4 locations per province), including religious sites, heritage locations, tourist spots, bus parks, public parks and gardens.
- **Expansion of Free Wi-Fi Services:**
  - Continuation of free Wi-Fi services at airports, hospitals and other important public locations. The Information System Support Directorate (ISSD) has initiated a tender process for procuring and installing the necessary equipment to provide free Wi-Fi at Tribhuvan International Airport and 34 other airports across Nepal.
- **Support for Vulnerable Communities:**
  - Distribution of food and warm clothing/blankets to 20 old age homes, orphanages and shelters for people with disabilities (at least two per province).
  - 3,500 secondary-level students in government/community schools across all seven provinces (at least 300 students per province) received school bags and uniforms.
  - Distribution of school uniforms (track suits) 333 students at Janata Secondary School and Janata Primary School in Syangja.
- **Healthcare Infrastructure Support:**
  - Donation of 200 bed-cum-chairs for patient attendants in Bir Hospital, Kanti Children's Hospital and other government/community hospitals.
- **Library and Educational Support:**
  - Financial aid for the modernization and upgrading of libraries in government and community schools.
  - Establishment of an e-Library at Gargi Kanya Gurukul, Bharatpur-1, Devghatdham, Chitwan.
- **Support for Disaster Relief and Infrastructure Development:**
  - Assistance to elderly residents in various old age homes, including providing warm clothing under the Maternal and Child Care Program.
  - Financial support for community building renovations, including installing water tank at Ama Ghar, Ravi Bhawan and repairing the Triweni Women's Group community center in Ghorahi-6, Jajaragaun, Dang.
  - Distribution of blankets, tents and other relief materials to the District Disaster Relief Committee, Jajarkot, for earthquake affected communities.



## Free Call Facility

As part of its Corporate Social Responsibility (CSR), Nepal Telecom has made arrangements for customers to make free calls to the following public service helplines:

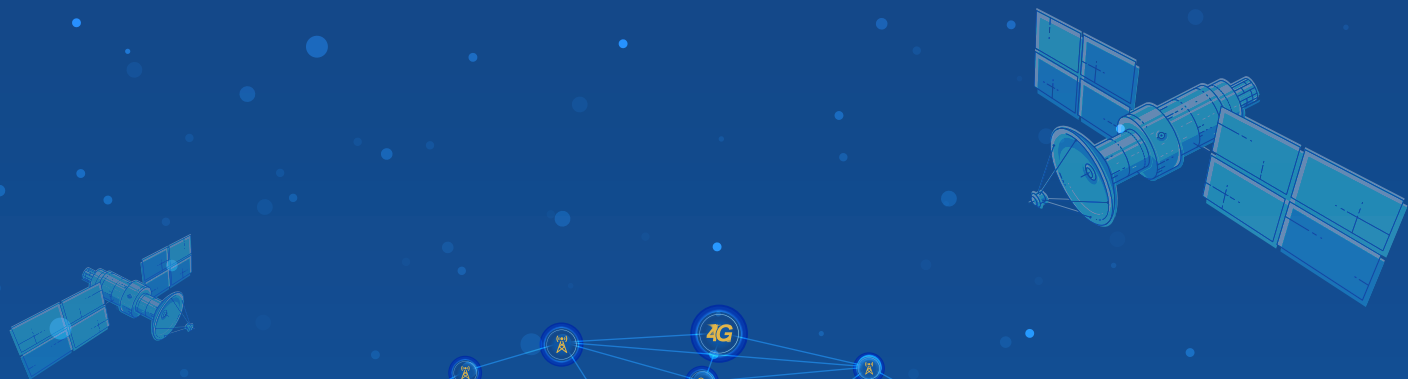
- **100:** Police Service
- **101:** Fire Service
- **102:** Ambulance Service
- **103:** Traffic Police Service
- **104:** Children Search and Coordination Center
- **105:** Nepali Army
- **106:** Central Armed Police Force
- **1098:** CWIN Helpline
- **1111:** Hello Sarkar
- **1114:** Armed Police Force
- **1144:** Tourist Police Unit

## Free SMS Service

Nepal Telecom provides free bulk SMS services to disseminate information and awareness messages during occasions such as Republic Day, Constitution Day, various campaigns, conferences and during times of natural disasters. Some key instances where free SMS services have been provided include:

- Informational and awareness messages from the Ministry of Health and Population and other health-related agencies.
- Constitution Day announcements.
- Gender-based violence awareness campaign by the Ministry of Women, Children and Senior Citizens of the Government of Nepal.
- National Children’s Day messages.
- Tuberculosis awareness messages from the National Tuberculosis Control Center.
- Anti-corruption awareness messages.
- Good governance awareness messages.
- Messages from the Commission for the Investigation of Abuse of Authority (CIAA).
- Social Security Fund related messages.
- Other important public awareness





# CORPORATE GOVERNANCE AND RISK MANAGEMENT



# CORPORATE GOVERNANCE

## Role of Board of Directors

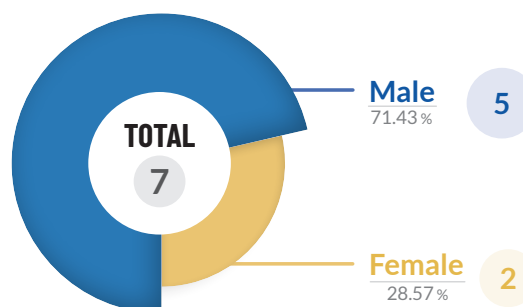
In accordance with the Companies Act, 2063 and the Memorandum and Articles of Association of Nepal Doorsanchar Company Limited, the company carries out its responsibilities, including formulating long-term policies, drafting strategic plans, preparing and approving the annual budget and updating employee service regulations and financial bylaws as needed. Additionally, necessary directives are developed and implemented to ensure smooth operations.

The Board of Directors holds the responsibility for the company's internal control system and risk management. Furthermore, the board oversees performance evaluations of company management, monitors ongoing projects and provides necessary guidance to ensure the effective execution of the company's objectives.

## Structure of Board of Directors

The company has a seven-member Board of Directors. Among these seven members, five directors, including the Managing Director appointed by the Council of Ministers of the Government of Nepal, are from the promoter group. One director is selected from among the company's employees as per the approved procedure of the Board of Directors and one director represents the general shareholders' group.

From the promoter group, the board consists of the Secretary of the Ministry of Communications and Information Technology, a representative from the Ministry of Finance, representatives from the Ministry of Law, Justice and Parliamentary Affairs, as well as the Ministry of Communication and Information Technology, along with the Managing Director appointed by the Council of Ministers. Among them, the Secretary of the Ministry of Communication and Information Technology serves as the Chairperson of the Board.



The term of the director selected from the employees is two years, while the term of the director elected from the general shareholders' group is three years or until the conclusion of three general meetings from the date of appointment, whichever comes first.

Currently, the Government of Nepal has appointed Ms. Sangita Pahadee (Aryal) as the Managing Director of the company.

**As per the company's Articles of Association and regulations, the Board of Directors consists of the following members:**

S.N.	Director	No. of Director	Date of Appointment	Tenure
1	Non-Executive Directors (Promoter Group)	4		As appointed by the Government of Nepal
2	Executive Director (Managing Director)	1	2081/05/20	As per the appointment conditions determined by the Government of Nepal
3	Non-Executive Director (Public Shareholder Group)	1	2080/09/29	Three years or until the conclusion of three general meetings from the date of appointment, whichever comes first.
4	Employee Representative Director	1	2081/08/28	2 years

## Committees / Sub-Committees Under the Board of Directors

To ensure effective performance, address specific issues and optimize the use of directors' time, the Board of Directors delegates certain responsibilities to its sub-committees. These sub-committees carry out assigned tasks within their designated areas and present discussions and recommendations to the Board for necessary actions.



## Audit Committee

Details regarding the Audit Committee are comprehensively outlined in the Board of Directors' report.

## Finance and Investment Sub-Committee

The Finance and Investment Sub-Committee was formed under the Board of Directors with three members on 2079/02/03. As per the decision of the Board on 2079/12/09, the sub-committee was restructured, adding the employee representative director as a member.

Additionally, the Company Secretary was designated as the member secretary of the sub-committee. During the fiscal year 2080/81, the sub-committee held a total of seven meetings.



## Functions of the Finance and Investment Sub-Committee

- Revenue Management:**
  - Strategies regarding revenue collection from customers, service sales, cash collection
  - Revenue growth strategies
  - Short-term and long-term action plans
  - Revenue trend analysis
  - Identifying opportunities for revenue
- Investment Management:**
  - Formulation of company's investment policies
  - Fund management and identification of investment areas
  - Planning for short-term, mid-term and long-term investments
  - Project identification and cost-benefit analysis
- Expense and Accounting Management:**
  - Employee benefits
  - Accounting policies and financial regulations
  - Accounting systems and inventory management
- Budget Management:**
  - Annual policies and programs of the company
  - Setting service targets and estimating income and expenditure

## Administrative Sub-Committee

The Administrative Sub-Committee was formed under the Board of Directors with three members on 2079/02/03. The Company Secretary has been assigned as the member secretary of the sub-committee. During the fiscal year 2080/81, the sub-committee held a total of three meetings.



## Functions of the Administrative Sub-Committee

- Acts, Laws and Regulations:**
  - Matters related to the company's Memorandum of Association, regulations and employee bylaws.
- Human Resource Management:**
  - Policies and plans related to workforce management
  - Employee administration, disciplinary actions and rewards

**3. Business Management:**

- Formulation of business plans, policies and programs
- Business promotion strategies

**4. Asset Management:**

- o Protection, utilization and operation of company-owned land, buildings and physical assets

**5. Labor Management and Other Responsibilities:**

- Trade union and CBA (Collective Bargaining Agreement) elections
- Labor management and labor audits
- Annual general meetings of the company
- Legal defense and remedies for lawsuits filed for or against the company

## Company Management

Nepal Doorsanchar Company Limited (Nepal Telecom) is managed under the leadership of a Managing Director, who is appointed by the Council of Ministers of the Government of Nepal.

As per the data of Ashwin 2081, the company has a total of 68 managerial-level employees, which includes 1 Managing Director, 15 Deputy Managing Directors (Level 11) and 52 Managers (Level 10).

The management is actively engaged in service expansion, market demand-driven service delivery and maintaining service quality. For efficient company operations, long-term, mid-term and short-term strategies are formulated and implemented accordingly. Necessary policies and regulations are prepared and enforced after obtaining approval from the Board of Directors.

Additionally, the management ensures the execution of policy decisions made by the Board while adhering to the Acts, regulations, employee bylaws, financial regulations and other legal frameworks governing the company.

## Company Secretariat

The Company Secretariat of Nepal Doorsanchar Company Limited (Nepal Telecom) has been established as per the provisions of the Companies Act. A Company Secretary is appointed to fulfill the roles and responsibilities defined by the Act.

The primary duty of the Company Secretary is to serve as the Member Secretary of the Board of Directors' meetings. Additionally, the secretariat is responsible for:

- Maintaining and updating shareholder records.
- Handling all tasks related to the Share Registrar.
- Organizing the Annual General Meeting (AGM) as required by the Companies Act at the end of each fiscal year.





## Relationship with Shareholders

### Information Dissemination to Shareholders

The company publishes quarterly financial and other specified details in national daily newspapers to inform its shareholders and stakeholders. Similarly, information regarding the company's services and facilities is disseminated through notice boards, bulletins, the company's website, social media and various media platforms.

### Additional Information Provided to Shareholders

The company has arranged to publish essential documents on its website, including the Articles of Association, regulations, organizational structure, annual reports, quarterly reports as per securities registration and issuance regulations, quarterly financial reports in compliance with Nepal Financial Reporting Standards and other necessary information.

### Annual General Meeting

The company conducts its Annual General Meeting (AGM) within six months of the end of each fiscal year, as per Section 67, Sub-section (2) of the Companies Act, 2063. A notice regarding the AGM is published in national daily newspapers. Additionally, the cash dividend approved by the AGM is deposited into the shareholders' beneficiary account (BOID) in the bank account specified therein.



### Website

The company's share structure and updated details of the Board of Directors are made available on the Nepal Stock Exchange website.

### Shareholders' Complaints and Suggestions

For the management of shareholders' grievances, arrangements have been made for them to contact the company secretariat to express their concerns. Additionally, a suggestion box has been placed for feedback. Any other necessary information regarding the company is made available through the designated information officer.

**Kuber N. Bhattarai & Co.**  
Chartered Accountants



**M.G.S. & Associates**  
Chartered Accountants

**REVIEW REPORT ON CORPORATE GOVERNANCE OF LISTED PUBLIC COMPANIES  
RELATED DIRECTIVES, 2074 (amended 2075) NEPAL DOORSANCHAR COMPANY LIMITED  
(NEPAL TELECOM) FOR THE FINANCIAL YEAR ENDED 31 ASHAD 2081**

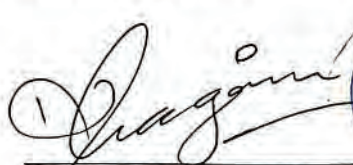
We have performed the procedures agreed with you in respect to the requirement CORPORATE GOVERNANCE OF LISTED PUBLIC COMPANIES RELATED DIRECTIVES, 2074. Our engagement was undertaken in accordance with the Nepal Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to check the compliance of CORPORATE GOVERNANCE OF LISTED PUBLIC COMPANIES RELATED DIRECTIVES 2074 (with amendment 2075).

On the basis of our review, we report the compliance of CORPORATE GOVERNANCE OF LISTED PUBLIC COMPANIES RELATED DIRECTIVES, 2074 (with amendment 2075) as per attached report for the year ended 31 Ashad 2081. We do not express our assurance on the above said matters because the above procedures do not constitute either an audit or a review made in accordance with Nepal Standards on Auditing or Nepal Standards on Review Engagements.

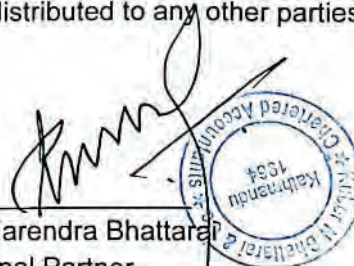
Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with Nepal Standards on Auditing or Nepal Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

Kathmandu, Nepal  
Date: 2081/09/06



CA. Mahesh Kumar Guragain  
Partner  
MGS & Associates  
Chartered Accountants  
UDIN No. 241221CA001259HSPD

CA. Narendra Bhattarai  
Principal Partner  
Kuber N. Bhattarai & Co.  
Chartered Accountants  
UDIN No. 241221CA00037KweeB





# ANNUAL COMPLIANCE REPORT

## With Regard To Corporate Governance

(As per Corporate Governance of listed public companies related directives, 2074)

Name of organization	Nepal Doorsanchar Company Limited
Address with email and website	www.ntc.net.np
Phone no.	01-4243444
Report submitted fiscal year	2080/81 BS

### 1. Details about Board of Directors

**(a) Name of Chairperson of Board of Directors and the Appointment Date:**

Ms. Radhika Aryal

Appointment Date: 2081/04/14

**(b) Details About Corporate's Share Structure (Promoter, General Public and Others):**

180 Million Shares (Date: 2081/03/31)

S.N.	Name of shareholder	Share	Remarks
1	Government of Nepal , Ministry of Communication and Information Technology	7,47,53,160	Promoter
2	Government of Nepal , Ministry of Finance	8, 99, 35, 200	Promoter
3	Government of Nepal , Ministry of Industry, Commerce and Supplies	1, 200	Promoter
4	Government of Nepal , Ministry of Law, Justice and Parliamentary Affairs	1, 200	Promoter
5	Government of Nepal , Office of the Auditor General	1, 200	Promoter
6	Government of Nepal , Department of Information	1, 200	Promoter
7	Citizen Investment Fund	60,000	Promoter
8	General Public	1,52,46,840	General Public
Total Shares		18, 00, 00, 000	

Note: Total shares held in the name of Government of Nepal is 164,693,160. All of these shares have been dematerialized in BOID 1301650001174452 on 24 Baishakh 2081.



### (c) Details about the Change in Board of Directors

S.N.	Name of Board of Directors	Group that is Represented	Share Numbers	Appointed Date	Date of Taking Oath of Position and Secrecy	Criteria (Method) of Appointment of Director
1	Ms. Radhika Aryal	Promoter		From 2081/04/14 until now	2081/04/21	Appointed from Government of Nepal, Ministry of Communication and Information Technology
2	Mr. Ramkrishna Subedi	Promoter		From 2080/09/24 Until 2081/04/13	2080/09/26	Appointed from Government of Nepal, Ministry of Communication and Information Technology
3	Mr. Krishna Bahadur Raut	Promoter		From 2079/12/14 Until 2080/09/23	2079/12/29	Appointed from Government of Nepal, Ministry of Communication and Information Technology
4	Ms. Sangita Pahadee (Aryal)	Managing Director	2304 Shares (Personal)	From 2080/06/17 Until 2079/05/19	2080/06/12	Appointed from Government of Nepal, Ministry of Communication and Information Technology
5	Ms. Sangita Pahadee (Aryal)	Managing Director	2304 Shares (Personal)	From 2081/05/20 Until now	2081/06/04	Appointed by the decision of the Government of Nepal, Council of Ministers
6	Mr. Sunil Paudel	Managing Director	336 Shares (Personal)	From 2078/12/25 Until 2080/06/16		Appointed from Government of Nepal, Ministry of Communication and Information Technology
7	Mr. Kosha Hari Niraula	Promoter		From 2081/07/23 Until now	2081/08/04	Appointed from Government of Nepal, Ministry of Communication and Information Technology
8	Mr. Baburam Bhandari	Promoter		From 2079/10/27 Until 2081/07/22	2079/11/05	Appointed from Government of Nepal, Ministry of Communication and Information Technology
9	Mr. Dhani Ram Sharma	Promoter		From 2081/05/20 Until now	2081/06/22	Appointed by Government of Nepal , Ministry of Finance
10	Dr. Tokraj Pandey	Promoter		From 2080/04/10 Until 2081/05/19	2080/04/22	Appointed by Government of Nepal , Ministry of Finance
11	Mr. Uttar Kumar Khatri	Promoter		From 2080/02/32 Until 2080/04/29	2080/03/02	Appointed by Government of Nepal , Ministry of Finance
12	Mr. Komal Bahadur Khatri	Promoter		From 2081/07/05 Until now	2081/07/06	Appointed by Government of Nepal , Ministry of Law, Justice and Parliamentary Affairs
13	Ms. Nirmala Adhikari Bhattarai	Promoter		From 2081/01/21 Until 2081/07/04	2081/01/24	Appointed by Government of Nepal , Ministry of Law, Justice and Parliamentary Affairs
14	Mr. Komal Bahadur Khatri	Promoter		From 2080/12/06 Until 2081/01/20	2080/12/15	Appointed by Government of Nepal , Ministry of Law, Justice and Parliamentary Affairs
15	Mr. Koshalchandra Subedi	Promoter		From 2080/06/04 Until 2080/12/05	2080/06/08	Appointed by Government of Nepal , Ministry of Law, Justice and Parliamentary Affairs
16	Mr. Sushil Koirala	Promoter		From 2079/07/06 Until 2080/06/03	2079/07/20	Appointed by Government of Nepal , Ministry of Law, Justice and Parliamentary Affairs
17	Mr. Manish Jung Joshi	Public Shareholder Representative	500 Share (Personal)	From 2080/09/29 Until now	2080/10/05	Unanimously elected by public shareholders
18	Mr. Ambika Prasad Poudel	Public Shareholder Representative	2400 Share (Personal)	From 2077/12/13 Until 2080/09/28	2077/12/18	Unanimously elected by public shareholders
19	Mr. Shankar Lamichhane	Employee Representative	1440 Share (Personal)	From 2079/02/27 Until 2081/02/26	2079/03/10	Elected from Employees
20	Mr. Lok Bahadur Katuwal	Employee Representative	100 Share (Personal)	From 2081/08/28 Until now	2081/09/06	Elected from Employees





### (c.1) Details about Board of Directors: (As of Ashadh 2081)

S.N.	Name of Board of Directors	Group that is Represented	Share Number	Appointed Date	Date of Taking Oath of Position and Secrecy	Criteria (method) of Appointment of Director
1	Mr. Ramkrishna Subedi	Promoter		From 2080/09/24 Until 2081/04/13	2080/09/26	Appointed as per the decision of Government of Nepal
2	Ms. Sangita Pahadee (Aryal)	Managing Director	2304 Share (Personal)	From 2080/06/17 Until now 2080/06/16	2078/12/25	Appointed as per the decision of Government of Nepal
3	Dr. Tokraj Pandey	Promoter		From 2080/04/10 Until 2081/05/19	2080/04/22	Appointed by Government of Nepal, Ministry of Finance
4	Ms. Nirmala Adhikari Bhattarai	Promoter		From 2081/01/21 Until 2081/07/04	2081/01/24	Appointed by Government of Nepal, Ministry of Law, Justice and Parliamentary Affairs
5	Mr. Baburam Bhandari	Promoter		From 2079/10/27 Until 2081/07/22	2079/11/05	Appointed from Government of Nepal, Ministry of Communications and Information Technology
6	Mr. Manish Jung Joshi	Public Shareholder Representative	500 Shares (Personal)	From 2080/09/29 Until now	2080/10/05	Unanimously elected by public shareholders
7	Mr. Shankar Lamichhane	Employee Representative	1440 Shares (Personal)	From 2079/02/27 Until 2081/02/26	2079/03/10	Elected from Employees

(Note: All except those having personal shares hold promoter shares)

### (d) Details of Directors Appointed After the Last Annual General Meeting:

1. According to the decision of the Government of Nepal, Council of Ministers (dated 2081/04/14, Cha no. 20) Ms. Radhika Aryal has been appointed as the Chairperson of the Board of Directors.
2. According to the decision dated 2081/05/20 of the Government of Nepal, Ministry of Finance, Hon'ble Deputy Prime Minister and Minister of Finance (according to the letter dated 2081/05/20, Cha.no.175), Mr. Dhani Ram Sharma has been appointed as a member of the Board of Directors.
3. The Government of Nepal, Ministry of Law, Justice and Parliamentary Affairs, Secretary level decision dated 2080/12/06 (according to the letter dated 2080/12/09, Cha.no. 878) Mr. Komal Bahadur Khatri has been appointed as a member of the Board of Directors.
4. The Government of Nepal, Ministry of Law, Justice and Parliamentary Affairs, Secretary level decision dated 2081/01/21 (According to the letter dated 2081/01/21 Cha. No. 960) Ms. Nirmala Adhikari Bhattarai has been appointed as a member of the Board of Directors.
5. The Government of Nepal, Ministry of Law, Justice and Parliamentary Affairs, Secretary level decision dated 2081/07/05 (According to letter dated 2081/07/05 Cha. No. 284) Mr. Komal Bahadur Khatri has been appointed as a member of the Board of Directors.
6. Ms. Sangita Pahadee Aryal has been appointed as Managing Director as per the decision of Government of Nepal, Council of Ministers dated 2081/05/20.
7. According to the decision of the Government of Nepal, Ministry of Communication and Information Technology, Hon'ble Ministerial level dated 2081/07/23 ( Cha. no. Administration 797, dated 2081/07/25) Mr. Kosha Hari Niraula has been appointed as a member of the Board of Directors.

Note:

- 1) Subsection (3) of Section 86 of the Companies Act, 2063, when the Board of Directors is formed in accordance with Subsection 2, there is a provision that if there are up to seven directors, at least one person should be appointed as independent director and two persons should be appointed as independent directors if there are more than seven directors. However, there is no such provision in the company's regulations.

## (e) Meeting of Board of Directors

### ■ Details about the Meetings of Board of Directors:

S.N.	Fiscal Year 2080/81 Meeting no.	Date of Meetings of Board of Directors in Fiscal Year 2080/81	No. of Present Board of Directors	No. of Board of Directors Who Signed for Disagreement in the Decisions of the Meeting	Meeting Number in Last Fiscal Year 2079/80	Meetings Called in the Last Fiscal Year 2079/80
1	990	2080/04/08	6	Not applicable	954	2079/04/18
2	991	2080/04/22	7	Not applicable	955	2079/05/16
3	992	2080/04/29	7	Not applicable	956	2079/05/21
4	993	2080/05/04	7	Not applicable	957	2079/05/24
5	994	2080/05/11	6	Not applicable	958	2079/06/04
6	995	2080/05/18	6	Not applicable	959	2079/07/06
7	996	2080/05/26	6	Not applicable	960	2079/07/20
8	997	2080/06/04	6	Not applicable	961	2079/07/26
9	998	2080/06/08	7	Not applicable	962	2079/08/09
10	999	2080/06/22	6	Not applicable	963	2079/08/11
11	1000	2080/06/23	6	Not applicable	964	2079/08/14
12	1001	2080/06/29	6	Not applicable	965	2079/08/28
13	1002	2080/07/01	6	Not applicable	966	2079/09/03
14	1003	2080/07/17	5	Not applicable	967	2079/09/06
15	1005	2080/08/01	6	Not applicable	968	2079/09/25
16	1006	2080/08/18	7	Not applicable	969	2079/11/05
17	1007	2080/08/28	7	Not applicable	970	2079/11/16
18	1008	2080/09/03	7	Not applicable	971	2079/12/09
19	1009	2080/09/05	7	Not applicable	972	2079/12/29
20	1010	2080/09/22	7	Not applicable	973	2080/01/03
21	1011	2080/09/26	6	Not applicable	974	2080/01/10
22	1012	2080/10/05	6	Not applicable	975	2080/01/11
23	1013	2080/10/12	5	Not applicable	976	2080/01/14
24	1014	2080/10/26	5	Not applicable	977	2080/01/20
25	1015	2080/11/06	6	Not applicable	978	2080/02/02
26	1016	2080/11/21	6	Not applicable	979	2080/02/08
27	1017	2080/12/02	5	Not applicable	980	2080/02/16
28	1018	2080/12/15	7	Not applicable	981	2080/02/22
29	1019	2080/12/21	7	Not applicable	982	2080/02/29
30	1020	2081/01/03	6	Not applicable	983	2080/02/31
31	1021	2081/01/13	6	Not applicable	984	2080/02/32



S.N.	Fiscal Year 2080/81 Meeting no.	Date of Meetings of Board of Directors in Fiscal Year 2080/81	No. of Present Board of Directors	No. of Board of Directors Who Signed for Disagreement in the Decisions of the Meeting	Meeting Number in Last Fiscal Year 2079/80	Meetings Called in the Last Fiscal Year 2079/80
32	1022	2081/01/24	7	Not applicable	985	2080/03/02
33	1023	2081/01/26	7	Not applicable	986	2080/03/04
34	1024	2081/02/02	7	Not applicable	987	2080/03/08
35	1025	2081/02/03	7	Not applicable	988	2080/03/18
36	1026	2081/02/11	6	Not applicable	989	2080/03/20
37	1027	2081/02/17	7	Not applicable		
38	1028	2081/02/18	7	Not applicable		
39	1029	2081/03/13	6	Not applicable		
40	1030	2081/03/18	6	Not applicable		
41	1031	2081/03/26	6	Not applicable		

Note: After the meeting no. 1003 dated 2080/07/17, the next meeting no. held on 2080/08/01 was numbered 1005. Thus the number 1004 was left vacant.

- **Details of Postponed Meetings of Board of Directors due to the lack of Quorum, if any:**  
In all the meetings there were required quorums.

- **Other Details About Meeting of Board of Directors:**

Presence or absence of director or alternative director in the meeting of Board of Directors (In absence, mention the reason with the date):

Due to busy schedule there was absence of one or more directors in 17 meetings

Whether there is separate record (minute) maintained containing the present directors in the meetings of Board of Directors, agenda discussed and the decisions made based on the same:

A separate record (minute) has been maintained.

Longest gap (days) between the consecutive meetings of Board of Directors:

17 days (From 2080/08/01 to 2080/08/18)

Date of annual general meeting that was called with regard to fixing the Board-Of-Directors-Meeting allowance:

2078/12/24

Allowance per Board of Directors meeting:

NPR 7,500 from 2078/12/24

Total Board of Directors' meeting expenditure in rupees in the fiscal year:

NPR 1,942,500

## 2. Conducts of the Directors and Other Details

Existence of the code of conduct with regard to the directors:

As per the Company Act, 2063. There is no separate code of conduct.

If there are more than one director from one household, give details:

Not applicable

Details about annual learning and refreshment programs for Board of Directors:

Not applicable

S.N.	Subject	Date	Number of participated directors	Venue of training
-	-	-	-	-

Whether every director informed the following in writing within 15 days or not after they were appointed as directors or chosen as director:

- Any agreement made or is going to be made by his own family members or any members from his household with the company:
- Whether the director's own family members or any members from his household have taken shares or debentures from the main or branch company:
- Whether the director is a shareholder or director of any other organized entity:
- Whether any other member from the director's family is working as a staff member of as an officer in any member organizations:

Self Declaration Submitted

- Whether the director is working in the organization with same nature and listed organization as a director, paid position-holder, chief executive or staff member:

Not applicable

- Whether the directors have been punished by any monitoring agencies or other agencies:

Not applicable]

## 3. Details about Corporate's Risk Management and Internal Control System

(a) **Whether any committee has been formed for risk management, give reasons if it is not formed:**

There is no risk management committee formed in the company.

(b) **Awareness about Risk Management Committee:** Absence of such awareness.

- i. **Structure of the Committee (Names and positions of coordinator and members):** not applicable.
- ii. **Numbers of Meetings of Committee:** not applicable.
- iii. **Brief Accounts of Tasks of Committee:** not applicable.

(c) **Existence of Internal Control Procedure:** The procedure with regard to internal account audit and control has been implemented.

(d) **Any Committee Formed with regard to Internal Control Procedure, Give Reasons If Not Formed:** In the company tasks with regard to internal control is performed by the audit committee.

(e) **Details with regard to Internal Control System:** With regard to company's internal control system, account and other affairs.

- i. **Structure of the Committee (Names and positions of coordinator and members):** no such committee.
- ii. **Numbers of Committee's Meeting:** not applicable.
- iii. **Brief Accounts with regard to Committee's Tasks:** not applicable.





- (f) **Existence of Financial Administration Bylaws:** It is in existence (the financial bylaws of Nepal Doorsanchar Company Limited's 2071 has been implemented).

## 4. Details with Regard to Dissemination of Notices and Information

### (a) Details of Notices and Information That were Made Public by the Corporation:

Subject	Medium	Date of Public Dissemination
Notice about Annual General Meeting	Gorkhapatra Daily	Decision with regard to 17th General Meeting has not been made yet.
Notice about Special General Meeting	Not given yet	Not given yet
Annual Report	Is in process of printing in Nepali and English and will be placed in the company's website: www.ntc.net.np	Will soon be published
Quarterly Report	Published in the Gorkhapatra Daily and the Company's website: www.ntc.net.np	30 <sup>th</sup> day of following month of each quarter
Price Sensitive Information that Can Affect the Price of Securities	None	None
Others	None	None

- (b) **Information with regard to Not Publishing Notices or Punishment Received due to Other Reasons by Securities Board and Other Agencies:** None.

- (c) **Date of Completion of Last Annual General Meeting:** 2080 Poush 29

## 5. Details about Corporate Structure and Staff

- (a) **Provisions of staff structure, recruitment, training, salary, allowances and other facilities, attendance and leaves, code of conducts, employee service regulations:**

There are these provisions in the Nepal Doorsanchar Company Limited Employee Regulations, 2078

- (b) **Corporate Structure:** Mentioned in page no. 13

- (c) **Details about the names, academic qualifications and experiences of higher level management employees:** Mentioned in (Annex-2)

- (d) **Other details about employees:**

Staff recruitment as per the structure:	It is done as per the structure
Procedures followed while recruiting new staff members:	It has been carried out following the general principles of Public Service Commission and as per the company's employee regulations.
Number of management-level staff:	Level 12: 1 Managing Director Level 11: 8 Deputy Managing Director Level 10: 46 Managers
Total number of staff members:	3,731
Succession plans of staff:	There exists some level of succession plan.

Number of training and number of staff that attended the training during the fiscal year:	<b>Abroad:</b> 506 staff members participated Factory Inspection: 37 employees, Conference: 18 employees, Visit: 18 <b>Domestic: In (Annex-3)</b>
Total expenditure on staff in thousands in the fiscal year:	86,86,683
Staff training expenditure in thousand in the fiscal year:	408,434
Percentage of expenditure on staff out of total expenditure:	28.14 percent
Percentage of expenditure on staff training out of staff expenditure	4.70 percent

## 6. Details about Corporate Account and Audit

### (a) Details about Account

Preparation as per the corporate's last fiscal year's details NFRS, if not done, mention the reason:	It has been done.
Date of latest financial details that was approved by Board of Directors	2080/08/28
Date of publication of quarterly financial details:	Within the 30th day of the month every quarter is over
Date of completion of last audit report:	2081/08/30
Date of financial details approved by Annual general Meeting:	It is yet to be approved.
Details about the corporate's internal audit report:	
(i) Whether the account audit is carried internally:	It is carried out internally
(ii) If used the outside expert, mention the details:	None
(iii) Duration of internal account audit (quarterly, every four months or half-yearly):	Quarterly

### (b) Details about Audit Report Committee

#### ■ Names, Positions and Qualifications of Coordinator and Members

S.N.	Position	Name	Qualifications
1	Chairperson	Dr. Tokraj Pandey, Joint Secretary, Ministry of Finance	PHD (Social Science)
2	Member	Mr. Baburam Bhandari, Joint Secretary, Ministry of Communication and Information Technology	MPA
3	Member	Ms. Nirmala Adhikari Bhattarai, Joint Secretary, Ministry of Law, Justice and Parliamentary Affairs	LLM/MA
4	Member	Mr. Manish Jung Joshi, General Shareholder's Representative	BE (Aeronautics), MBA
5	Member Secretary	Mr. Dwarika Prasad Paudel, DMD, Internal Audit and Inspection Department	MBA

#### ■ Dates of Meetings Called and the Number of Members Present

S.N.	Date	Meeting No.	No. of Members Present
1	2080/04/18	374	4
2	2080/05/19	375	5
3	2080/05/24	376	5
4	2080/06/16	377	5



S.N.	Date	Meeting No.	No. of Members Present
5	2080/06/24	378	5
6	2080/08/19	379	4
7	2080/08/21	380	4
8	2080/08/25	381	5
9	2080/12/04	382	4
10	2081/01/17	383	4
11	2081/03/06	384	5
12	2081/03/07	385	5
13	2081/03/24	386	5
Allowance per person in rupees for every meeting (in NPR):			7500.00
Date of report submitted to the Board of Directors by Audit Committee			2081/08/16

## 7. Other Details

The company has taken/hasn't taken any loans, borrowed any money or taken any amount of money from the director and their household members who are involved in banks or financial corporations:

Not taken

Any property of the corporation has been used/has not been used in any way by any person, firm, company, employee, advisor or consultants that has financial interest in the listed organization beyond the facilities and benefits that are offered by the existing law as director of the company, shareholder, employee, advisor, consultant:

Has not been used

Stipulated conditions that were laid while issuing license by the monitoring agency have been followed/breached:

Directions that were given while making inspections or supervisions of the corporation by the monitoring agency have been implemented/not implemented:

Have been implemented

Give details if there is a case against the corporation or director going on in the court

There is a case in the court against the Company

**Name of Compliance Officer :** Mr. Dwarika Prasad Paudel

**Position:** Company Secretary

**Date:** 2081/09/06

Stamp of Corporation:

**Date of Report Approved by Board of Directors:** 2081/09/06

**Note:** The compliance officer of the listed organized corporations has to submit this report to the Securities Board of Nepal after the approval of the Board of Directors and after verification by the statutory auditor along with audit reports.



# RISK MANAGEMENT

Risk Management forms an integral part of business planning and project review. Nepal Telecom is continuously working to mitigate and minimize the identified and possible operational risks, financial risks, strategic risks and compliance risks related to the services provided by it.

## Board Governance Level

The Board is responsible for ensuring that the company has an appropriate internal control framework in place that supports its strategies and objectives. There should be proper control mechanisms during expansion and growth to maximize profitable business opportunities, avoid or reduce risks that can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures for risk identification, risk assessment, risk mitigation and control/monitoring and has effectively implemented the same.

The effectiveness of the company's internal control system is reviewed regularly by the Board, Audit Committee, Management and Internal Audit & Inspection Department.

The Board has overall responsibility for the company's risk management and internal control systems. The Board ensures that internal controls and risk management are properly established and maintained through the Audit Committee whose responsibility is to oversee internal control and risk management. Under the delegation from the Board, the Audit Committee monitors the nature and extent of risk exposure against risk appetite for our key risks.

## Management Level

The Managing Director and top managerial personnel are responsible for managing risk across the organization and implementing effective risk management processes across the organization. Both internal and external environments are scanned well by the management for identification of all possible risks. Internal Audit reports are also considered for the identification of key risks.

The Internal Audit Department monitors compliance with policies/ standards and the effectiveness of internal control structures across the company through regular audit, special audit, off-site review and technical audit, as well as Risk Based Internal Audit (RBIA) approach.

The auditor's observations are reported to the Managing Director, top management and concerned staff for initiating immediate corrective measures.

Internal Audit reports are periodically forwarded to the Audit Committee for discussions and the committee issues necessary directions for appropriate corrective actions to be taken.

## Operating Level

Directors and other senior officials of the company are entrusted with the responsibilities to manage risks at the ground level. It is the responsibility of each director and other senior officials to manage risks in coordination and facilitation with concerned entities.

The company relies on the competence of the staff involved in operational activities to identify acceptable operational risks. The operational staff are also responsible to make decisions based on sound judgment in order to manage those risks.



## Company's Risk Management System:



## Our Key Risks

The key risks and measures taken by the company to mitigate those risks are as follows:

S.N.	Risk	Category	Mitigation Measures
1	Competition from Emerging Technologies and OTT Services	Strategic Risk	NT strives to create a unique value proposition to its customers and win their loyalty through continuous service enhancements, product line extensions, attractive product bundling offers and product campaigns.
2	Customer's Preferences and High Expectations	Strategic Risk	Customer's preferences and demands are properly taken care of in NT's plans and programs so as to avoid possible churning and prevent any reduction in revenue. Although some of the expectations are difficult to address, NT considers those as positive feedbacks and tries to incorporate them in the next programs.
3	Challenges in Capacity Development of Human Resource	Strategic Risk	NT has its own Telecom Training and Research Center for providing in-house training to its employees. NT nominates its employees to trainings, workshops and conferences in foreign countries to sharpen their knowledge and skills.
4	Cyber Security and Information Security	Operational Risk	NT manages the risk arising from cyber threats including malware and cyber-attacks by proactively monitoring and timely responding to suspicious activities. The company has internal control mechanisms to address information security threats by implementing proper access control, data backups and system audits.
5	International Call Bypass	Operational Risk	Nepal Telecom has been actively employing advanced technologies to control and minimize illegal activities like call bypass. In addition, the company is working in close collaboration with the government, regulatory authorities and security agencies.
6	Misuse or Leakage of Customer Data	Operational Risk	NT considers data privacy as one of its top priorities and ensures prevention of data misuse and leakage. All data in its possession are used and stored appropriately. Access to sensitive information of customers is strictly controlled.
7	Failure in Network/ IT Systems and Infrastructures	Operational Risk	Specific back-up and resilience policies are built in NT's network and systems in conformance to standard international practices. Disaster Recovery sites are well operated, equipped and frequently monitored for ensuring smooth operation during any system failures. Failures in the network arising due to road expansion and natural causes like earthquakes are instantly taken care of by experts.



S.N.	Risk	Category	Mitigation Measures
8	Major Contracts and Contractual Obligations	Legal & Compliance Risk	NT has created consistent and coordinated KPI reporting that enhances its ability to identify possible delay in implementation of projects, rectify deficiencies and compensate for liquidated damages etc
9	Regulatory and Legal Issues	Legal & Compliance Risk	NT is exposed to the risk of regulatory or litigation action by regulator i.e. Nepal Telecommunications Authority (NTA) and other parties. NT is subject to regulatory conditions, various other laws and conditions, such as those relating to customer data privacy and protection, anti-bribery and corruption, workplace safety and health. NT ensures that there is no breach of any regulatory or legal requirements.
10	Poor Return on Investment	Financial Risk	NT has well established policies and procedures to monitor investments and support its investment diversification efforts to provide cushion to its revenue streams.
11	Unstable Economic Conditions	Financial Risk	NT closely monitors economic conditions and currency fluctuations in the market so as to respond effectively to the economic changes.
12	High Operating Cost	Financial Risk	NT strives to provide the best after-sales service while keeping its operational cost low through continuous improvement of business processes, business process re-engineering and efficient utilization of resources.



# MANAGEMENT DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Performance of Last Five Years

Particulars		2019-20	2020-21	2021-22	2022-23	2023-24	Annual Growth (FY 2023-24 and 2022-23)	CAGR (Five Years)
Net Profit	NPR in Billion	9.75	7.13	8.47	7.92	6.23	-21.34%	-10.59%
Operating Profit	NPR in Billion	5.92	4.67	6.79	4.03	4.17	3.47%	-8.39%
Operating Income	NPR in Billion	34.62	35.94	37.92	36.27	34.56	-4.71%	-0.04%
Total Income	NPR in Billion	42.99	42.21	44.37	44.42	42.17	-5.07%	-0.48%
Earnings Per Share	NPR	64.99	47.53	47.06	44.00	34.61	-21.34%	-14.57%
Stock Performance (Market Price Per Share)	NPR	655.00	1,314.00	878.90	906.90	845.00	-6.83%	6.57%
Book Value Per Share	NPR	612.28	597.88	529.27	521.92	521.71	-0.04%	-3.92%
Price Earning Ratio	Times	10.08	27.65	18.68	20.61	24.41	18.45%	24.76%
Dividend	Percent	40.00	40.00	40.00	40.00	30.00	-25.00%	-6.94%
Employee Expenses	NPR in Billion	6.61	6.95	7.37	7.95	8.68	9.18%	7.05%
Operation and Maintenance Expenses	NPR in Billion	7.11	7.84	7.06	7.63	6.36	-16.64%	-2.75%
Office Operation Expenses	NPR in Billion	1.14	0.97	1.12	1.31	1.29	-1.53%	3.14%
Total Expenses	NPR in Billion	28.75	31.26	31.31	32.58	30.86	-5.28%	1.79%
Ratio of Employee Expenses on Total Expenses	Percent	22.99	22.23	23.54	24.40	28.13	15.27%	5.17%
Ratio of Office Operation Expenses on Total Expenses	Percent	3.97	3.10	3.58	4.02	4.18	3.96%	1.33%
Net-worth	NPR in Billion	91.84	89.68	95.27	93.95	93.65	-0.32%	0.49%
Capital Employed	NPR in Billion	115.29	112.92	118.29	119.85	115.63	-3.52%	0.07%
Number of Shares	Million	15.00	15.00	18.00	18.00	180.00	900.00%	86.12%
Number of Employees	Number	4,082.00	3,957.00	3,817.00	3,872.00	3,731.00	-3.64%	-2.22%
Return on Shareholder's Fund	Percent	10.61	7.95	8.89	8.43	6.65	-21.09%	-11.02%
Return on Capital Employed	Percent	8.46	6.31	7.16	6.61	5.39	-18.47%	-10.67%
Return on Total Assets	Percent	6.71	4.82	5.34	4.96	4.64	-6.35%	-8.79%
Average Revenue Per Employee	Million	10,500.00	10,667.17	11,624.31	11,472.11	11,302.60	-1.48%	1.86%
EBITDA Margin	Percent	50.09	43.74	46.93	43.58	42.72	-1.97%	-3.90%
Operating Profit Ratio	Percent	17.10	12.99	17.91	11.11	12.07	8.59%	-8.35%
Net Profit Ratio	Percent	22.68	16.89	19.09	17.83	14.77	-17.14%	-10.16%
Current Assets Ratio	Times	1.94	1.66	1.60	1.65	2.68	62.23%	8.42%
Contribution to Government Treasury	NPR in Billion	35.05	27.73	26.41	28.46	41.70	46.52%	4.44%
Average Subscriber Per Employee	Number	4,895.80	5,332.00	5,811.00	5,487.00	6,094.00	11.06%	5.63%





## Earning Per Share

Earning per share refers to the ratio of each ordinary share to the profit earned by the company during a financial year.

During the review period, the company's earning per share decreased by Rs. 9.39 compared to the previous period and has reached Rs. 34.61. Earning per share has been negatively affected due to decrease in revenue as well as decrease in net profit. Earning per share has declined by 14.57 percent over the past five years.

## Net Worth

Net worth represents the difference between total assets and total liabilities. In the review period, the company's net worth experienced a decrease of 0.30 percent to NPR 93.65 billion compared to the previous period. However, when compared to the preceding five years, there was a marginal increase of 0.49 percent during the review period.

## Stock Performance

The company's share price has fluctuated during the review period, driven by investor confidence and return analysis. During this time, the company's shares traded at a maximum of Rs. 898.60 and a minimum of Rs. 800. By the end of the review period, the market value of the company's shares stood at Rs. 845. This reflects a 6.83% decline compared to the previous year's closing price but a 6.57% increase over the past five years.

## Shareholder's Fund

The shareholder's fund represents the overall equity i.e. share capital and reserve.

Despite a decline in net profit during the review period, re-measurements of employees' defined retirement benefit plans generated a profit of Rs. 1.75 billion last year. Consequently, shareholders' funds experienced only a marginal decrease of 0.32%. However, over the past five years, shareholders' funds have increased by 0.49% at the end of the review period.

## Return on Shareholder Funds

Return on Shareholder Funds is a percentage measure of a company's annual returns.

The return on shareholders' funds is calculated by dividing net profit by the total value of shareholders' funds. During the review period, the return remained unchanged from the previous year. However, it declined by 21.06% compared to 6.65% and dropped from 11.02% to 6.65% over the past five years.

## Total Revenue

Total revenue encompasses income generated from telecommunication services and interest income received from investments, liquidated damages and other sources. In the review period, the company recorded a total revenue of NPR 42.17 billion, reflecting a decrease of 5.07 percent compared to the previous period. Total income includes NPR 34.56 billion from the operating segment and NPR 7.56 billion from finance income, liquidated damages and other sources. Over the past five years, the company's total revenue has recorded a marginal decrease of 0.48 percent.

## Operating Revenue

Operating revenue comprises income from telecommunication services, encompassing services such as PSTN, ADSL, FTTH, Leased Line, GSM and Interconnection. In the review period, the company's total operating income amounted to NPR 34.56 Billion, marking a 4.71 percent decrease compared to the previous period. This decline is attributed to consistent reductions in tariff rates, intensified competition, the availability of cheaper offer packages, increased adoption of combo packages by customers instead of conventional tariff payments and stagnant service revenue despite a continuous rise in customer numbers.

Furthermore, the development of telecommunication technology, heightened access to Internet services and smartphones and the widespread use of Over-The-Top (OTT) services such as Viber, WhatsApp, Messenger, IMO, etc., have impacted the volume of incoming international and domestic calls. Over the last five years, the total operating revenue has experienced a decrease of 0.04 percent.

## Operating Profit

Operating revenue comprises income from telecommunication services, encompassing services such as PSTN, ADSL, FTTH, Leased Line, GSM and Interconnection. In the review period, the company's total operating income amounted to NPR 34.56 Billion, marking a 4.71 percent decrease compared to the previous period. This decline is attributed to consistent reductions in tariff rates, intensified competition, the availability of cheaper offer packages, increased adoption of combo packages by customers instead of conventional tariff payments and stagnant service revenue despite a continuous rise in customer numbers.

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## Operating Profit Ratio

The Operating Profit Ratio is a percentage measure of the company's operating profit divided by the operating revenue. In the review period, the Operating Profit Ratio stands at 12.07 percent, reflecting an increase of 8.59 percent compared to the previous period. Over the span of five years, the operating profit margin has declined by 8.35 percent.

## Profit After Tax

Profit after tax reflects the net income of the company. In the review period, the company generated a profit after tax of Rs. 6.23 Billion, marking a decrease of 21.34 percent compared to the previous period. Due to factors such as a decline in the company's revenue and the impact of deferred tax, profit has decreased by 10.59 percent compared to the previous year.

## Net Profit Ratio

Net Profit Ratio is the percentage measure of profit after tax divided by the total revenue. In the review period, net profit ratio is 14.77 percent which has decreased by 17.14 percent as compared to the previous period. Over the period of five years, it has decreased by 10.16 percent.

## Price Earning Ratio

Price earnings ratio is the ratio of "current market price per share" to Earnings per Share (EPS) of the company. In the review period, PE ratio is 24.41 times which was 20.61 times in the previous year. The increase in the company's share market price has led to a rise in the price-to-earnings (P/E) ratio.

## Return on Capital Employed

Return on Capital Employed is a percentage measure representing the ratio of Net Profit to Capital Employed. In the review period, the return on capital employed stands at 5.39 percent, reflecting a decrease of 18.47 percent compared to the previous period. Over the period of five years, this ratio has declined from 10.67 percent to 5.39 percent.

## Average Revenue Per Employee

In the review period, average revenue per employee has decreased by 1.48 percent to NPR 11.32 Million. Over the period of five years, average revenue per employee has increased by 1.86 percent.





# HORIZONTAL AND VERTICAL ANALYSIS

## STATEMENT OF FINANCIAL POSITION

July 15, 2024

NPR

Particulars	Current Year	Previous Year	Horizontal Analysis Variance	Vertical Analysis	
	FY 2023-24	FY 2022-23		FY 2023-24	FY 2022-23
<b>Assets</b>					
Non-Current Assets					
Intangible Assets	1,512,403,472	1,682,132,359	-10.09%	1.13%	1.05%
Property, Plant and Equipment	48,321,256,437	50,859,360,902	-4.99%	36.03%	31.84%
Right of Use(ROU) Assets	1,764,266,985	2,044,511,476	-13.71%	1.32%	1.28%
Capital Work-in-Progress	3,790,036,603	5,433,441,621	-30.25%	2.83%	3.40%
Long Term Loan and Advances	852,758,962	985,309,311	-13.45%	0.64%	0.62%
Investment in Associates	1,576,597,257	1,216,622,026	29.59%	1.18%	0.76%
Investment in Subsidiary	248,888,900	248,888,900	0.00%	0.19%	0.16%
Financial Assets	-	-			
Equity Investments	219,034,000	190,000,000	15.28%	0.16%	0.12%
Term Deposits and Investments in Debenture	3,763,049,300	3,612,229,000	4.18%	2.81%	2.26%
Loan Investments	14,186,015,028	13,787,131,386	2.89%	10.58%	8.63%
Employee Loan	3,524,935,570	3,545,776,825	-0.59%	2.63%	2.22%
Deferred Tax Asset	4,412,498,352	9,913,516,551	-55.49%	3.29%	6.21%
Contract Cost Assets	365,151,701	390,558,232	-6.51%	0.27%	0.24%
<b>Total Non-Current Assets</b>	<b>84,536,892,567</b>	<b>93,909,478,589</b>	<b>-9.98%</b>	<b>63.03%</b>	<b>58.79%</b>
Current Assets					
Inventory	521,072,182	707,568,287	-26.36%	0.39%	0.44%
Prepayments & Non-Financial Assets	2,385,398,176	2,111,854,261	12.95%	1.78%	1.32%
Current Tax Assets (Net)	4,063,223,227	1,742,778,373	133.15%	3.03%	1.09%
Financial Assets	-	-			
Employee Loan	315,137,808	75,948,918	314.93%	0.23%	0.05%
Accruals, Advance & Others Receivables	983,950,227	780,997,568	25.99%	0.73%	0.49%
Trade & Other Receivable	1,516,047,428	2,087,247,188	-27.37%	1.13%	1.31%
Investment in Term Deposits, Debenture and Mutual Fund	35,555,380,000	52,910,730,000	-32.80%	26.51%	33.12%
Cash & Cash Equivalents	4,252,725,341	5,410,127,330	-21.39%	3.17%	3.39%
<b>Total Current Assets</b>	<b>49,592,934,389</b>	<b>65,827,251,925</b>	<b>-24.66%</b>	<b>36.97%</b>	<b>41.21%</b>
<b>Total Assets</b>	<b>134,129,826,956</b>	<b>159,736,730,515</b>	<b>-16.03%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Equity and Liabilities</b>					
Equity					
Share Capital	18,000,000,000	18,000,000,000	0.00%	11.27%	11.34%
Reserve and Surplus	75,907,052,234	75,651,252,903	0.34%	56.59%	47.36%
Total Equity attributable to Equity-holders	93,907,052,234	93,651,252,903	0.27%	70.01%	58.63%
Non-Current Liabilities					
Post-Employment Benefits	18,187,775,411	22,810,645,353	-20.27%	13.56%	14.28%
Deferred Government Grant	1,664,448,601	1,533,384,294	8.55%	1.24%	0.96%
Financial Liabilities					
Subscriber Deposits	59,987,070	58,727,124	2.15%	0.04%	0.04%
Lease Liability	1,807,509,150	1,842,670,003	-1.91%	1.35%	1.15%
GSM License Renewal Fee Liability					
<b>Total Non-Current Liabilities</b>	<b>21,719,720,232</b>	<b>26,245,426,774</b>	<b>-17.24%</b>	<b>16.19%</b>	<b>16.43%</b>
Current Liabilities and Provisions					
Current Tax Liabilities (Net)					
Financial Liabilities					
Lease Liability	270,042,316	441,760,875	-38.87%	0.20%	0.28%
Current Liabilities	10,482,835,655	12,892,423,384	-18.69%	7.82%	8.07%
Trade Payable	627,486,297	2,665,500,864	-76.46%	0.47%	1.67%
Provisions	252,910,307	16,764,417,190	-98.49%	0.19%	10.50%
Non-Financial Liabilities	6,869,779,915	7,075,948,526	-2.91%	5.12%	4.43%
<b>Total Current Liabilities and Provisions</b>	<b>18,503,054,490</b>	<b>39,840,050,839</b>	<b>-53.56%</b>	<b>13.79%</b>	<b>24.94%</b>
<b>Total Equity and Liabilities</b>	<b>134,129,826,956</b>	<b>159,736,730,515</b>	<b>-16.03%</b>	<b>100.00%</b>	<b>100.00%</b>

## Horizontal Analysis

During the review period, intangible assets decreased by 10.09%, reaching NPR 1.51 billion. This decline was primarily due to the addition of only NPR 121.3 million worth of software in the fiscal year 2080/81, while NPR 175.4 million was adjusted as depreciation from previous years. The company paid NPR 210 million to obtain a new GSM service license, which has been recorded as an intangible asset. In recent years, the company has consistently invested in property, plant and equipment while also accounting for annual depreciation. During the review period, property, plant and equipment decreased by 4.99%. As projects were completed and capitalized, capital work-in-progress and long-term loans and advances decreased by 30.25% and 13.45%, respectively, compared to the previous fiscal year. Assets leased by the company were amortized in compliance with its accounting policy and IFRS/NFRS standards, leading

to a 13.71% decline in right of use assets. The company made a lump sum payment of NPR 20 billion for the renewal of the GSM license and an additional NPR 4.97 billion for employee retirement fund provisions, as per the decision of the Board of Directors', leading to a reduction in fixed deposits. With major projects nearing closure, inventory levels decreased by 26.36% during the review period.

The fees for bandwidth purchased for service expansion and quality improvement decreased compared to previous years and payments were settled within the contract period. As a result, trade liabilities declined by 38.87% to NPR 270 million. Since, the third renewal fee for mobile service operation licenses was paid, provisions decreased by 98.49% to NPR 252.90 million during the review period. Overall, total assets and total capital and liabilities declined by 16.03% compared to the previous fiscal year.

## Vertical Analysis

In the review period, the proportion of Property, Plant and Equipment in total assets is 36.03 percent, while the share of investments in term deposits and debenture is 29.31 percent which were 31.84 percent and 35.39 percent respectively in the previous year. On the capital and liabilities side, share capital and retained earnings constitute 70.01% of total

capital and liabilities. Post-retirement benefits account for 13.56%, reflecting a 0.72% decrease compared to the previous fiscal year. Similarly, the share of current liabilities stands at 13.79%, marking a decline of 11.15% from the previous fiscal year.







## STATEMENT OF PROFIT OR LOSS

For the Year ended on 15 July 2024

NPR

Particular	Current Year	Previous Year	Horizontal Analysis Variance	Vertical Analysis Composition	
	FY 2023-24	FY 2022-23 (Restated)		FY 2023-24	FY 2022-23 (Restated)
<b>Revenue from contract with customers</b>	<b>34,560,265,983</b>	<b>36,271,449,904</b>	<b>- 4.72%</b>	<b>82.06%</b>	<b>81.62%</b>
Finance Income	6,780,879,184	7,794,393,452	- 13.00%	16.10%	17.54%
Other Income	775,765,377	372,921,419	108.02%	1.84%	0.84%
<b>Total Income</b>	<b>42,116,910,544</b>	<b>44,438,764,775</b>	<b>- 5.22%</b>	<b>100.00%</b>	<b>100.00%</b>
Employee Benefit Expenses	- 8,686,682,966	- 7,950,807,839	9.26%	- 20.63%	- 17.89%
Service Operation and Maintenance Costs	- 6,362,593,682	- 7,630,562,219	- 16.62%	- 15.11%	- 17.17%
Sales Channel, Marketing and Promotion Costs	- 281,252,823	- 261,306,135	7.63%	- 0.67%	- 0.59%
Office Operation Expenses	- 1,297,704,724	- 1,312,104,229	- 1.10%	- 3.08%	- 2.95%
Regulatory Fees, Charges and Renewals	- 7,317,464,537	- 7,776,218,515	- 5.90%	- 17.37%	- 17.50%
Foreign Exchange (Loss)/Gain	98,007,213	208,702,386	- 53.04%	0.23%	0.47%
Shares of results of Associates	- 275,211,769	- 342,661,132	- 19.68%	- 0.65%	- 0.77%
<b>Earning Before Interest ,Tax, Depreciation and Amortization</b>	<b>17,994,007,255</b>	<b>19,373,807,092</b>	<b>- 7.12%</b>	<b>42.72%</b>	<b>43.60%</b>
Finance Cost	- 167,924,772	- 487,950,086	- 65.59%	- 0.40%	- 1.10%
Depreciation	- 6,011,222,012	- 5,970,305,009	0.69%	- 14.27%	- 13.43%
Amortization	- 1,036,558,744	- 1,051,489,951	- 1.42%	- 2.46%	- 2.37%
Impairments - net of reversals	472,349,634	- 117,906,656	- 500.61%	1.12%	- 0.27%
<b>Profit Before Tax</b>	<b>11,250,651,361</b>	<b>11,746,155,390</b>	<b>- 4.22%</b>	<b>26.71%</b>	<b>26.43%</b>
<b>Income Tax Expenses</b>					
Current Income Tax	- 44,921,136	- 4,555,461,469	- 99.01%	- 0.11%	- 10.25%
Deferred Taxes	- 4,975,671,213	757,667,212	- 756.71%	- 11.81%	1.70%
<b>Profit For the Period</b>	<b>6,230,059,012</b>	<b>7,948,361,133</b>	<b>- 21.62%</b>	<b>14.79%</b>	<b>17.89%</b>
Earnings Per Share (Basic)	34.61	44.16	- 0.22		
Earnings Per Share (Diluted)	34.61	44.16	- 0.22		

## Horizontal Analysis

Revenue from contracts with customers refers to income generated from telecommunication services, encompassing revenue from PSTN, ADSL, FTTH, Lease, GSM and Interconnection. There was a 4.71 percent decrease in income from contracts with customers during the review period. Similarly, due to a decline in returns on investments in banks and financial institutions, as well as a reduction in bank balances, interest income decreased by 13% during the review period compared to the previous fiscal year.

In the review period, there was a 9.26 percent increase in employee benefit expenses, a 16.62 percent decrease in operation and maintenance expenses and a 1.10 percent decrease in office operating expenses. The profit from foreign exchange increased by approximately 53.04 percent compared to the previous year due to fluctuations in the value of foreign currency exchange rates against the Nepali currency. Consequently, the company's overall profit witnessed a decrease of 21.62 percent in the review period compared to the previous period.

## Vertical Analysis

The proportion of operating income in the total income is 82.06 percent. In the review period, EBITDA has decreased by 0.87 percent, reaching 42.72 percent compared to the previous period. Similarly, net profit has declined by 3.09 percent to 14.79 percent.

# VALUE ADDED STATEMENT

For the Period ended on 15 July 2024

Particulars	FY 2023-24	FY 2022-23
<b>Sources of Value Addition</b>		
Revenue from Operation	34,560,265,982	36,271,449,904
Cost of Operation	7,941,551,229	9,203,972,583
<b>Value Added by Operation</b>	<b>26,618,714,753</b>	<b>27,067,477,320</b>
Other Income	7,556,644,560	8,167,314,871
<b>Gross Value Addition</b>	<b>34,175,359,314</b>	<b>35,234,792,191</b>
Depreciation, Amortization and Impairment	6,575,431,122	7,139,701,615
<b>Net Value Addition</b>	<b>27,599,928,192</b>	<b>28,095,090,576</b>
Number of Employees	3,731	3,875
<b>Value Addition per Employee</b>	<b>7,397,461</b>	<b>7,250,345</b>

Application of Value Addition	FY 2023-24		FY 2022-23	
To Employees	8,686,682,966	31%	7,950,807,839	28%
To Government	7,362,385,672	27%	12,331,679,984	44%
To Investors	7,200,000,000	26%	7,200,000,000	26%
To Reserve Fund	4,350,859,553	16%	612,602,753	2%
<b>Total Value Addition</b>	<b>27,599,928,192</b>	<b>100%</b>	<b>28,095,090,576</b>	<b>100%</b>

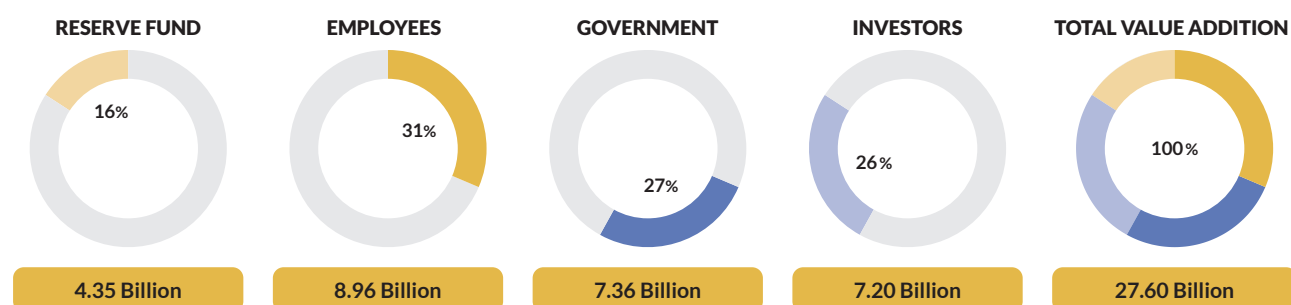
## Market Value Added Statement

Particulars	FY 2023-24	FY 2022-23
Total Number of Shares (A)	180,000,000	180,000,000
Market value per share (B) NPR	845.00	906.90
Total Market Value (C=A*B) NPR	152,100,000,000	163,242,000,000
Total Book Value (D) NPR	93,907,052,234	93,651,252,903
<b>Market Value Addition</b>	<b>58,192,947,766</b>	<b>69,590,747,097</b>

## Economic Value Added Statement

Particulars	FY 2023-24	FY 2022-23
Net Profit (A) NPR	6,230,059,012	7,948,361,133
Total Shareholders Fund (B) NPR	93,907,052,234	93,651,252,903
Cost of Equity (C)	8.00%	8.00%
Cost of Capital (D=B*C) NPR	7,512,564,179	7,492,100,232
<b>Economic Value Added (A-D) NPR</b>	<b>86,394,488,055</b>	<b>86,159,152,671</b>

## FY 2023-24





# REVIEW OF QUARTERLY REPORT

## First Quarter

### Business Achievement

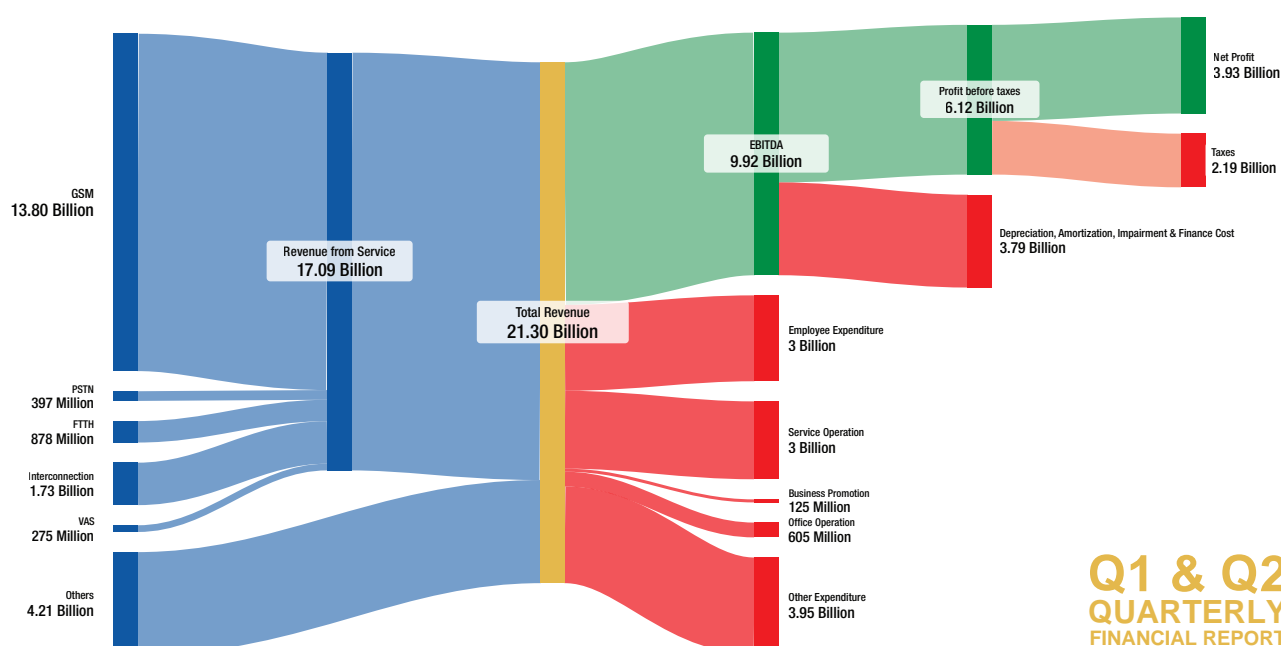
During the first quarter of the review period, 24 additional wireless sites (eNodeB) across different parts of the country have been connected and in total 6,695 wireless sites have come into operation. In the first quarter, additional 1,43,616 lines of FTTH network expansion was achieved and additional 46,265 FTTH (Voice+Data+IPTV) subscriptions were achieved.

### Financial Achievement

In the first quarter, the company generated revenue of NPR. 10.64 billion, marking a decrease of Rs. 391.2 Million compared to the revenue of the same period last year. During this period the EBITDA of the company was Rs. 4.92 billion, which is 1 percent less than the same period last year. Furthermore, the company recorded a profit of Rs. 2.02 billion in the first quarter, showing a decrease of 8.90 percent compared to the same period last year.

Despite the expansion of 4G service across the country and the expansion of Internet service, fixed telephone service and IPTV service through FTTH, the operating revenue has decreased due to the decrease in the tariff rate as a result of high competition in service delivery. Furthermore, due to the increasing use of Over the Top (OTT) services, a decrease in interconnection revenue is observed.

SCAN for the report



**Q1 & Q2**  
**QUARTERLY**  
**FINANCIAL REPORT**



## Second Quarter

### Business Achievement

During the second quarter of the review period 33 additional wireless sites (eNodeB) across different parts of the country have been connected and a total 6,728 wireless sites have come into operation. In this quarter, additional 1,07,312 lines of FTTH network expansion has been achieved and additional 34,937 FTTH (Voice+Data+IPTV) subscriptions have been added.

### Financial Achievement

In the second quarter, the company generated revenue of NPR. 10.66 billion, marking a decrease of Rs. 400.40 million compared to the revenue of the same period last year. During this period the EBITDA of the company was Rs. 5 billion, which is 7.92 percent less than the same period last year. Furthermore, the company recorded a profit of Rs. 1.90 billion in the second quarter, showing a decrease of 4.56 percent compared to the same period last year.

Despite the expansion of 4G service across the country and the expansion of Internet service, fixed telephone service and IPTV service through FTTH, the operating revenue has decreased due to the decrease in the tariff rate as a result of high competition in service delivery. Also, due to the increasing use of Over the Top (OTT) services, a decrease in interconnection revenue was observed in this quarter too.

SCAN for the report



## Third Quarter

### Business Achievement

During the third quarter of the review period 4 additional wireless sites (eNodeB) across different parts of the country have been connected and in total 6,732 wireless sites have come into operation. In this quarter, additional 1,31,328 lines of FTTH network expansion has been achieved and additional 34,500 FTTH (Voice+Data+IPTV) subscriptions have been added.

### Financial Achievement

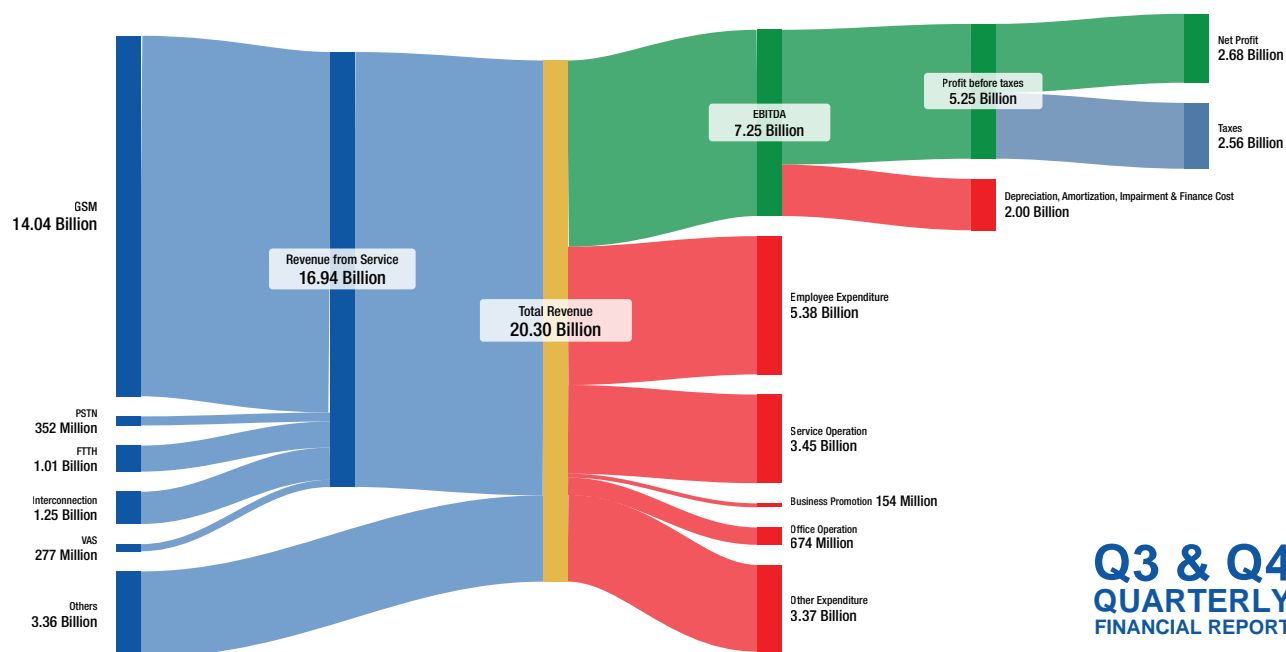
In the third quarter, the company generated revenue of NPR. 9.89 billion, marking a decrease of Rs. 1.21 billion compared to the revenue of the same period last year. During this period the EBITDA of the company was Rs. 3.47 billion, which is 24.02 percent less than the same period last year. Furthermore, the company recorded a profit of Rs. 1.66 billion in the second quarter, showing a decrease of 30.39 percent compared to the same period last year.

Despite the expansion of 4G service across the country and the expansion of Internet service, fixed telephone service and IPTV service through FTTH, the operating revenue has decreased due to the decrease in the tariff rate as a result of high competition in service delivery. Also, due to the increasing use of Over the Top (OTT) services, a decrease in interconnection revenue was observed in this quarter too. Due to excess liquidity in the money market, investments made by the company fetched low interest rates resulting in lower interest income compared to the same period of last year.

SCAN for the report







## Fourth Quarter

### Business Achievement

During the fourth quarter of the review period 5 additional wireless sites (eNodeB) across different parts of the country have been connected and in total 6,737 wireless sites have come into operation. In this quarter, additional 1,34,400 lines of FTTH network expansion has been achieved and additional 36,074 FTTH (Voice+Data+IPTV) subscriptions have been added.

Over the whole fiscal year, with a total of 6,737 wireless sites all over the country, 4G/LTE service has come into operation in all 77 districts covering 743 local levels. Similarly, with service expansion in Rukum East, Dolpa and Mugu districts, FTTH services have been made available in 76 districts. A total of 17,91,439 lines FTTH network capacity and a total 7,17,245 subscriptions over this network has been achieved during the review period.

### Financial Achievement

In the fourth quarter, the company generated revenue of NPR. 10.41 billion, marking a decrease of Rs. 1.24 billion compared to the revenue of the same period last year. During this period the EBITDA of the company was Rs. 3.77 billion, which is 28.61 percent less than the same period last year. Furthermore, the company recorded a profit of Rs. 1.02 billion in the second quarter, showing a decrease of 57.20 percent compared to the same period last year.

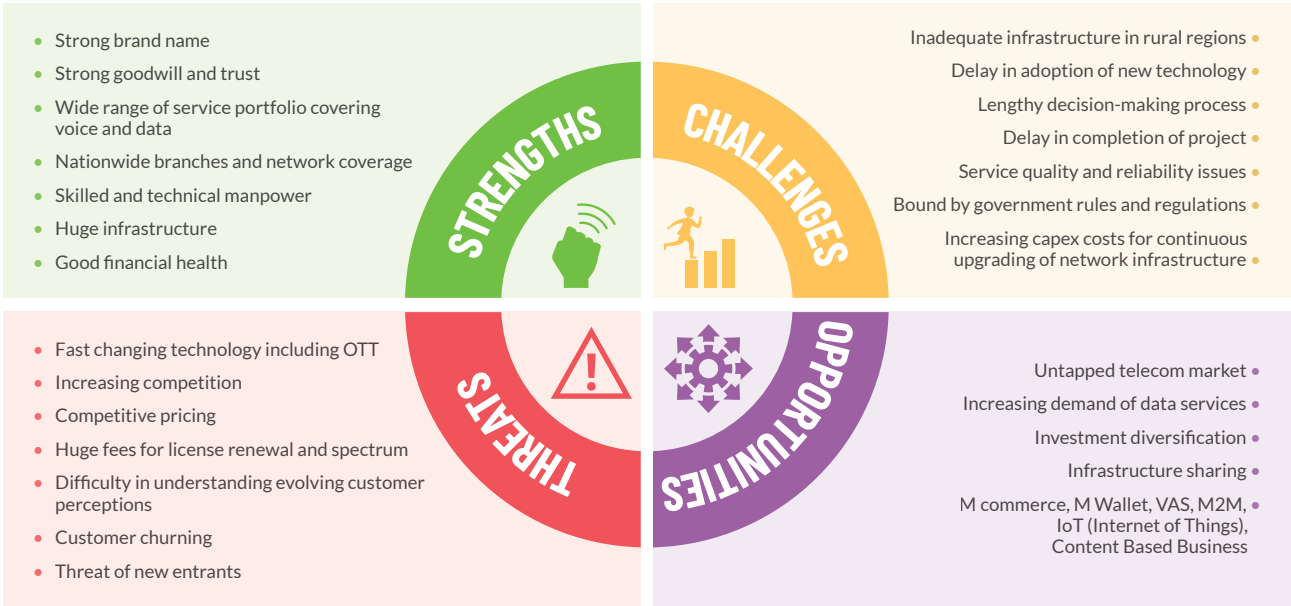
Despite the expansion of 4G service across the country and the expansion of Internet service, fixed telephone service and IPTV service through FTTH, the operating revenue has decreased due to the decrease in the tariff rate as a result of high competition in service delivery. Due to nationwide wireless and FTTH network expansion there was an increase in the repair and maintenance expenses as well as depreciation expenses of fixed assets which affected the profitability of the company. The company paid Rs. 20 billion as the third GSM license renewal fee for which the company didn't make any new investments from Poush 2080 and existing Fixed Deposit investments were also pre-matured in order to meet the license payment liability resulting in the decrease of interest income of the company.

SCAN for the report





# BUSINESS ENVIRONMENT ANALYSIS



## Key Stakeholders

Key stakeholders are people who have a direct, significant impact on the company's success. The company promotes relations with all stakeholders with special importance, with the aim of creating maximum credit and credibility. Nepal Telecom's major stakeholders include the company's shareholders, board of directors, customers, employees, suppliers, regulatory bodies, the general public and the society we serve. Stakeholder analysis helps to determine strategic plans that can solve the problem.





## Shareholders

Shareholders are the owners of the company. Shareholders provide the necessary financial capital for the company. The Government of Nepal, Citizen Investment Fund and the general public are the shareholders of Nepal Telecom. They invest their capital in the company with the hope of getting returns in the short and long term. Therefore, they are constantly keen on the financial health of the company to get returns. The company has proposed to distribute a 30 percent cash dividend to the shareholders during the review period.

## Board of Directors

The Board of Directors of the company is constituted with 7 members consisting of representatives from Government of Nepal, Managing Director of the company, representative from public shareholders and representative from employees. The Board provides guidelines for the proper implementation of internal control, institutional governance and transparency. It also protects the interests of the shareholders and the financial position of the company.

## Customers

Customers are consumers of various services provided by the company. They are the end users of the company's services. If the expectations of consumers are fulfilled, they contribute to enhance the reputation of the company. The company is constantly trying to provide telecommunication services based on the latest technology throughout the country.

## Employees

The motivated performance of the employees working in the company plays an important role in achieving the objectives of the company. Employees expect fair wages and rewards in return for their experience, efficiency and diligence for the success of the company.

## Suppliers

Various companies and individuals who supply goods and services required by the company are the suppliers of the company. They provide resources that the company uses for delivering its services. A strong and healthy relationship with suppliers is essential to ensure timely and reliable delivery of services. The company is committed to maintaining healthy relationships with its suppliers.

## Regulatory Bodies

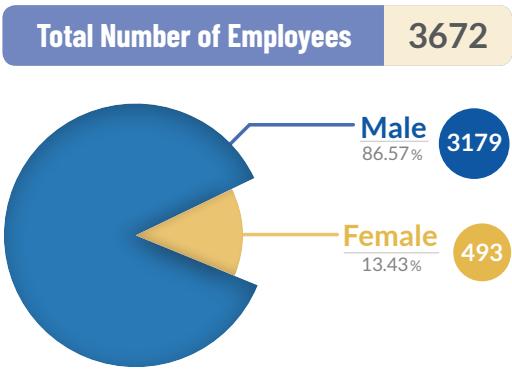
Regulatory bodies are government bodies that play a regulatory role in different areas of operation and business of the company. These regulatory bodies ensure whether or not the company has complied with the laws, regulations, directives and prevailing laws. In addition, they ensure the effectiveness of internal control mechanisms, transparency in the company's activities and protection of the interest of customers and other stakeholders. The company is committed to having and maintaining harmonious and healthy relations with all relevant regulatory bodies.



# HUMAN CAPITAL

No organization can achieve its goals without honest, dedicated and motivated human resources. Recognizing employees as a valuable asset, the company acknowledges that progress is impossible without skilled and talented personnel.

Therefore, special emphasis has been placed on the well-structured and scientific development of human resources. To enhance efficiency, the company has developed job descriptions, targets and progress evaluation indexes and performance assessments have been initiated accordingly.



## Employee Recruitment

The company follows a transparent policy, adhering to defined rules and standards to recruit skilled and competent personnel. Employees are selected through a competitive process based on specific criteria. Additionally, recruitment is conducted in coordination with the Public Service Commission, following an inclusive hiring approach aligned with the examination program schedule.

## Workforce Diversity

The company has fostered a workplace culture that promotes gender inclusion and diversity. By integrating these principles into employees' work styles and environments, the company ensures equal and fair opportunities for all, reinforcing a culture of inclusivity.













## Services and Facilities

The company provides attractive service facilities to its active employees. Employee benefits include salary, allowances, bonuses and incentive allowances. Employees at levels 11 and 10 also have access to transportation facilities. The company periodically reviews the service facilities of employees in consideration of the country's economic situation. Additionally, employees are provided with clothing allowances, medical expenses, accident insurance, gratuity, various types of leave, telephone, mobile, Internet, etc. facilities.

In the review period, the Placement and Transfer Procedure of Appoint and Promotion, 2078 BS, have incorporated a provision for online transfer requests for promotions. Details of expenses related to employee service facilities are documented in the audit report.

## Gender Diversity

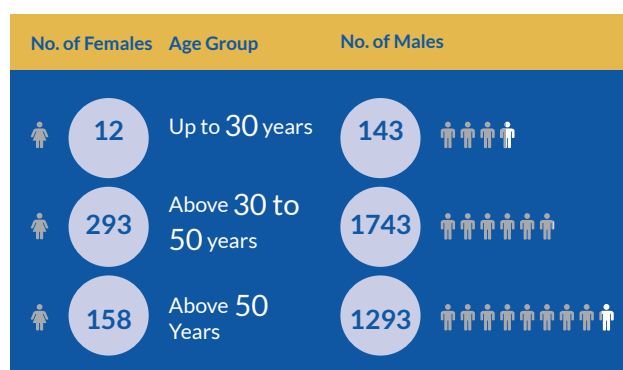
(Till 2081 Ashwin)

Gender Ratio	No. of Males	Details	No. of Females	Gender Ratio
	53	 Senior Management (level 10-12)	6	
	426	 Middle Management (level 8-9)	59	
	1232	 Officer Level (level 6-7)	168	
	1486	 Assistant Level (Till level 5)	260	





## Diversity in Age



## Organization Restructure

The company has been advancing restructuring efforts in line with changing circumstances. The review of the 4159 staff positions established in 2072 has been reconsidered and now 3009 positions are maintained.

## Performance Contract

A performance contract has been signed between the Secretary of the Ministry of Communication and Information Technology, the Chairperson of the company's Board of Directors and the company's Managing Director. Additionally, the Managing Director has signed agreements with key executives, including the Chief Technical Officer, Chief Commercial Officer, Chief Operating Officer, Chief Human Resource Officer, Chief Financial Officer, Company Secretary, Deputy Managing Director of Internal Audit and Inspection Department, as well as the Directors of Wireline and Customer Service, Wireless Service and Backbone Transmission Directorates. These agreements reflect a shared commitment to achieving the company's set goals, plans and regular tasks on time.

## Employee Service Terms and Regulations Revision

The company has undertaken the timely revision of its financial and employee service terms and regulations. As part of this process, the revised Employee Transfer Policy, 2078 has been approved by the Board of Directors and has been in effect since the 1<sup>st</sup> of Shrawan, 2078. Consequently, policies pertaining to employee services are being developed and implemented accordingly.

## Training and Development

The company strongly believes that training is not an expense but an investment. To ensure its workforce remains creative, positive, modern and motivated, continuous efforts have been made to develop competent and professional human resources. The Board of Directors is confident that human resource development not only supports daily operations but also fosters innovation and the adoption of new technologies within the company.

To keep employees updated, efficient and skilled in a rapidly changing and dynamic technical environment, the company regularly facilitates participation in various internal and external training programs, seminars and workshops. In the review year, a total of 2774 employees including 2,116 officers and 658 assistants from the Telecommunication Training and Research Center attended 109 different training programs and 44 seminars/workshops, while 579 employees participated in international training programs and seminars.

Additionally, for professional development, the company conducts transparent annual performance evaluations based on specific criteria to assess and enhance employees' capabilities.

## Details of the Working Employees in the Company

Level	FY 2023-24			FY 2022-23			FY 2021-22		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Officer	233	1711	1944	247	1795	2042	227	1780	2007
Assistant	260	1468	1728	271	1562	1833	266	1545	1811
Total	493	3179	3672	518	3357	3875	493	3325	3818
Change	(25)	(178)	(202)	25	32	57	(14)	(125)	(139)

## International/National Training/Workshop/Seminar

Training Details	FY 2023-24		FY 2022-23	
	National Training	International Training	National Training	International Training
Total number of trainings conducted	153		125	52
Total number of participants	2774	579	2496	543
Officer	2116			
Non-Officer	658			

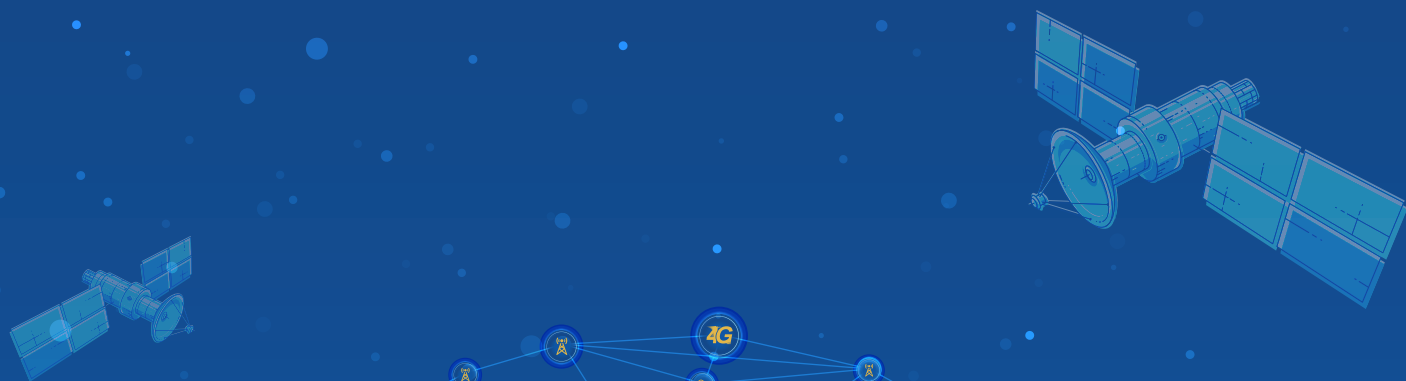
## Health and Safety for Employee

The company prioritizes the health and safety of its employees, implementing various measures to ensure their well-being. A life insurance plan has been established, with 90% of the contribution covered by the company and 10% by the employee, ensuring financial security after retirement. The life insurance amount follows the level ratio specified in the Employee Regulations, 2078.

To support employees' medical needs, health insurance and group accident insurance have been arranged, with contributions from both the company and employees. Additionally, precautionary measures have been enforced for tasks involving physical risks. To enhance workplace safety, employees receive Occupational Health and Safety (OHS) training at the Telecom Training and Research Center, equipping them with knowledge on risk prevention and health protocols.

In collaboration with relevant agencies, the company has conducted awareness programs to prevent and address gender-based violence in the workplace. A zero-tolerance policy against gender violence has been adopted. To manage complaints related to sexual harassment, a Standing Committee (Committee Against Sexual Harassment - CASH) has been formed at the central level, coordinated by the Deputy Managing Director.

For employees facing severe medical conditions, a Serious Illness Fund has been established with contributions from both employees and the company to provide financial support for treatment. Covered illnesses include cancer, kidney and heart-related diseases (angioplasty and bypass), neurological disorders (Parkinson's, unconsciousness), paralysis, brain hemorrhage, liver diseases (hepatitis B, C), meningitis and acute pancreatitis. During the review period, 15 employees received a total of NPR 3,408,640.00 in financial assistance for medical treatment.



# FINANCIAL STATEMENTS

STANDALONE





**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
NEPAL DOORSANCHAR COMPANY LIMITED (NEPAL TELECOM)**

**REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS**

We have audited the Standalone Financial Statements of Nepal Doorsanchar Company Limited ("Nepal Telecom"/"the Company") which comprise the Statement of Financial Position (SOFP) as at Ashadh 31, 2081 (July 15, 2024), and Statement of Profit or Loss (SOPL), Statement of Other Comprehensive Income (OCI), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Standalone Financial Statements, including a Summary of Significant Accounting Policies.

**QUALIFIED OPINION**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying Financial Statements read with the Notes to the Financial Statements present fairly, in all material respects, the financial position of the Company as at 31 Ashadh, 2081 (July 15, 2024), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

**BASIS FOR QUALIFIED OPINION**

- a. The Company invested in a nationwide 4G/LTE network to expand its business and strengthen operations. Contracts for Core, Radio Access Network (RAN) I and II, totaling NPR 19.68 billion, were signed but not completed within the agreed 12-month timeline—by February 2020 (Falgun 16, 2076). The board meeting held on October 08, 2021 (2078/06/22) extended the contract up to April 14, 2022 (2078 Chaitra end). There is no further extension of the contract, but the Company is transacting with the contractor with the expired contract (paid NPR 971 million during FY 2080-81); such transactions are irregular. As of July 15, 2024, (Ashadh End 2081), the Company has capitalized NPR 15.95 billion related to RAN I and II. Income is understated by the amount liquidated damage of the 4G/LTE Project, which is a maximum of ten percent of the total contract price.
- b. The Company's policy to derecognize Property, Plant, and Equipment (PPE) has some limitations, with the legacy copper wire system with WDV of NPR 916 million recognized as PPE and NPR 57.26 million having been provisioned for impairment in the financial statements of FY 2080-81. Additionally, additional scrap and obsolete PPE exists within the Company's records but has not been identified, derecognized, and properly dealt with, making it difficult to determine its extent and value. Furthermore, there are many buildings owned by the Company without accruing any economic benefits. Accordingly, we are unable to comment on the consequential impact, if any, due to the possible impairment loss of the PPE.
- c. The Company's accounting policy requires impairment recognition for idle inventory items, with 25% for slow-moving, 50% for non-moving, and 100% for obsolete inventory. As of Ashadh End 2081, the Company has NPR 3.79 billion worth of inventories under Capital Work-in-Progress (Note 4 of the financial statements) and NPR 521 million under Inventory (Note 7 of the financial statements). The Company's impairment assessment relies solely on inventory classification without considering usability and economic value of the inventory. It was observed that even the obsolete items are categorized as regular in ERP. Accordingly, we are unable to comment on the consequential impact, if any, due to the possible impairment loss of the inventory.



- d. The Wireline segment experienced an operating loss of NPR 534 million (previous year NPR 1.46 billion), representing a 15.69% gross loss margin against total revenue of NPR 2.78 billion (Fiber To The Home Services (FTTH) NPR 2.17 billion). The Company deployed 3,819 Fiber Distribution Cabinets (FDCs) and 1,849,562 Fiber Access Points (FAPs) across Nepal, with only 431,483 FAPs occupied, a utilization rate of 23%. This indicates uncertainty about cost recovery timelines and technology's profitability and long-term sustainability. We are unable to comment on whether future economic benefits will recover investment for the technology, potentially leading to asset impairment.

We have conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our Report. We are independent of the Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **EMPHASIS OF MATTERS**

The following matters are presented to draw users' attention to the financial statements that, in our judgment, are of such importance that they are fundamental to users' understanding of the financial statements. The audit opinion is not modified because of these matters.

- a. As the letter of the Ministry of Finance dated 2081-01-16, employees' bonuses must be calculated based on the operating profit of NPR 4.47 billion for FY 2080-81 and NPR 3.95 billion for FY 2079-80. But the Company has calculated and booked the employees' bonus based on the total profit of NPR 11.25 billion for FY 2080-81 and NPR 11.74 billion for FY 2079-80. Hence, the amount of the provision for bonus as reflected in the SOFP has been overstated by NPR 700 million (FY 2080-81 NPR 330 million and FY 2079-80 NPR 370 million). Furthermore, presentation of the SOPL does not portray the operating results of the core business of the Company in the form of profit.
- b. The meeting of the Board of Directors of the Company dated 2081-01-24 resolved to set aside the required amount to cover the liability of the Defined Benefit Plan of NPR 26.93 billion. Accordingly, the Company had to contribute NPR 12.73 billion during FY 2080-81, but the Company has not done so. Hence the assets of 'Post Employment Benefits' as reflected in the SOFP have been overstated to that extent.

#### **OTHER AUDIT MATTERS**

The following matters are presented that are other than those presented or disclosed in the financial statements that, in our judgment, are relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report. The audit opinion is not modified because of these matters.

- a. The practice of 'unpaid Kaaj' prevails (per diem and travel costs not paid), which is an employee-induced event, not a Company need event. There are manpower shortages in rural areas and excesses in urban areas. Substantial expenditure has been made for outsourcing human resources. Additionally, there is a significant amount of casual labor expenditure paid in cash without verifiable evidence. There are no proper controls on such labor engagement and cash payment, making it difficult to verify the legitimacy of these payments.



- b. There is major concern of anti-graft agencies in the procurement process of the Company. The Company's procurement practices have raised notable concerns, particularly regarding the lack of prudent procurement practices—based on availability of budget rather than the Company's need—resulting in a surplus of assets that remain idle. The acquisition of a significant volume of assets, coupled with their underutilization, suggests a misalignment between procurement strategies and operational needs. The prevalence of continued non-moving and idle assets raises questions about the effectiveness and prudence of the Company's procurement approach.
- c. The extension of AMC of CRTB—Convergent Real-time Billing System was made for 4+1 years on a no-choice basis effective from September 19, 2022 (Ashoj 03, 2079). To initiate procurement of the New System, a bid was invited on March 31, 2024 (Chaitra 18, 2080), based on the cost estimation, and bid document prepared on June 20, 2021 (Ashadh 06, 2078). The issue is in litigation, and the case is pending in the court. There is a need for efficient procurement management to avoid delay in procurement to suffice the lead time required for the new vendor, as the contract of the existing billing system is expiring on September 18, 2027 (Ashoj 2, 2084).
- d. The Company has contracted with a vendor for managed services for restoration of service outages. We have noted various service outages, and the estimated amount of the penalty for the delay in restoration of outages is NPR 47.3 million.
- e. The Company's revenue generation in Koshi Pradesh and Madhesh Pradesh is significantly below expectations when considering the population size in these regions. Several factors contribute to the observed decline in revenue, including, but not limited to, the quality, promotion, and coverage of network services; timely maintenance of BTS sites; technology upgrades; insufficient market penetration; and a lack of effective customer retention strategies. Further, the Company has presented the product-wise segment reporting, but there is a lack of province-wise segment reporting.
- f. As a part of the 4G Contract, the contractor completed the installation, testing, commissioning, and on-airing of four 5G sites assigned by NT and installed one temporary trial 5G site at the NT Central office for the NT Day function without additional cost to NT and concluded that the supplied equipment can be upgraded for 5G features. Strategy for implementation of 5G is yet to be formulated and implemented.
- g. Board of Directors of the Company had decided to plan and implement a Voluntary Retirement Scheme (VRS) and to conduct an Organization and Management (O&M) survey for restructuring of the Company, but it has not been implemented.
- h. The previous license of the mobile services issued by the Nepal Telecommunication Authority (NTA) to the Company expired on May 10, 2024 (2081-01-28). NTA has issued a new license for mobile services on May 10, 2024 (2081-01-28) for a period of 5 years under the condition that the renewal fee and condition of the license shall be as decided by NTA. The Company has paid the license fee of NPR 210 million. As no communication has been received from NTA, the Company has not made any provision of the renewal fee (royalty), nor is any contingent liability disclosed to this effect.
- i. The Company had budgeted NPR 25.80 billion for FY 2080-81, but the expenditure was as low as NPR 4.97 billion with the achievement rate of only 19% (previous year 22%).





- j. The Company has not complied with the provisions of the Labor Act, 2074, and Labor Regulation, 2075, relating to contractual employees, labor audits, and requirements of the Social Security Act 2075; the Bonus Act; and regulations relating to the maintenance and operation of the Employees Welfare Fund and Interconnection Guidelines 2076 relating to international and domestic usage charges. Furthermore, the ICT Security Policy and Business Continuity Plan (BCP) are not approved as mandated by NTA Cyber Security By-laws, 2077.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the standalone financial statements. These matters were addressed in the context of our audit of the standalone financial statements, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the Basis for Qualified Opinion Section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the matter
<p><b>Revenue Recognition</b></p> <p>We considered the accuracy of revenues relating to the voice and data services provided as a key audit matter due to the complexity of the IT systems, the significance of the volumes of data processed by the IT systems, and the impact of changing pricing models (tariff structures, incentive arrangements, discounts, etc.). The amount of revenue involved in the financial statement is material to the financial statements, and due to the complexity of the system, processes, and products/services used to record revenue, having multiple software programs is a reliance on automated processes and controls.</p> <p>The Company has used a billing system that captures, values, and records the revenue data generated from various software, which are heavily reliant on IT systems with processes and controls over the transactions. Disclosures relating to revenue recognition can be found at note 16.</p>	<p>We evaluated the design and operating effectiveness of key controls over the capture and measurement of revenue transactions across all significant revenue streams, including evaluating the relevant IT systems with supporting evidence such as service detail records and evidence of customer payment.</p> <p>We obtained an understanding of the nature of various services provided by the Company, comprising prepaid, postpaid, international, and fixed-line services.</p> <p>The accuracy and completeness of revenue amounts recorded is an inherent risk. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• System recorded transactions: real-time test of recording of transactions in the system, subsequently recorded to the accounting system. Information is processed in a separate directorate independent of the accounting directorate, resulting in additional control over billed records and accounted records.</li> <li>• Manual control over transactions: testing the design and implementation of various operating effectiveness of manual control over initiation, authorization, and testing of revenue transactions. These included testing</li> </ul>



	<p>of tariff rates, packages, treatment related to discounts, and recording to ERP, including major contracts.</p> <ul style="list-style-type: none"> <li>• Performing substantive testing, including analytical procedures, over major streams of revenue generation Testing of manual journal entries and end-to-end reconciliation from data records to billing systems and accounting ledgers.</li> <li>• Testing the delivery of goods and services rendered for recording of revenue from advance/deposits received.</li> </ul> <p>Based on the result of the sample testing and mix use of manual and automated controls that are in place, we have relied on the information generated by the system and process followed by the Company for revenue recognition.</p>
<p><b>Information Technology (IT) System and Controls</b></p> <p>The Company uses several IT/software systems with or without integrating with the ERP system for the management of its business operations. A significant part of the Company's financial process is heavily reliant on IT systems with automated processes and controls over the capturing, valuing, and recording of transactions and manual interventions on the same while recording the data into ERP. This is a key part of our audit because of the complex IT environment supporting the business processes, the mix of manual and automated controls, the multiple internal and outsourced support arrangements, and the complexity of the billing systems, which result in revenue being recognized.</p>	<p>We assessed the manual and automated controls relating to IT systems relevant to financial reporting, including the recognition of revenue.</p> <p>While a separate IS audit from a competent professional is yet to be carried out, we tested a sample of automated controls that are designed to enforce appropriate segregation of duties, roles, and controls. This included assessing the design of relevant automated processes and controls.</p> <p>We reviewed a sample of the financial information produced by various systems, recording in ERP and reporting.</p> <p>We evaluated the effectiveness of the controls in the systems.</p>
<p><b>Impairment</b></p> <p>The assets owned by the Company include property, plant, and equipment (PPE) and other assets. Given the dynamic nature of the industry in which the Company operates, there is a risk that there could be material impairment to intangible assets, investments, and other assets. Determination as to whether</p>	<p>We reviewed the policies and processes of impairment of each class of assets.</p> <p>We assessed the determination of cash-generating units (CGUs) used for their impairment assessment and to assess the impairment models and evaluate the reasonableness of key assumptions, including</p>



<p>there is an impairment relating to an asset or Cash Generating Unit (CGU) involves significant judgment about the future cash flows and plans for these assets and CGUs.</p>	<p>discount rate, growth rates, and forecast growth assumptions. We also performed sensitivity analysis around the key drivers of the cash flow projections.</p> <p>We reviewed the impairment matrix prepared for expected losses, mainly for accounts receivable and inventories, as per the policies.</p> <p>We tested the adequacy of impairment on investments, receivables, and other assets, including PPE of the Company. We reviewed the impairment of all significant classes of assets, basis, and adequacy, including reversals.</p>
<p><b>Fair Value Measurement</b></p> <p>The Company has investments in shares and debentures that are measured at fair value. Similarly, property, plant, and equipment—mainly land, buildings, and other assets—have been reassessed by the management technical experts of the Company, which was independently valued in FY 2078/79. The Company categorizes assets or liabilities carried on the reporting date at fair value using a three-level hierarchy. Determination of fair value is based on a high degree of judgment and input from data that is not directly observable in the market. Further, the fair value is significantly influenced by the expected pattern of future benefits of the tangible assets.</p>	<p>We reviewed the basis and categorization of assets or liabilities carried on the reporting date at fair value using a three-level hierarchy, including key assumptions around discounted cash flow to estimate fair value.</p> <p>We reviewed land and building reassessment reports obtained by the management with the involvement of the committee and experts. We assessed the methodology and the assumptions applied in determining the fair value. We have assessed the objectivity, independence, and competence of the specialists involved in the process.</p> <p>We assessed the adequacy of disclosure in Note 12 to the financial statements.</p>
<p><b>Provisions and contingencies tax, legal and other regulatory matters</b></p> <p>The Company has recognized provisions for probable outflows relating to legal, tax, and other regulatory matters and has disclosed contingencies for legal, tax, and other regulatory matters where the obligations are considered possible. The Company assesses the likelihood that a pending matter relating to tax, legal, or regulatory will succeed. In performing this assessment, the Company applies judgment and has recognized provisions based on whether additional amounts will be payable and has disclosed</p>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls relating to:</p> <ul style="list-style-type: none"> <li>• Identification evaluation, recognition of provisions, and disclosure of contingencies for matters under review or appeal with relevant adjudicating authorities by considering the assumptions and information used by management in performing this assessment.</li> </ul>






contingent liabilities where economic outflows are considered possible.

We have considered the provisions recorded and the contingencies relating to tax, legal, and other regulatory matters as a key audit matter, as there is significant judgment to determine the possible outcome of matters under dispute and determining the amounts involved, which may vary depending on the outcome of the matters.

- Completeness and accuracy of the underlying data/information used in the assessment.

For tax matters, we evaluated the reasonableness of the management's positions by considering tax regulations and past decisions from tax authorities. For regulatory fees and other matters, we evaluated the reasonableness of the management's positions by considering relevant past assessment orders, commitments, and payments made. We also evaluated the disclosures provided in the notes to the financial statements concerning these matters.

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's management is responsible for the preparation of the other information. The other information comprises the information included in the management report, the report of the Board of Directors, and the chairman's statement but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. As the other information documents are in the process of completion, the management has provided written representation that the final version of the documents will be provided when available.

## RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee





that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit in the Management Letter outlining such findings with recommendations to correct such control deficiencies.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards. From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period, therefore they are described in our Auditor's Report.





#### REPORT ON THE OTHER LEGAL AND REGULATORY REQUIREMENTS

- We have obtained satisfactory information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- The financial statements, including the Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows, including a Summary of Significant Accounting Policies and the Notes to the Accounts, have been prepared in all material respects in accordance with the provisions of the Companies Act, 2063, and they are in agreement with the books of accounts of the Company, and the accounts and records of the Company are properly maintained in accordance with the prevailing laws.
- To the best of our information and according to the explanations given to us in the course of our audit, we observed that the business of the Company was conducted satisfactorily, and the Company's transactions were found to be within the scope of its authority.

We did not come across cases of accounting-related fraud, and the cases where the board of directors or any director or any office bearer of the Company acted contrary to the provisions of law except as reported in this report or caused loss or damage to the Company or committed any misappropriation of the funds of the Company.

Kathmandu, Nepal  
Date: 2081/09/05



CA. Mahesh Kumar Guragain  
Partner  
MGS & Associates  
Chartered Accountants  
UDIN No. 241221CA00125aVFdL



CA. Narendra Bhattarai  
Principal Partner  
Kuber N. Bhattarai & Co.  
Chartered Accountants  
UDIN No. 241221CA00037xSAdg





# Standalone Statement of Financial Position

As on 15 July 2024 (Ashadh 31, 2081)

		Figures in NPR	
		Current Year	Previous Year
Particulars	Notes	15 July 2024	16 July 2023 (Restated)
<b>Assets</b>			
<b>Non- Current Assets</b>			
Intangible Assets	1	1,512,403,472	1,682,132,359
Property, Plant and Equipment	3	48,321,256,437	50,859,360,902
Right of Use (ROU) Assets	8	1,764,266,985	2,044,511,476
Capital Work-in-Progress	4	3,790,036,603	5,433,441,621
Long Term Loan and Advances	10.1.3.1	852,758,962	985,309,311
Investment in Associates	5	1,576,597,257	1,216,622,026
Investment in Subsidiary	6	248,888,900	248,888,900
Financial Assets	10		
Equity Investments	10.1.1	219,034,000	190,000,000
Term Deposits and Other Investments	10.1.5	3,763,049,300	3,612,229,000
Loan Investments	10.1.6	14,186,015,028	13,787,131,386
Employee Loan	10.1.2	3,524,935,570	3,545,776,825
Deferred Tax Asset	26.3	4,412,498,352	9,913,516,551
Contract Cost Assets	2	365,151,701	390,558,232
<b>Total Non-Current Assets</b>		<b>84,536,892,567</b>	<b>93,909,478,589</b>
<b>Current Assets</b>			
Inventory	7	521,072,182	707,568,287
Prepayments & Non-Financial Assets	9.1	2,385,398,176	2,111,854,261
Current Tax Assets (Net)	26.1	4,063,223,227	1,742,778,373
Financial Assets			
Employee Loan	10.1.2	315,137,808	75,948,918
Accruals, Advance & Others Receivables	10.1.3	983,950,227	780,997,568
Trade & Other Receivable	10.1.4	1,516,047,428	2,087,247,188
Term Deposits and Other Investments	10.1.5	35,555,380,000	52,910,730,000
Cash & Cash Equivalents	10.1.7	4,252,725,341	5,410,127,330
<b>Total Current Assets</b>		<b>49,592,934,389</b>	<b>65,827,251,925</b>
<b>Total Assets</b>		<b>134,129,826,956</b>	<b>159,736,730,515</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share Capital	14	18,000,000,000	18,000,000,000
Reserve and Surplus	15	75,907,052,234	75,651,252,903
<b>Total Equity attributable to Equityholders</b>		<b>93,907,052,234</b>	<b>93,651,252,903</b>
Non Controlling Interest			
<b>Total Equity</b>		<b>93,907,052,234</b>	<b>93,651,252,903</b>
<b>Non-Current Liabilities</b>			
Post Employment Benefits	13.2	18,187,775,411	22,810,645,353
Deferred Government Grant	27	1,664,448,601	1,533,384,294
Financial Liabilities			
Subscriber Deposits	10.2.1	59,987,070	58,727,124
Lease Liability	8	1,807,509,150	1,842,670,003
<b>Total Non-Current Liabilities</b>		<b>21,719,720,232</b>	<b>26,245,426,774</b>
<b>Current Liabilities and Provisions</b>			
Current Tax Liabilities (Net)		-	-
Financial Liabilities			
Lease Liability	8	270,042,316	441,760,875
Current Liabilities	10.2.3	10,482,835,655	12,892,423,384
Trade Payable	10.2.2	627,486,297	2,665,500,864
Provisions	11	252,910,307	16,764,417,190
Non-Financial Liabilities	9.2	6,869,779,915	7,075,948,526
<b>Total Current Liabilities and Provisions</b>		<b>18,503,054,490</b>	<b>39,840,050,839</b>
<b>Total Equity and Liabilities</b>		<b>134,129,826,956</b>	<b>159,736,730,515</b>

Significant Accounting Policies and Explanatory Notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
M.G.S. & Associates  
Chartered Accountants

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

Komal Bahadur Khatri  
Director

Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu





# Standalone Statement of Profit or Loss

For the Year ended on 15 July 2024 (Ashadh 31, 2081)

Figures in NPR

Particulars	Notes	Current Year	Previous Year
		FY 2023-24	FY 2022-23 (Restated)
Revenue from contract with customers	16	34,560,265,983	36,271,449,904
Finance Income	17	6,780,879,184	7,794,393,452
Other Income	18	775,765,377	372,921,419
<b>Total Income</b>		<b>42,116,910,544</b>	<b>44,438,764,775</b>
Employee Benefit Expenses	13.1	(8,686,682,966)	(7,950,807,839)
Service Operation and Maintenance Costs	19	(6,362,593,683)	(7,630,562,220)
Sales Channel, Marketing and Promotion Costs	20	(281,252,823)	(261,306,135)
Office Operation Expenses	21	(1,297,704,724)	(1,312,104,229)
Regulatory Fees, Charges and Renewals	22	(7,317,464,537)	(7,776,218,515)
Foreign Exchange (Loss)/Gain	25	98,007,213	208,702,386
Shares of results of Associates	5	(275,211,769)	(342,661,132)
<b>Earning Before Interest ,Taxes, Depreciation and Amortisation (EBITDA)</b>		<b>17,994,007,255</b>	<b>19,373,807,092</b>
Finance Cost	23	(167,924,772)	(487,950,086)
Depreciation	3	(6,011,222,012)	(5,970,305,009)
Amortisation	1,2,8	(1,036,558,744)	(1,051,489,951)
Impairments - net of reversals	24	472,349,634	(117,906,656)
<b>Profit Before Tax</b>		<b>11,250,651,361</b>	<b>11,746,155,390</b>
Income Tax Expenses			
Current Income Tax	26.2	(44,921,136)	(4,555,461,469)
Deferred Taxes	26.3	(4,975,671,213)	757,667,212
<b>Profit For the Period</b>		<b>6,230,059,012</b>	<b>7,948,361,133</b>
Earnings Per Share (Basic)		34.61	44.16
Earnings Per Share (Diluted)		34.61	44.16
<b>Net Profit attributable to:</b>			
Equity holders of the company		6,230,059,012	7,948,361,133
Non-controlling interest		-	-
<b>Profit For the Period</b>		<b>6,230,059,012</b>	<b>7,948,361,133</b>

Significant Accounting Policies and Explanatory Notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
M.G.S. & Associates  
Chartered Accountants

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

Komal Bahadur Khatri  
Director

Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Standalone Statement of Other Comprehensive Income

For the Year ended on 15 July 2024 (Ashadh 31, 2081)

Figures in NPR

Particulars	Notes	Current Year	Previous Year
		FY 2023-24	FY 2022-23 (Restated)
Profit for the Period		6,230,059,012	7,948,361,133
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss			
Exchange difference of translation of foreign operation			
Cash Flow Hedges			
Income Taxes relating to items that may be reclassified			
Items that will not be reclassified subsequently to profit or loss			
Gains on Property Revaluation	3	-	
Investments in Equity Instruments (FV changes)			
Remeasurements of defined retirement benefit plans of employees	13.2	1,751,369,620	(2,824,959,360)
Shares of Other Comprehensive Income of Associates	5	(212,999)	8,575,527
Income Taxes relating to items that will not be reclassified	26.3	(525,346,986)	844,915,150
Total Comprehensive Income for the Period		7,455,868,647	5,976,892,450
Total Comprehensive Income attributable to:			
Equity holders of the company		7,455,868,647	5,976,892,450
Non-controlling interest		-	-
Total Comprehensive Income for the Period		7,455,868,647	5,976,892,450

Significant accounting policies and explanatory notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
M.G.S. & Associates  
Chartered Accountants

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

Komal Bahadur Khatri  
Director

Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu

# Standalone Statement of Changes in Equity

For the Year ended on 15 July 2024 (Ashadh 31, 2081) (Restated)

Figures in NPR

Particulars (FY 2022-23)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Total
Balance as on Shrawan 1, 2079	18,000,000,000	45,398,153,730	8,310,934,189	-	23,558,954,134	95,268,042,052
Previous Period Adjustment		(330,429,381)				(330,429,381)
Prior Period Income		2,204,515				2,204,515
Prior Period Expenses		(338,374)				(338,374)
Prior Period Accounting Adjustment		(69,914,692)				(69,914,692)
Adjustment of Stock		4,796,333				4,796,333
				-		-
<b>Restated Opening Balance</b>	<b>18,000,000,000</b>	<b>45,004,472,130</b>	<b>8,310,934,189</b>	<b>-</b>	<b>23,558,954,134</b>	<b>94,874,360,453</b>
Profit for the year		5,976,892,450				5,976,892,450
Dividend to equity shareholder						-
Bonus Share Issued						-
Cash Dividend paid		(7,200,000,000)				(7,200,000,000)
Transfer from Revaluation Reserve		49,293,428			(49,293,428)	-
Transfer to Revaluation Reserve		-				-
Transfer To Deferred Tax Reserve		(1,602,582,362)	1,602,582,362			-
						-
<b>Balance as on Ashadh 31, 2080</b>	<b>18,000,000,000</b>	<b>42,228,075,646</b>	<b>9,913,516,551</b>	<b>-</b>	<b>23,509,660,706</b>	<b>93,651,252,903</b>

NPR

Particulars (FY 2023-24)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Total
Balance as on Shrawan 1, 2080	18,000,000,000	42,228,075,646	9,913,516,551	-	23,509,660,706	93,651,252,903
Previous Period Adjustment		77,792				77,792
Prior Period Income		56,865				56,865
Prior Period Expenses		(203,974)				(203,974)
Prior Period Accounting Adjustment		-				-
Adjustment of Stock		-				-
<b>Restated Opening Balance</b>	<b>18,000,000,000</b>	<b>42,228,006,329</b>	<b>9,913,516,551</b>	<b>-</b>	<b>23,509,660,706</b>	<b>93,651,183,586</b>
Profit for the year		7,455,868,647				7,455,868,647
Dividend to equity shareholder						-
Bonus Share Issued						-
Cash Dividend paid		(7,200,000,000)				(7,200,000,000)
Transfer from Revaluation Reserve		48,011,437			(48,011,437)	-
Transfer to Revaluation Reserve		-			-	-
Transfer To Deferred Tax Reserve		5,501,018,199	(5,501,018,199)			-
						-
<b>Balance as on Ashadh 31 2081</b>	<b>18,000,000,000</b>	<b>48,032,904,612</b>	<b>4,412,498,352</b>	<b>-</b>	<b>23,461,649,269</b>	<b>93,907,052,234</b>

Significant Accounting Policies and Explanatory Notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
M.G.S. & Associates  
Chartered Accountants

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

Komal Bahadur Khatri  
Director

Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Standalone Statement of Cash Flows

For the Year ended on 15 July 2024 (Ashadh 31, 2081)

Particulars	Figures in NPR	
	Current Year FY 2023-24	Previous Year FY 2022-23 (Restated)
<b>Cash Flow from Operating Activities</b>		
Net Profit for the Year	6,230,059,012	7,948,361,133
<b>Adjustments</b>		
Income Tax expense recognised in profit or loss	44,921,136	4,555,461,469
Deferred Tax expense recognised in profit or loss	4,975,671,213	(757,667,212)
Depreciation	6,011,222,012	5,970,305,009
Finance Income	(6,614,347,693)	(7,629,269,598)
Impairment Loss/(Reversal of Impairment Loss)	(472,349,634)	117,906,656
Finance Costs	335,849,544	653,148,948
Actuarial (Gain)/Loss	1,751,369,620	(2,824,959,360)
Amortization	1,036,558,744	954,563,907
Equity loss on Associates	275,211,769	342,661,132
Unrealised (Gain)/Loss on Cash and Cash equivalents	-	-
<b>Movements in Working Capital</b>		
Decrease/(Increase) in Inventory	181,260,835	(405,208,523)
(Increase)/Decrease in Prepayments & Other Non-Financial Assets	(273,543,915)	49,827,184
(Increase)/Decrease in Employee Loan	(218,347,635)	(196,623,387)
(Increase)/Decrease in Accruals, Advance & Others Receivables	(202,952,659)	(470,031,137)
(Increase)/Decrease in Trade Receivables	659,413,142	508,427,473
(Increase)/Decrease in Deferred Taxes	-	-
(Increase)/Decrease in Contract cost assets	(167,792,312)	(176,178,215)
Increase/(Decrease) in Non-Current Liability	(4,490,545,688)	3,605,303,036
Increase/(Decrease) in Provisions	(16,511,506,883)	4,041,129,519
Increase/(Decrease) in Current Liability	(2,773,369,468.95)	(5,708,180,841)
Increase/(Decrease) in Trade Payable	(2,038,014,567)	707,672,840
Increase/(Decrease) in Lease Liability	(206,879,411)	(429,148,189)
Increase/(Decrease) in Other Non-Financial Liabilities	(206,168,611)	(439,285,701)
NFRS Adjustments	(212,999)	8,575,527
Previous Year Adjustments	(69,317)	(71,689,892)
Income Taxes Paid	(2,365,365,990)	(4,638,795,554)
<b>Total Adjustments</b>	<b>(21,269,988,768)</b>	<b>(2,232,054,912)</b>
<b>Net Cash flow from Operating Activities (A)</b>	<b>(15,039,929,756)</b>	<b>5,716,306,221</b>
<b>Cash Flow from Investing Activities</b>		
Acquisition of Intangible Assets	(331,385,361)	(404,083,160)
Acquisition of Property, Plant and Equipment	(3,530,383,210)	(5,252,333,831)
Decrease/(Increase) in ROU Assets	(62,001,160.95)	288,061,174
Decrease/(Increase) in Capital Work in Progress	1,514,434,415	35,275,422
Decrease/(Increase) in long term loan and Advances	132,550,349	198,361,727
Decrease/(Increase) in Investment	16,717,032,846	(1,305,893,656)
Income from Investment & Bank Deposit	6,614,347,693	7,629,269,599
Adjustment in Retained Earning	-	-
Investment in Subsidiary company	-	-
<b>Net Cash Flow from Investing Activities (B)</b>	<b>21,054,595,571</b>	<b>1,188,657,275</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from issuance of shares from non-controlling interest	-	-
Lease Payment	-	-
Increase in Capital	-	-
Dividend Paid	(7,172,067,804)	(7,166,110,575)
<b>Net Cash Flow from Financing Activities (C)</b>	<b>(7,172,067,804)</b>	<b>(7,166,110,575)</b>
<b>Net Increase in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(1,157,401,989)</b>	<b>(261,147,079)</b>
Effect of exchange rate fluctuations on Cash and Cash equivalents	-	-
<b>Cash &amp; Cash Equivalents at Beginning of the Period</b>	<b>5,410,127,330</b>	<b>5,671,274,409</b>
<b>Cash &amp; Cash Equivalents at the End of the Period</b>	<b>4,252,725,341</b>	<b>5,410,127,330</b>

Significant accounting policies and explanatory notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

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Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Notes to Standalone Financial Statements

## i. Reporting Entity

Nepal Doorsanchar Company Limited with its brand name as 'Nepal Telecom' is Nepal's leading telecommunication service provider, which provides voice, data and value added services, using State of the Art Technologies. It is registered under the erstwhile Companies Act 2053, being incorporated on Magh, 2060 (February, 2004).

Nepal Telecom (also referred as "*The Company*" hereinafter) is the continuation of the erstwhile Nepal Telecommunication Corporation, a 100% Government of Nepal (GoN) undertaking, where all assets and liabilities of the corporation were transferred to the incorporated company with equity being transferred to the Government in lieu of the Government ownership.

The Government of Nepal and Citizen Investment Trust are the principal promoters of the company. The Government of Nepal, who substantially owns the company, divested certain portions of its holdings in favour of the company employees and general public. The current shareholding structure is as per note 14.

The shares of the company are listed and traded on the Nepal Stock Exchange Limited (NEPSE) and its stock symbol is "NTC".

The company has its registered office at Bhadrakali Plaza, Kathmandu with its branches spread throughout the country. It has made all efforts for nationwide reach, from urban to the most remote locations in providing its valued customer a quality telecommunication service that has assisted in the socio-economic development and digital transformation of the urban as well as rural areas of the country.

The company has been providing a wide range of telecommunication services. The company endeavours to continue providing up to date telecommunication and related services in line with technological advances.

Financial statements of the company are released for investors and general public and are also published on the company's website [www.ntc.net.np](http://www.ntc.net.np)

## ii. Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by revaluation of Land, Buildings, Physical Structure and certain financial instruments measured at fair value.

The financial statements are prepared on an accrual basis.

## iii. Compliance with NFRS

The accompanying financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by Accounting Standards Board Nepal (ASB) and pronounced by the Institute of Chartered Accountants of Nepal (ICAN).

## iv. Approval of Financial Statements

The accompanying financial statements have been approved and authorised for issue by the Board of Directors (BoD) of the company in its meeting held on 30<sup>th</sup> Mangsir, 2081 (15<sup>th</sup> December, 2024).

## v. Presentation of Financial Statements

1. The statement of profit or loss has been prepared using the classification '*By Nature*' method.
2. The cash flows from operation within the statement of cash flows have been derived using the Indirect method.
3. For presentation of Statement of Financial Position, Assets and Liabilities, wherever applicable, are bifurcated in current and non-current based on their respective maturity, as well as the company's normal operating cycle. Such information has been disclosed in respective notes as applicable.



## vi. Presentation of Currency

The financial statements have been presented in the nearest Nepalese Rupees (NPR). Nepalese Rupees (NPR) is the functional and presentation currency as well.

## vii. Discounting

When realisation of assets and settlement of obligations is for more than one year, the company considers the discounting of such assets and liabilities where the impact is material. Various internal and external factors have been considered for determining the appropriate discount rate to be applied to the cash flows of the company. Appropriate discount rate is also used to determine the value in use for assessment of asset impairment as well.

Weighted Average Cost of Capital (WACC), with risk adjustment, is basically used in determining discount rates. For this purpose, Capital Asset Pricing Model (CAPM) is generally used to determine the cost of equity. As the company does not have any debt, weighted average cost of capital for the company would in fact mean cost of equity only. Besides, utilisation of CAPM model for expected rate of return would in turn require beta to be determined. Since the company is the only listed company in the Nepalese telecom industry, market beta may not give an appropriate picture of movement of the market and the company's rate of return.

Therefore, the risk adjusted dividend growth model has been used in determining the appropriate discount rate to be applied for preparation of the financial statements. The rate thus derived for discounting the assets and liabilities is 8%.

## viii. Accounting Policies, Critical Accounting Estimates and Judgements

### Accounting Policies

NFRS requires the company to adopt accounting policies that are most appropriate to the company's circumstances. In determining and applying accounting policies, management is required to make judgements in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the company's reported financial position, results or cash flows.

The accounting policies adopted by the company are consistently applied. Specific accounting policies have been included in the specific section of the notes for each item of financial statements which requires disclosures of accounting policies or changes in accounting policies. Effect and nature of the changes, if any, have been disclosed at appropriate places.

### Accounting Estimates and Judgements

The preparation of the financial statements in accordance with NFRS requires the management to make judgements, estimates and assumptions applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses, including contingencies and commitments. Due to the inherent uncertainty in making estimates, actual results reported in future periods may differ from those estimates. The estimates and the underlying assumptions are reviewed on on-going basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which estimates are revised, if the revision affects only that period; they are recognised in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by the management in applying the company's accounting policies and key sources of estimation uncertainty in these financial statements, which together are deemed critical to the company's results and financial position, are given in the respective sections of the notes wherever they have been applied.

## ix. Going Concern

The financial statements are prepared on a going concern basis, as the Board of Directors of the Company is satisfied that the Company has resources to continue the business for the foreseeable future. In making this assessment, the Board of Directors (BoD) has considered a wide range of information relating to present and future conditions,

including future projections of profitability, cash flows and capital resources. Furthermore, Board of Directors (BoD) is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it.

## x. Investments in Subsidiaries, Associates and Joint Ventures

The Company has a subsidiary company named "Nepal Digital Payments Company Limited (NDPC)". The Company's current shareholding is 62.22 % having a majority of members in Board of Directors (BoD) at the reporting date. The Company has separately presented Consolidated Financial Statements and the company and the subsidiary has been referred as "Group" in Financial Statements.

Investments made by the company in equity shares of other companies are financial investments and have been described under non-trading financial investments in note 10.1.1 and investment in associates in note 5.

## xi. Lease

NFRS 16 'Leases' which supersedes NAS 17 "Leases" sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessee to recognise most leases on the Statement of Financial Position.

Lessor accounting under NFRS 16 is substantially unchanged from NAS 17. Lessor will continue to classify leases as either operating or finance using similar principles as in NAS 17. Therefore, NFRS 16 does not have an impact for leases where the Company is a lessor. As per NFRS 16, the company as a lessee recognises a right to use of asset and liability for future payments arising from a lease contract.

## xii. Reporting Dates

Particulars	Nepalese Calendar Date/ Period	Gregorian Calendar Date/ Period
Comparative SoFP* Date	31 Ashadh 2080	16 July 2023
Comparative reporting period	1 Shrawan 2079- 31 Ashadh 2080	16 July 2022 - 16 July 2023
NFRS SoFP* Date	31 Ashadh 2081	15 July 2024
NFRS reporting period	1 Shrawan 2080 - 31 Ashadh 2081	17 July 2023 - 15 July 2024

\* SoFP = Statement of Financial Position

## xiii. Materiality

The company, for the preparation of financial statements, determines materiality based on the nature or magnitude, or both. Materiality is a pervasive constraint in financial reporting because it is pertinent to all of the qualitative characteristics.

## 1. Intangible Assets

### Accounting Policies

An intangible asset is a non-monetary asset that can be identified but does not have a physical form. It is a resource that an entity controls as a result of past events, such as purchase or creation and from which future economic benefits are expected. Identifiable intangible assets are recognised when the company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the company and the cost of the asset can be reliably measured.

Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. The useful lives and Amortisation methods of the assets are reviewed at least annually. Changes in the estimated useful life or the expected pattern of consumption of future economic benefit embodied in the assets are accounted for by changing the Amortisation period or method, as appropriate and are treated as changes in accounting estimates in accordance with NAS 8. Amortisation is charged to Statement of Profit or Loss on a straight-line basis over the useful life and contractual period of intangible assets.

Intangible assets having indefinite useful life are assessed for impairment at each reporting date.



## Software

Software comprises software purchased from third parties and also the cost of internally developed software. Software purchased from third parties are initially recorded at cost. Costs directly associated with the production of internally developed software, including direct and indirect labour costs of development, where it is probable that the software will generate future economic benefits, the cost of the asset can be reliably measured and technical feasibility can be demonstrated, in which case it is recognised as an intangible asset. Costs which do not meet these criteria and research costs are expensed as incurred.

In case software were considered to be integral part to an item of equipment/system and were classified as property, plant and equipment and depreciated over the useful life of respective equipment/system.

Software are amortised over the period of useful life of software and categorised as follows:

Particulars	Useful Life (Years)
Software Related to Office Automation	5
Software Related to System	7

Software		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Opening Balance	4,763,864,963	4,359,781,803
Additions during the year	121,385,361	404,083,160
Retirement	(121,860,329)	-
<b>Total Cost (A)</b>	<b>4,763,389,995</b>	<b>4,763,864,963</b>
Amortisation Up to Last year	(3,150,030,571)	(2,705,670,212)
Amortisation During the Year	(466,582,728)	(444,360,359)
Amortisation of Retired Assets	121,860,329	-
<b>Total Amortisation (B)</b>	<b>(3,494,752,970)</b>	<b>(3,150,030,571)</b>
<b>Net Value (A-B)</b>	<b>1,268,637,026</b>	<b>1,613,834,392</b>

## Licence Fees

The net carrying amount of intangible assets pertain to the unamortised portion of various licence fees paid to Nepal Telecommunications Authority (NTA). Licence fees are paid in accordance with regulatory requirements, in advance with the applicable portion being charged to the relevant reporting period.

Under the prevailing Telecommunication Act, 2053 and related regulations, GSM licences have a validity of 25 years and are initially issued for a period not exceeding 10 years. In accordance with these provisions, NT received its first GSM licence on 2056-01-29 for a period of 10 years, which expired on 2081-01-28 after three renewals of 5 years each. During the reporting period, the company has paid its GSM Licence fee amounting to NPR 210,000,000 on 2081-01-29 for the period of 5 years. The uncharged portion is carried in the financial statements as intangible assets. The Amortisation is done on the time apportion basis, over the validity period of the licence as specified by NTA as below:

NPR				
Particulars	PSTN	Internet	GSM	Total
Valid from	2077.10.13	2077.01.15	2081.01.29	
Valid to	2082.10.12	2082.01.16	2086.01.28	
Life (in years)	5	5	5	
Total Licence Fee	134,415,000	270,000	210,000,000	
<b>Balance as on 16 July 2023</b>	<b>68,201,803</b>	<b>96,164</b>	<b>-</b>	<b>68,297,967</b>
Payment during 2080.81			210,000,000	210,000,000
Amortisation for 2080.81	(26,883,000)	(54,000)	(7,594,521)	(34,531,521)
<b>Balance as on 15 July 2024</b>	<b>41,318,803</b>	<b>42,164</b>	<b>202,405,479</b>	<b>243,766,446</b>



## 2. Contract Cost Assets

Contract cost assets comprise the incremental costs of obtaining a contract (sales commission paid to dealers for sales of SIM/RUIM cards). These costs are capitalised as it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded.

The capitalised contract cost assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Such costs are thus recognized over the contract period with the customer.

### Explanatory Notes:

The Company has estimated that the historical average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and, hence, deferred such incremental costs of obtaining a contract. Hence, the company has estimated anticipated average customer life to be 5 years.

#### Contract Cost Assets

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Opening Balance	390,558,232	413,762,897
Additions during the year	167,792,312	176,178,215
Amortisation during the year	(193,198,843)	(199,382,880)
Closing Balance	365,151,701	390,558,232

## 3. Property, Plant and Equipment (PPE)

### Accounting Policies

Property, plant and equipment are recognised as assets, 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. Property, plant and equipment are recognised in the statement of financial position at their cost and are inclusive of all expenses necessary to bring the assets to working condition for its intended use less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable.

For Subsequent recognition, the Land and Building class of assets is recognized under Revaluation Model. Under the revaluation model, after initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Whereas, remaining class of assets are recognized under the historical cost method, in which acquisition or construction cost is used for initial recognition, subject to depreciation over the expected useful life and to possible write-down in the event of a permanent impairment in value.

The depreciation period is based on the expected useful life of an asset. Items of property, plant and equipment are depreciated on pro rata basis in the year of acquisition. The residual values, useful lives and the depreciation methods of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates, they are accounted for as a change in accounting estimates in accordance with NAS 8. For the reporting period the management has decided there is no significant changes in the said estimates.

In addition to the purchase price and cost directly attributable to bringing the asset to the location and conditions necessary for it to be capable of operating in the manner intended by the management if an item of property, plant and equipment consists of several components with different estimated useful lives, those components that are significant, are depreciated over their individual useful lives. Subsequent costs that do not qualify the recognition criteria under NAS 16 are expensed as and when incurred.

PPE shall be capitalised as and when they are available for use, i.e. after the equipment became capable to provide service to the customer.

NAS 16 and IFRIC 1 require the cost of PPE to include the estimated cost for dismantling and removal of the assets and restoring the site on which they are located. Management perceives that such costs are difficult to estimate and considering the past practice the amount of such costs are not material to affect the economic decision of the user as a result of such non-inclusion. Therefore, asset retirement obligation (ARO) has not been recognised.



Assets that have been decommissioned or have been identified as damaged beyond economic repair or rendered useless due to obsolescence and are derecognised whenever identified. On disposal of an item of property, plant and equipment or when no economic benefits are expected from its use or disposal, the carrying amount of an item is derecognised. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between net disposal proceeds, if any and the carrying amount of that item is recognised in the statement of profit or loss.

The company has significant investment in network, equipment and infrastructure. The base stations and technology to operate the network form the majority of the company's tangible assets.

An asset with the value up to NPR 5,000 are charged to Profit or Loss irrespective of its useful life in the year of purchase.

## Depreciation

Depreciation is charged so as to expense off the cost of assets, other than land, using a straight-line method over their estimated useful lives. The depreciation is charged on the revalued amount of building and physical structure over the remaining useful life. The additional depreciation, if any, on revalued amount of building and physical structure is transferred from revaluation reserve to equity. The residual values, useful life and depreciation methods are reviewed at least at each financial year end. If expectations differ from the previous estimates the changes are accounted for as changes in estimates in accordance with NAS 8.

## Useful Life

Useful lives of material asset categories and their depreciation rate on the Straight-Line Method are disclosed below:

CLASSIFICATION	SUB-CLASSIFICATION	USEFUL LIFE IN YEARS
BUILDING	RCC Frame Structure	50
	Load bearing structure (brick/stone) -Official Purpose	25
	Load bearing structure (brick/stone) -Equipment Purpose	15
	Metal Structure	15
	Shelter	15
	Compound Wall	15
PLANT & MACHINERY	Underground Network	15
	Overhead Network	10
	Earth Station	7
	ADSL and Internet System	5
	Optical fibre network and system	10
	Billing System related	7
	RAN Equipment (BSC, BTS, BTS VAN, NodeB, eNodeB, RRU, BBU etc.)	7
	Core Equipment related	7
	Transmission Equipment related	7
	Power – Battery	4
	Power – Others	6
	Tools (Subscribers Equipment, Planning / Testing / Loose tools etc.)	5
	Others	5
OTHER ITEMS	Heating, Lighting, Air-conditioning	5
	Furniture and Fixtures	5
	Office Equipment	5
	Vehicle- Motorcycle/car/jeep/truck	10
	Vehicle- Tricycle, cycle and others	5

If an item of property, plant and equipment consists of several components with different useful lives, those components that are significant are depreciated over their individual useful life. Any component asset's useful life is not considered more than its major assets.

## De-Recognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from the use of that asset. Gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any and the carrying amount.

## Impairment

Property, Plant and Equipment are subject to impairment assessment if there is any indication that the carrying value may exceed the recoverable value of the assets. Such impairment assessment of assets is done on the basis of cash generating units or if not possible on individual asset basis.

## Revaluation

Freehold land properties, building and physical structure held by the company is recognised and reported at fair value conducting periodic revaluation. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The accumulated depreciation on revalued building and physical structure is eliminated against the gross carrying amount of the assets and net amount is restated to the revalued amount of the assets.

The company has a practise of Physical Verification of PPE in every three years and the company has conducted extensive physical verification of Property, Plant and Equipment (PPE) of FY 2080/81 and identified some PPE as decommissioned or damaged beyond economic repair or rendered useless and no economic benefit is expected from the use of these assets. Therefore, carrying amount of those assets are recognized as impairment loss during the year and the gross carrying amount of those assets are derecognized. Details are disclosed under:

PARTICULARS	AMOUNT (NPR)
GROSS CARRYING AMOUNT	77,094,017,523
ACCUMULATED DEPRECIATION	56,073,633,020
CARRYING AMOUNT	21,020,384,503
PROVISION FOR IMPAIRMENT	57,265,663

## Explanatory Notes

### Land

Land properties with ownership documents (i.e. in occupation and with valid documentation) meeting the asset recognition criteria, also considering the principle of substance over form have been considered as assets of the company. Fair Value of each of these properties has been assessed by taking into account market consideration and the government rate. All land properties have been revalued to the approximation of fair value as on 32 Ashadh, 2079 by independent valuator. The fair value of land was determined using Level II information as required by NFRS 13, in the absence of an active real estate market but considering the recent transaction value of the similar land in the similar locality.

Considering the company's intention to hold the land for a foreseeable future, fair market value was considered taking into account weightage of 60% for prevalent market prices and 40% price determined for government's land revenue charges.

### Substance Over Form

The company is in occupation and using land properties even in absence of ownership documents in the company's name. Considering the perpetuity of the usage and no apparent restriction on economic benefit of such land being used by the company, those properties have been recognised as assets. The value and details of such land is as follows:

### Details of Land being used by the company but not in its ownership

SN	Land or Building	No of location	Area (Square Meter)	Carrying Amount (NPR)
1	Land	223	449,854.21	
	a. Land under Forest for tower structure	97	132,295.36	
	b. Land under GoN ownership	95	215,756.02	
	c. Land registered in the name of other offices of Government of Nepal	19	65,240.62	
	d. Land under process of ownership transfer (Government decision for ownership transfer already made)	12	36,562.21	
2	Building & Physical Structure			148,362,993.67



## Buildings and Physical Structure

All physical structures have been classified on the basis of their construction type (such as RCC pillar structure, load bearing, stone masonry, shed and other structures etc.). Historical cost of the physical structures reduced by accumulated depreciation computed on the basis of management's estimation of useful life, for each type, have been recognised as assets on the date of the opening NFRS Statement of Financial Position.

The company has adopted a revaluation model to present the value of its building and physical structure. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with accounting policies of the company.

Some of the buildings and physical structures have been constructed in the land property where the company does not have a document of title. Substance over form has been taken as the basis for recognition of such buildings and physical structures.

Further, there is a regulatory requirement that all physical structures should be supported by the approved design and construction completion certificate from concerned authorities. There are buildings that do not have either approved design or construction completion certificate. These entail risk from regulatory authority including fines and possible demolitions.

## Revaluation Reserve

Depreciation is charged on revalued amount of building and physical structure over the remaining useful life. Additional depreciation amounting NPR 48,011,437 on revalued amount of building and physical structure has been transferred from revaluation reserve to equity. The effect of revaluation of Land, Building and Physical Structures conducted as on 15 July 2024 are as below:

Particulars	NPR		
	Land	Building	Total
Balance As on 16 July 2023 (Restated)	22,433,646,055	1,076,014,651	23,509,660,706
Upward Revaluation During the Period			
Downward Revaluation During the Period			
Transfer from Revaluation reserve to Retained Earning		(48,011,437)	(48,011,437)
Balance As on 15 July 2024	22,433,646,055	1,028,003,214	23,461,649,269

## Plant and Equipment

Historical cost of Plant and Equipment reduced by the accumulated depreciation and accumulated impairment loss computed on the basis of the management's estimation of useful life, for each class of assets, have been recognised. Plants and equipment that are either not in existence or in operation have been specifically identified and derecognised as required under NFRS.

## Furniture, Fixtures and Other Office Equipment

Historical cost of Furniture, Fixtures and Other office equipment reduced by the accumulated depreciation computed on the basis of the management's estimation of useful life, for each class of assets, have been recognised as assets.

## Vehicles

Historical cost of the vehicles reduced by the accumulated depreciation computed on the basis of the management's estimation of useful life, for each type, have been recognised.



Description	NPR							
	LAND	BUILDINGS	PLANT & MACHINERY	HEATING, LIGHTING & AIR-CONDITION	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	TOTAL
<b>Original Cost</b>								
As on 16 July 2023	23,085,052,066	3,614,222,791	79,173,717,391	576,286,737	452,945,598	2,018,469,692	1,105,568,186	110,026,262,461
Adjustment of prior period Capitalization	-	-	-	-	-	-	-	-
Revaluation Adjustment								-
<b>Restated Balance as on 16 July 2023</b>	23,085,052,066	3,614,222,791	79,173,717,391	576,286,737	452,945,598	2,018,469,692	1,105,568,186	110,026,262,461
Additions during the Year	-	88,362,342	3,096,291,257.74	46,948,362	21,251,007	86,496,398.28	191,936,451	3,531,285,818
Disposal during the year			(5,175,991,125)	(24,500.00)	(19,500.00)	(446,961,466.04)	-	(5,622,996,591)
Transfer Adjustment								-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As on 15 July 2024</b>	23,085,052,066	3,702,585,133	77,094,017,523	623,210,599	474,177,105	1,658,004,624	1,297,504,637	107,934,551,689
<b>Depreciation and Impairment</b>								
As on 16 July 2023		139,284,041	54,833,949,737	439,480,068	394,191,951	1,758,694,002	859,122,846	58,424,722,645
Adjustment of depreciation up to previous year								-
Accumulated Impairment Loss as on 16 July 2023			742,178,913					742,178,913
Adjustment of Impairment loss (write back) up to previous year			-					-
During the Year depreciation	-	130,819,703	5,673,456,640	44,989,903	20,620,881	84,298,584	57,036,301	6,011,222,012
Transfer Adjustment								-
During the Year Impairment loss/ (write back)			41,033,241	(24,500)	(19,498)	(446,097,713)		(405,108,470)
Written back on disposals			(5,159,719,848)			-	-	(5,159,719,848)
Revaluation adjustment			-					-
<b>As on 15 July 2024</b>	-	270,103,744	56,130,898,683	484,445,471	414,793,334	1,396,894,873	916,159,147	59,613,295,252
<b>Net Block</b>								
As on 15 July 2024	23,085,052,066	3,432,481,389	20,963,118,840	138,765,128	474,177,105	261,109,751	381,345,490	48,321,256,437
As on 16 July 2023	23,085,052,066	3,474,938,750	23,597,588,741	136,806,669	58,753,647	259,775,690	246,445,340	50,859,360,902



## 4. Capital Work in Progress (CWIP)

### Accounting Policies

Assets in the course of commissioning or construction are carried at cost, less any accumulated impairment loss.

The expenditure incurred in acquisition and installation of new systems and equipment till the date of commissioning or civil works under construction till the date of completion is recognised as Capital work in progress. The value of capital work in progress includes stock of equipment lying in store or in transit for the purpose of getting used in such installation or construction. The value also includes balances with contractors and suppliers of the systems and equipment for the value to be received. Equipment and civil works are capitalized at the earlier of commissioning or handover, provided they are capable of being used. Stock lying in the store of Vendor of turnkey project previously recorded as Capital Work in Progress amounting to NPR 779,887,044 has been rearranged against sundry creditors during the reporting period.

Capital Inventories under installation are presented net of allowance. The allowance is estimated to approximate the net realisable value of such items. Allowance adjustments are made for those Capital inventories identified by the management as obsolete, non-moving and slow-moving on the basis of last usage of the Capital inventories items lapsing more than five years old, 2-5 years and 1-2 years respectively. For the 4G/LTE turnkey project, the management has classified the items worth NPR 662,677,238 as regular, even though their last usage exceeds one year, as most of these items are either already installed, but not capitalized due to pending installation report or under installation process. Further, the respective project has not yet been closed.

Inventory	Usage	Allowance
Regular	Within 1 year	-
Slow Moving	1 to 2 years	25%
Non-Moving	2 to 5 years	50%
Obsolete	More than 5 years	100%

### Explanatory Notes

#### Capital Work in Progress

NPR

Particulars	Capital Works	Capital Inventory under installation	Total
CWIP Balance as on 16 July 2023	474,884,362	6,206,415,419	6,681,299,781
Prior Year Adjustment	-	-	-
	474,884,362	6,206,415,419	6,681,299,781
Net Addition / (Net Transfer) for FY 2023-24	(195,404,467)	(1,319,029,948)	(1,514,434,415)
CWIP Balance as on 15 July 2024	279,479,895	4,887,385,471	5,166,865,366
Accumulated Impairment as on 16 July 2023	24,698,202	1,223,159,958	1,247,858,160
Impairment for FY 2023-24	-	128,970,603	128,970,603
Accumulated Impairment as on 15 July 2024	24,698,202	1,352,130,561	1,376,828,763
Net Balance as on 15 July 2024	254,781,693	3,535,254,910	3,790,036,603
Net Balance as on 16 July 2023	450,186,160	4,983,255,461	5,433,441,621

## 5. Investments in Associates

### Accounting Policies

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investor but do not have control or joint control over those policies. At the date of acquisition, any excess of cost of acquisition over the company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results, assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post- acquisition changes in the company's share of net assets of the associate, less any impairment in the value of the investment. The company's share of post-tax profits or losses are recognised in the statement of profit or loss and company's share in changes in the Other Comprehensive Income has been adjusted in other Comprehensive Income. Losses of an associate in excess of the company's interest in that associate are recognised only to the extent that the company has incurred legal or constructive obligations or made payments on behalf of the associate.

## Explanatory Notes

During the Reporting Period, company has subscribed the right share of Upper Tamakoshi Hydropower Limited.

### Investments in Associates

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Investment in Trishuli Jal Vidhyut Company Ltd.		
At cost	741,000,000	741,000,000
Equity adjustment	(259,643,623)	(83,606,843)
Investment in Upper Tamakoshi Hydropower Ltd.		
At cost	1,270,800,000	635,400,000
Equity adjustment	(595,678,628)	(445,166,276)
Investment in Nagarik Stock Dealer Company Ltd.		
At cost	451,541,250	451,541,250
Equity adjustment	(31,421,741)	(82,546,106)
<b>TOTAL</b>	<b>1,576,597,257</b>	<b>1,216,622,026</b>
<b>Associates Share Income/(Expense)</b>	<b>(275,424,769)</b>	<b>(334,085,605)</b>
Associates Share Income/(Expense) to PL	(275,211,769)	(342,661,132)
Associates Share Income/(Expense) to OCI	(212,999)	8,575,527

The Company has pledged its Equity Investment of Trishuli Jal Vidhyut Company Ltd. with Nabil Bank Ltd. (Lead Bank of Trishuli 3B Hydro Project financing) on Shrawan 07, 2076 for consortium project financing.

### Trishuli 3B Hydro Project Background:

Trishuli Jal Vidhyut Company Ltd. (TJVCL) is currently working on developing the Upper Trishuli 3B Hydroelectric Project (UT3B HEP). It is a run-of-river type hydroelectric project located at Rasuwa and Nuwakot district of Nepal. The project is a cascade of Upper Trishuli 3A Hydroelectric Project (60 MW) and has an installed capacity of 37 MW. The gross head of the project is 88.6 m, length of headrace tunnel is 3,666 m and the average annual energy generation is estimated to be 292.59 GWh.

The power produced by the Project will be evacuated to the under construction Trishuli 3B Hub Sub-station through 3 km long 132kV transmission line.

Total Project financing structure is 30% Equity and 70% Debt.

### Upper Tamakoshi Hydroelectric Project Background:

Upper Tamakoshi Hydropower Limited is currently working on developing the 456 MW Upper Tamakoshi Hydroelectric Project (UTKHEP).

Upper Tamakoshi Hydroelectric Project (UTKHEP) is the largest project so far in Nepal under the implementation phase. It is a national priority project and its early commissioning is very important in order to cope with the ongoing electricity crisis in Nepal. It is located in the lower region of the Higher Himalayas, in the catchment of Tamakoshi River. Tamakoshi River is one of the major tributaries of the Sunkoshi River in Koshi River Basin. The intake for hydropower plant is located at Lamabagar Village, which lies at direct distances of about 6 km south of the border with China (Tibet) and 32 km north to northeast of Dolakha District centre, Charikot.



It is a Peaking run-of-river (PRoR) type hydroelectric project. The project has an installed capacity of 456 MW. The gross head of the project is 822 m, design discharge is 66 m<sup>3</sup>/sec and the average annual energy generation is estimated to be 2281 GWh.

### **Nagarik Stock Dealer Company Limited:**

The company has promoter shareholding of 12.85% in Nagarik Stock Dealer Company Limited which has been established with the objective of dealing in securities in the capital market with the stipulated regulations and guidelines of Securities Board of Nepal (SEBON). The Capital structure of Nagarik Stock Dealer Company Limited is structured in such a way that the company will ultimately hold 9% and the current equity holding is just a temporary effect.

## **6. Investment in Subsidiary**

### **Accounting Policies**

#### **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at Ashadh 31, 2081. Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect its returns.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above. The group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- The size of Group's holding of voting rights;
- Potential voting rights held by the Group;
- Rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on Ashadh 31.

#### **Consolidation Procedure:**

- (a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- (b) Off set (eliminate) the carrying amount of the parent's investment in the subsidiary and the parent's portion of equity of the subsidiary.
- (c) Eliminate in full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group.

#### **Non-Controlling Interest:**

Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.



## Explanatory Notes

The Company has established “Nepal Digital Payments Company Limited (NDPC)” as a subsidiary company in collaboration with Rastriya Banijya Bank Ltd to provide the mobile financial services to the public. The issued and paid-up capital of the NDPC amounts to NPR 400 million. The shareholding structure is setup with promoters’ group and public group with 90% and 10% respectively. The Company’s current shareholding is 62.22 % having majority of members in Board of Directors of Nepal Digital Payments Company Limited.

Group Financial Statements have been separately presented in Consolidated Financial Statements.

## Explanatory Notes

### Investment in Subsidiaries

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Investment in Nepal Digital Payments Company Ltd.	248,888,900	248,888,900
	<b>248,888,900</b>	<b>248,888,900</b>

## 7. Inventory

### Accounting Policies

Inventories are carried at the lower of net realisable value or cost.

Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the First in First out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the necessary estimated expenses.

Inventories are presented net of allowance for obsolete items. The saleable items are valued at lower of cost or net realisable value. The management estimates that cost of other inventories will be recovered during the provision of services. However, Allowance adjustments are made for those inventories identified by the management as obsolete, non-moving and slow-moving on the basis of the last usage of those inventory items lapsing more than five years old, 2-5 years and 1-2 years respectively.

Inventory	Usage	Allowance
Regular	Within 1 year	-
Slow Moving	1 to 2 years	25%
Non-Moving	2 to 5 years	50%
Obsolete	More than 5 years	100%

## Explanatory Notes

Inventories primarily consist of cash cards, telephone sets (mobile or otherwise), drop wires, Customer Premises Equipment (CPE), fiber cables, accessories and spares that are not eligible for capitalisation.

### Inventory

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
<b>Gross Inventory</b>		
Telephone sets, Drop Wire & Accessories	194,522,297	282,002,297
Cash Cards	251,874,493	115,703,502
Spares and other Inventories	323,460,599	553,412,425
	<b>769,857,389</b>	<b>951,118,224</b>
<b>Allowance Adjustments</b>		
Telephone sets, Drop Wire & Accessories	56,833,416	52,833,094
Cash Cards	2,567,371	2,326,958
Spares and other Inventories	189,384,420	188,389,885
	<b>248,785,207</b>	<b>243,549,937</b>
<b>Inventory net of allowances</b>		
Telephone sets, Drop Wire & Accessories	137,688,881	229,169,203
Cash Cards	249,307,122	113,376,544
Spares and other Inventories	134,076,179	365,022,540
<b>Total</b>	<b>521,072,182</b>	<b>707,568,287</b>



## 8. Leases

### Accounting Policies

#### Identification of Lease

At inception of a contract, the company determines whether the contract is, or contains a lease. A lease exists if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. In making this assessment, the company considers whether:

- i. The contract involves the use of an identified asset, either explicitly or implicitly. The asset must be physically distinct or represent substantially all the capacity of a physically distinct asset. Assets that a supplier has a substantive right to substitute are not considered distinct.
- ii. The lessee has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- iii. The lessee has the right to direct the use of the asset, in other words, has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognises a lease liability and right-of-use asset at the commencement of a lease. Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the incremental borrowing rate.

#### Lease Term

The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that the company is reasonably certain the lessee will exercise, or termination options that the company is reasonably certain the lessee will not exercise.

#### Incremental Borrowing Rate (IBR)

The incremental borrowing rate is the rate that the company would have to pay for a loan of a similar term and with similar security, to obtain an asset of similar value.

#### Lease Payment

Lease payment includes fixed monthly payment mostly in advance for the period of six (6) months or in arrear for the same period.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are re-measured if there is a change in future lease payments, or the amount the company expects to be payable under a residual value guarantee if any.

The Company also re-measures lease liabilities where the lease term changes. This occurs when the non-cancellable period of the lease changes, or on occurrence of a significant event or change in circumstances within the control of the lessee and which changes our initial assessment in regard to whether the lessee is reasonably certain to exercise extension options or not to exercise termination options. Where the lease term changes the company re-measures the lease liability using the incremental borrowing rate at the date of reassessment. Where a significant event or change in circumstances does not occur, the lease term remains unchanged and the carrying amounts of the lease liability and associated right-of-use asset will decline over time.

Right-of-use assets are initially measured at the initial amount of the corresponding lease liabilities, adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of any decommissioning costs that have been recognised as provisions, less any lease incentives received if any. They are subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the asset or the end of the lease term.

The company has elected not to recognise lease liabilities and right-of-use assets for short-term leases that have a lease term of 12 months or less and leases for which underlying assets is of low-value. Leases with the value of underlying assets below NPR 600,000 is considered as low value lease. The company recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term or systematic basis deemed appropriate by the management.

## Explanatory Notes

### Initial Application

The Company has adopted NFRS 16 'Leases' using the modified retrospective method with prospective effect of adoption as applicable from Shrawan 1, 2078. Under this method, the standard is applied prospectively as if the lease is started from the said Financial Year. Before the adoption of NFRS 16, the Company used to classify each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

### Incremental Borrowing Rate

The Company applied the incremental borrowing rates of 8% for lease based on considerations specific to the leases by taking into account the risk-free borrowing rates as adjusted for country/ company specific risk premiums.

### Right of Use Assets

				NPR
Particulars	Land and Building	Network Infrastructure	Other	Total
As on 17 July 2023	2,425,415,210	-	-	2,425,415,210
Previous Year Adjustments	323,054,177			323,054,177
Addition during the period	65,761,926			65,761,926
Adjustment of FY 2023-24	(3,760,765)			(3,760,765)
<b>Total Value of Assets as on 15 July 2024</b>	<b>2,810,470,548</b>			<b>2,810,470,548</b>
<b>Accumulation Amortisation</b>	<b>646,488,425</b>			<b>646,488,425</b>
Amortisation Charged for the year	343,612,354			343,612,354
Adjustment of Amortisation as per the System	(1,366,702)			(1,366,702)
Previous year Adjustment	57,469,485			57,469,485
<b>Total Amortisation as on 15 July 2024</b>	<b>1,046,203,563</b>			<b>1,046,203,563</b>
<b>Net Balance as on 15 July 2024</b>	<b>1,764,266,985</b>	<b>-</b>	<b>-</b>	<b>1,764,266,985</b>

### Lease Liability

			NPR
Particulars	15 July 2024	16 July 2023 (Restated)	
Current	270,042,316	441,760,875	
Non-Current	1,807,509,150	1,842,670,003	
<b>Total</b>	<b>2,077,551,466</b>	<b>2,284,430,877</b>	

## 9. Prepayments, Non-Financial Assets and Non-Financial Liabilities

### 9.1. Prepayments and Non-Financial Assets

#### Accounting Policies

Instances where the payments have been made and where expense pertains to the future period(s) are recognised as prepayments. These amounts are charged to profit or loss in the period to which they relate with. Other Non-Financial Assets include Advances for spare parts and to suppliers, employees and other working advances on which the company receives the goods and services in the future during the normal course of business. The Prepaid expenses and Other Non-Financial Assets are stated net of allowances for bad and doubtful debt based on the company's assessment of credit worthiness and overdue for more than 12 months.

## Explanatory Notes

### Prepayments, Non-Financial Assets

			NPR
Particulars	15 July 2024	16 July 2023 (Restated)	
Prepaid expenses	132,140,371	72,103,575	
Less: Provision for possible losses	(1,355,994)	(1,355,994)	
Other Non-Financial Assets	728,733,847	338,001,770	
Less: Provision for possible losses	(38,837,876)	(38,837,876)	
Deferred Employee Expenses	1,564,717,828	1,741,942,786	
<b>Total</b>	<b>2,385,398,176</b>	<b>2,111,854,261</b>	



## 9.2. Non-Financial Liabilities

### Accounting Policies

Non-Financial Liabilities include the statutory liabilities, which arise as a result of statutory obligation during the normal course of business of the company. It also includes advance money received/ liabilities on part of the company to the customers for promised services. It also includes employee bonus and telecom allowances payable as per legal provisions and company's employees service bylaws.

### Explanatory Notes

#### Other Non-Financial Liabilities

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
VAT Payable	226,366,193	45,776,917
TDS payable	24,374,462	8,355,707
Other Fee Collection Payable	277,855,346	290,033,182
Royalty and Contribution to RTDF Payable	2,051,252,986	2,158,060,109
Advance from Subscribers	1,184,776,049	1,338,165,565
Unearned Cash Card Sales	974,742,177	934,012,181
Telecom Allowance Payable	915,005,760	990,643,689
Employee Bonus Payable	1,215,406,942	1,310,901,176
<b>Total</b>	<b>6,869,779,915</b>	<b>7,075,948,526</b>

## 10. Financial Instruments

### Accounting Policies

The company has elected to apply NFRS 9 'Financial Instruments' as per new accounting policies that provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

### 10.1. Financial Assets

#### (I) Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value
  1. through other comprehensive income, or
  2. through profit or loss
- those to be measured at amortised cost.

The classification depends upon the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The company reclassifies debt investments when and only when its business model for managing those assets changes.

#### (II) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are charged in profit or loss.



## Investments and Other Financial Assets

### Debt Instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

**a. Amortised Cost:**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**b. Fair Value Through Other Comprehensive Income (FVtOCI):**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVtOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

**c. Fair Value Through Profit or Loss (FVtPL):** Assets that do not meet the criteria for amortised cost or FVtOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

### Equity Instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVtOCI are not reported separately from other changes in fair value.

### De-Recognition of Financial Assets

A financial asset is derecognized only when the contractual rights to the cash flows from the financial asset expires, or it transfers the financial asset and the transfer qualifies for de-recognition. On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in the Statement of Profit or Loss.

### (III) Impairment of Financial Assets

The company assesses on a forward-looking basis, the expected credit losses associated with its assets carried at amortised cost and FVtOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets only, the company applies the simplified approach permitted by NFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The company has three types of financial assets subject to NFRS 9's new expected credit loss model. The company was required to revise its impairment methodology under NFRS 9 for each of these classes of assets.

**(i) Trade & Other Receivables**

For trade & other receivables, the company applies the simplified approach to providing for expected credit losses as prescribed by NFRS 9, which requires the use of the lifetime expected loss provision for all trade & other receivables.

**(ii) Term Deposits & Investments in Debentures**

These are debt investments at amortised cost and are considered to be low risk and thus the impairment is determined as 12 months expected credit losses.

**(iii) Loan Investments**

These are debt investments at amortised cost and are considered to be low risk and thus the impairment is determined as 12 months expected credit losses.

**Explanatory Notes:**

Particulars					NPR
Financial Assets (FY 2023-24)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments	219,034,000				219,034,000
Employee Loan	3,840,073,378				3,840,073,378
Accruals, Advance & Other Receivables	983,950,228				983,950,228
Trade & Other Receivable				1,516,047,428	1,516,047,428
Term Deposits and Other Investments				39,318,429,300	39,318,429,300
Loan Investments				14,186,015,028	14,186,015,028
Cash & Cash Equivalents	4,252,725,341				4,252,725,341
<b>Total</b>	<b>9,295,782,947</b>	<b>-</b>		<b>55,020,491,756</b>	<b>64,316,274,703</b>

Financial Assets (FY 2022-23)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments	190,000,000				190,000,000
Employee Loan	3,621,725,743				3,621,725,743
Accruals, Advance & Other Receivables	780,997,568				780,997,568
Trade & Other Receivable				2,087,247,188	2,087,247,188
Term Deposits and Other Investments				56,522,959,000	56,522,959,000
Loan Investments				13,787,131,386	13,787,131,386
Cash & Cash Equivalents	5,410,127,330				5,410,127,330
<b>Total</b>	<b>10,002,850,641</b>	<b>-</b>	<b>-</b>	<b>72,397,337,574</b>	<b>82,400,188,215</b>

**10.1.1 Equity Investments:****Accounting Policies**

Equity investments are accounted for at fair value in accordance with NFRS 9 'Financial Instruments.' These investments have been classified as per their listing status.

Equity Investments			NPR
Particulars	15 July 2024	16 July 2023 (Restated)	
<b>Listed Equity Investment</b>	<b>29,034,000</b>	<b>-</b>	
Sarbottom Cement Ltd.	14,436,000		
Change in Fair Value of Investment	14,598,000		
<b>Unlisted Equity Investment</b>	<b>190,000,000</b>	<b>190,000,000</b>	
Vidhyut Utpadan Company Ltd.	130,000,000	130,000,000	
National Fund Management Ltd.	60,000,000	60,000,000	
<b>Total</b>	<b>219,034,000</b>	<b>190,000,000</b>	

The company has promoter shareholding in Vidhyut Utpadan Company Ltd. and National Fund Management Ltd. Vidhyut Utpadan Company Ltd. is yet to be in full operation to generate revenue. So, the company believes, considering other similar investments in the market, that the long-term return from the investments and the future value will more than sufficiently cover the cost of the investment. The company has made these investment under a long term investment strategy. The cost value currently represents the fair value of unlisted investments.

The Company has invested in 36,000 equity shares of Sarbottam Cement Ltd. through book building at the rate of NPR 401. The investment has been revalued and revaluation gain has been booked in Statement of Profit and Loss.

## 10.1.2 Employee Loans

### Accounting Policies

Employee loans are accounted for fair value through profit or loss. The effective interest and the change in fair value shall be charged/credited to profit and loss.

### Explanatory Notes

Employee loans are benefits provided by the company to its employees. The Company's business model is to hold on to these assets until maturity for the purpose of collecting principal, interest and bonus amount. The company collects interest at the rate of 3 percentage at the time of disbursal and principal is collected over the period in accordance with the repayment schedule. For Insured Loan, the employee will pay required premiums annually and final settlement will be done after maturity of Insurance plan. The Company collects the principal amount and agreed proportionate amount of bonus received from the insurance company.

The intrinsic effective interest and the net change in fair value is taken to profit or loss and the principal outstanding is reported at fair value. These loans have the recoverable period from 1 to 20 years. The discount rate that has been considered for computing fair value is the notional average interest rate used for determining the taxable benefit of employees during the year, which is 7% for the reporting period. These assets are considered to have nominal risk of recovery as the employee's current and retirement benefits and Insurance Plan adequately secures the receivables.

#### Employee Loan

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Opening Employee Loan	5,530,200,019	5,559,989,995
Employee Loan Disbursed During the Period	159,890,350	66,494,624
Employee Loan Repayment During the Period	(113,622,272)	(96,284,600)
<b>Gross Disbursement and Outstanding</b>	<b>5,576,468,097</b>	<b>5,530,200,019</b>
Fair Value adjustment	(1,736,394,719)	(1,908,474,276)
<b>Total Employee Loan at Fair Value</b>	<b>3,840,073,378</b>	<b>3,621,725,743</b>
Employee Loan - Current Portion	315,137,808	75,948,918
Employee Loan - Non-Current Portion	3,524,935,570	3,545,776,825
<b>Total Employee Loan at Fair Value</b>	<b>3,840,073,378</b>	<b>3,621,725,743</b>

## 10.1.3 Accruals, Advances and Other Receivables

### Accounting Policies

These consist of interest accrued, claim against employees, claim against supplier and others. These are expected to be settled in the normal course of operation within the one-year period of such claims. These are recognised initially at cost and subsequently at fair value through profit or loss.

### Explanatory Notes

#### Interest Accrued:

Interest Accrued represents an amount pertaining to the period for Debentures but with the payment timing beyond the reporting dates. The risk of non-recovery is considered to be nominal.

The Provision made for previous year Interest Accrued for loan investment to Upper Tamakoshi (UTK) has been written back as the UTK has started loan repayment from this Fiscal Year as per Repayment Schedule.



### Claims Against Suppliers and Others:

These comprise claims made by the company to be received from contractors, suppliers and others with no implicit finance charge. These are expected to be settled in the normal course of operation within the one-year period of such claims and are carried at costs and are considered to represent the fair value.

### Claims Against Employees:

These comprise the claims to be received from employees with no implicit finance charge. These are expected to be settled in the normal course of operation within a one-year period of such claims and are carried at costs and are considered to represent the fair value.

### Accruals, Advances and Other Receivables

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Interest Accrued	559,952,565	704,553,098
Less: Provision of possible losses	-	-
Advance to and Claims Against Others	471,389,435	129,813,304
Less: Provision for possible losses	(59,183,104)	(59,183,104)
Advance to and Claims Against Employees	11,890,048	5,912,986
Less: Provision for possible losses	(98,716)	(98,716)
<b>Total</b>	<b>983,950,227</b>	<b>780,997,568</b>

### 10.1.3.1 Long Term Loan and Advances

#### Accounting Policies

These comprise of long-term advances provided to suppliers for equipment / Systems and other as per the contract. These are expected to be settled in normal course of operation in period of more than one-year period of such disbursement. These are recognised initially at cost and subsequently at fair value through profit or loss.

### Explanatory Notes

#### Long Term Loan and Advances

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
<b>Opening Balance</b>	<b>1,078,693,995</b>	<b>1,277,055,722</b>
Prior Year Adjustment	-	-
<b>Restated Opening Balance</b>	<b>1,078,693,995</b>	<b>1,277,055,722</b>
Net Addition / (Net Transfer) for FY 2023-24	(132,550,349)	(198,361,727)
<b>Closing Balance as on 15 July 2024</b>	<b>946,143,646</b>	<b>1,078,693,995</b>
Opening Accumulated Impairment	93,384,684	93,384,684
Impairment for FY 2023-24	-	-
<b>Closing Accumulated Impairment</b>	<b>93,384,684</b>	<b>93,384,684</b>
<b>Net Balance as on 15 July 2024</b>	<b>852,758,962</b>	<b>985,309,311</b>

### 10.1.4 Trade & Other Receivables

#### Accounting Policies

##### Trade Receivables:

Trade receivables comprise of amounts owed to the company by the customers as per NFRS 15: Revenue from Contracts with customers. A fifteen day credit period is allowable to all the receivables from PSTN and VSAT services provided by the company. Trade receivables do not carry any interest and are measured at the carrying amount at which the items are initially recognised less any impairment losses, i.e. stated at their nominal value as reduced by appropriate allowances. Such allowances are affected by way of write-downs based on the estimated irrecoverable amount. The company estimates the Expected Credit Loss (ECL) on these instruments in the form of impairments.

Individual trade receivables are written off when management deems them not to be collectible. Write-offs of trade receivables are recognised in some cases using the allowance accounts.



### Contract Asset:

A contract asset is defined in NFRS 15: Revenue from Contracts with Customers as an entity's right to receive consideration in exchange for goods or services that the entity has already provided to the customer, but payment is still conditional as per the business model of the Company.

### Impairment:

Trade receivables and contract assets are exposed to customers' credit risk and are subject to impairment assessment. The company applies the simplified approach to providing for expected credit losses which requires the use of the lifetime expected loss provision for all trade receivables or contract assets that result from transactions that are within the scope of Revenue from Contracts with Customers and that do not contain a significant financing component.

In "Simplified approach", expected credit loss is calculated using a provision matrix. A provision matrix is applying the relevant estimated loss rates to the trade receivable balances outstanding (i.e. a trade receivable ageing analysis).

## Explanatory Notes

The groupings have been based on the type of customer such as Wireless, Fixed line, Interconnection services – International and Domestic along with appropriate subgroups based on their similar credit risk characteristics to apply the provision matrix. The Company uses a portfolio approach based on historical credit loss experience to estimate the lifetime expected credit losses.

The company's trade receivables are stated after lifetime expected credit loss. In addition to the non-recoverable risk of trade receivables, which the company believes is adequately covered by the allowances made, these assets are subject to diminishing value due to time value of money and inflationary devaluation as no interest is charged on these accounts.

### Impairment:

Due to the Global economic crisis, it is expected that an increase in unemployment rates and decline in gross domestic product will exceed the relevant thresholds. Therefore, when estimating the expected credit loss, we have incorporated up to ten percent macro-economic adjustment in arriving at the expected loss rate in addition to historical loss rate derived from default from customers. As a result, we have increased the allowance for Expected Credit Loss to reflect risks and uncertainties brought by the global economic crisis. It is important to note that any future changes in macroeconomic assumptions could significantly impact our allowance for Expected Credit Loss in subsequent years.

### Trade Receivables

	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
<b>Gross Trade &amp; Other Receivable</b>		
Wireless	556,664,537	550,377,386
Fixed Line	1,182,684,024	1,154,998,731
International Inter- connection	878,775,189	1,479,613,000
Domestic Inter- connection	395,354,428	419,671,108
Contract Assets	87,997,685	156,228,780
<b>Total</b>	<b>3,101,475,864</b>	<b>3,760,889,005</b>
<b>Expected Credit Loss</b>		
Wireless	346,207,794	340,653,844
Fixed Line	792,897,745	784,744,724
International Inter- connection	124,438,035	193,096,295
Domestic Inter- connection	273,486,134	269,221,125
Contract Assets	48,398,728	85,925,829
<b>Total</b>	<b>1,585,428,436</b>	<b>1,673,641,817</b>
<b>Trade Receivables net of impairment</b>		
Wireless	210,456,743	209,723,542
Fixed Line	389,786,280	370,254,007
International Inter- connection	754,337,154	1,286,516,705
Domestic Inter- connection	121,868,294	150,449,983
Contract Assets	39,598,957	70,302,951
<b>Total</b>	<b>1,516,047,428</b>	<b>2,087,247,188</b>



### 10.1.5 Term Deposits and Other Investments:

#### Accounting Policies

The company recognises deposits and investments in Debenture initially at fair value and subsequently at amortised cost using effective interest rate. The company has capacity and intention to hold on these investments until maturity. It is the company's business model to hold on these investments solely for the purpose of receiving principal and interest.

#### Investments in Term Deposits and Debenture:

Terms deposits in Banks and Investments in Debenture are held with fixed coupon rate of interest and are to be recognised at amortised cost using effective interest rate. Since, under the company's business model, the company intends to receive only contractual cash flows from these financial assets with no other costs or premium / discounts being involved. Therefore, the intrinsic coupon rate is taken as the effective interest rate for all the term deposits and Investments in Debenture. Considering the maturity period of the deposits these are classified as current assets.

#### Mutual Funds:

The company has invested in mutual funds for trading purposes. Investments in Mutual funds are measured at Fair Value through Profit or Loss (FVtPL) and the entity does not capitalise the transaction costs such as broker fees in the initial cost of the asset. Subsequently, the investment is revalued to fair value at the end of each fiscal year and any resulting gains or losses are recorded in the statement of profit or loss.

#### Explanatory Notes

The company only invests in Debentures of the government and class 'A' commercial banks and in term deposit of class 'A' commercial banks and Class 'B' National Level Development bank in Nepal. The Banks are regulated and are under strict monitoring of the Central Bank of Nepal. Therefore, the risk of non-recovery on these instruments are considered nominal. Further, in absence of any other incremental costs, the interest rate inherent in these instruments are the effective interest rate and adjust for the credit risk and time value of money.

Term Deposits and Other Investments		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Government and Corporate Debenture		
Investment in Debentures	3,576,550,000	3,484,239,000
Investment in Mutual Fund	162,322,700	130,000,000
Investment in National Equity Fund -1	11,069,300	-
Change in Fair Value of Investment	13,107,300	(2,010,000)
<b>Net investment in Mutual Fund</b>	<b>186,499,300</b>	<b>127,990,000</b>
<b>Term Deposits with Banks</b>		
in Foreign Currency (US\$)	7,934,920,000	9,050,730,000
in Nepalese Currency	27,620,460,000	43,860,000,000
	<b>39,318,429,300</b>	<b>56,522,959,000</b>
Current	35,555,380,000	52,910,730,000
Non-Current	3,763,049,300	3,612,229,000
<b>Total</b>	<b>39,318,429,300</b>	<b>56,522,959,000</b>

### 10.1.6 Loan Investments

The company recognises loan investments initially at fair value and subsequently at amortised cost using effective interest rate. The company has capacity and intention to hold on these investments until maturity. It is the company's business model to hold on these investments solely for the purpose of receiving principal and interest.

#### Explanatory Notes

Interest accrued and service charge on Loan Investment provided to M/s Upper Tamakoshi Hydropower Limited has been capitalised as per the loan agreement. Total outstanding, including opening balance, additional loan investment during the year and capitalised interest and service charges as at the year-end

## Expected Credit Losses (ECL) on UTK Loan Investment:

### Impairment

These are debt investments at amortised cost and are considered to be low risk and thus the impairment is determined as 12 months expected credit losses.

### Explanatory Notes

The Loan investment has been made in Upper Tamakoshi Hydropower Limited to develop 456 MW Upper Tamakoshi Hydroelectric Project (UTKHEP) as a consortium Loan with corporate guarantee of Nepal Electricity Authority. The land, property, plant and equipment owned by the Upper Tamakoshi Hydropower Limited itself at present, to be owned in future has been mortgaged in the name of Nepal Doorsanchar Company Limited, Citizen Investment Trust and Rastriya Beema Sansthan as security against the loan obtained from these institutions. Further, the recoverability of Loan investment is secured by the cash flows to be received from the selling of energy to Nepal Electricity Authority under Power Purchase Agreement (PPA) concluded at project inception. The project started its commercial operation fully from Bhadra 25, 2078.

Therefore, from the reasonable and supportable information that is available without undue cost or effort in above paragraph, the credit risk on such Loan Investment has not been increased significantly since initial recognition.

Thus, impairment has been provided as 12 months expected credit losses. As a practical expedient in measuring the expected credit losses, the company has provided 1.1% Expected Credit Losses (ECL) on amortised cost of the debt investment.

Loan Investments	NPR	
	15 July 2024	16 July 2023 (Restated)
Loan Investments in Upper Tamakoshi Hydropower Ltd.	14,343,796,793	14,520,520,939
Less: Expected Credit Loss	(157,781,765)	(733,389,553)
<b>Net Investment</b>	<b>14,186,015,028</b>	<b>13,787,131,386</b>

## 10.1.7 Cash and Cash Equivalents

### Accounting Policies

Cash and cash equivalents are recognised initially at fair value and subsequently at fair value through profit or loss. They are reported at their carrying value. The carrying amount of cash and cash equivalents approximate their fair value.

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
<b>Bank Balances</b>		
Interest Bearing	4,252,650,842	5,410,123,102
Non-Interest Bearing	-	-
<b>Cash Balance</b>	74,499	4,228
	<b>4,252,725,341</b>	<b>5,410,127,330</b>
Effect of Exchange rate changes	-	-
<b>Total</b>	<b>4,252,725,341</b>	<b>5,410,127,330</b>

Cash and cash equivalents have original maturity of less than three months. These enable the company to meet its short-term liquidity requirements. The majority of the company's cash and cash equivalents comprise of interest-bearing call deposits with commercial banks which are subject to insignificant risk of change in value. These also include cash-in-hand and cheques.

Foreign currency balances with banks falling under the cash and cash equivalents classification, are converted into reporting currency using the closing exchange rates and resulting foreign exchange gain loss is recognised in profit or loss.

Risk of holding cash and bank balance is the time value of money and the inflationary devaluation which is not fully off-set by interest earned by those bank deposits.



## 10.2. Financial Liabilities

### (I) Classification

The Company shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- Financial guarantee contracts.

The financial liability is accounted for at amortised cost using effective interest rate. The company has considered the discount rate for the future payments and computation of amortised cost. The effective interest is recognised in the statement of profit or loss.

### (II) Measurement

On initial recognition all financial liabilities are recognised at their fair value. The subsequent measurement depends on the classification of the financial liabilities.

### (III) De-recognition of Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## Explanatory Notes

Financial liabilities of the company are reported at amortised cost using effective interest rate.

Particulars	NPR		
Financial Liabilities (FY 2023-24)	FVtPL	Amortised cost	Total
Subscriber Deposits		59,987,070	59,987,070
Current Liabilities		10,482,835,655	10,482,835,655
Trade Payable		627,486,297	627,486,297
<b>Total</b>	-	<b>11,170,309,022</b>	<b>11,170,309,022</b>
Financial Liabilities (FY 2022-23)	FVtPL	Amortised cost	Total
Subscriber Deposits		58,727,124	58,727,124
Current Liabilities		12,892,423,384	12,892,423,384
Trade Payable		2,665,500,864	2,665,500,864
<b>Total</b>	-	<b>15,616,651,372</b>	<b>15,616,651,372</b>

### 10.2.1. Subscriber Deposits

## Explanatory Notes

Subscribers' deposits are deposits from customers for services they have subscribed in accordance with the company's service policies. It consists of a credit limit and deposit from customers for services they have subscribed to.

Subscriber Deposits	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
Deposit and Credit Limit from Subscriber	59,987,070	58,727,124
<b>Total</b>	<b>59,987,070</b>	<b>58,727,124</b>

Only nominal value of subscriber deposit is reversed, normally as the result of discontinuance by the subscribers and it is not possible to estimate probable future payments. Therefore, the entire subscriber deposit is classified as non-current.



### 10.2.2. Trade Payable

Trade payables represent liabilities for services received from interconnection telecom operators prior to the end of the financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within twelve (12) months after the reporting period. Otherwise, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## Explanatory Notes

### Trade Payable

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Payable for Bandwidth Service	427,762,217	2,358,092,522
Payable for Interconnection Service	199,724,080	307,408,342
<b>Total</b>	<b>627,486,297</b>	<b>2,665,500,864</b>

### 10.2.3. Current Liabilities

Current liabilities and other payables are recorded at cost. They are expected to be settled within 12 months of the normal course of business. The carrying amount represents the amortised cost.

## Explanatory Notes

### Current Liabilities

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Sundry Creditors - Suppliers	8,922,447,161	11,400,623,273
Advances Work/Income related	1,154,606,912	1,236,250,428
Other Liabilities	405,781,582	255,549,683
<b>Total</b>	<b>10,482,835,655</b>	<b>12,892,423,384</b>

## 10.3. Off-Setting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## 10.4. Financial Guarantee Contract:

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of a financial guarantee contract is the present value of the difference between the net contractual cash flows required under a debt instrument and the net contractual cash flows that would have been required without the guarantee. The present value is calculated using a risk-free rate of interest.

At the end of each subsequent reporting period financial guarantees are measured at the higher of:

- The amount of the loss allowance; and
- The amount initially recognized less cumulative Amortisation, where appropriate.

The amount of the loss allowance at each subsequent reporting period initially equals to 12-month expected credit losses. However, where there has been a significant increase in the risk that the specified debtor will default on the contract, the calculation is for lifetime expected credit losses.

Expected credit losses for a financial guarantee contract are the cash shortfall adjusted by the risks that are specific to the cash flows.

Cash shortfalls are the difference between:

- The expected payments to reimburse the holder for a credit loss that it incurs; and
- Any amount that an entity expects to receive from the holder, the debtor or any other party



## Explanatory Notes

The Company has given financial guarantee and pledged its equity share investment of its associate M/s Trishuli Jalavidhyut Company Limited to Nabil Bank Ltd for Trishuli 3B Hydro Project financing.

### 10.5. Financial Risk Management

The company's business activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (Foreign currency risk, interest risk) which may adversely impact the fair value of its financial instruments. Risk management focuses on the unpredictable financial loss and seeks to minimize potential adverse effect on company's performance.

The company's Board and senior management has overall responsibility for the establishment and oversight of the company's risk management. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies/practices and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The risk management is done by the company's management that provides assurance that the company's financial risk activities are governed by appropriate practices & procedures and that financial risks are identified, measured and managed in accordance with the company's risk objectives.

#### Credit Risk:

Credit risk is the risk of financial loss arising from counterparty to a financial instrument if the party fails to repay or service debt according to the contractual terms or obligation. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

Financial instruments that are subject to concentrations of credit risk, principally consist of investments in debt instruments, trade receivables, terms deposits, accruals, advances and other receivables and loan given to employees. Terms deposits in banks result in material concentrations of credit risks.

The company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty to a financial instrument. For the purpose of risk control of Trade Receivables, Credit limits and deposits are established for each customer, whereby the credit limit represents the maximum open amount for one bill cycle. For loan Investment, Property Plant and Equipment at present and to be owned in future has been mortgaged and corporate guarantee has been taken.

#### Liquidity Risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due without incurring unacceptable losses. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The company manages the liquidity to ensure sufficient liquidity to meet all liabilities when due, without facing unacceptable losses. Any short term surplus cash generated by the company, over and above working capital requirements and other operational requirements including loan and capital commitment, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to maximise its returns on investment.

#### Market Risk:

Market risk is the risk related to changes in market prices, such as interest rates, foreign exchange rates and market economics conditions. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

#### i. Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Any movement in the reference rates could have an impact on the Company's cash flows as well as costs.

The company's Revenue Department manages the interest rate risk in order to reduce the financial impact as a consequence of the interest rate fluctuation. The company has established a policy and procedures to monitor investments and facilitate its investment diversification efforts.

The Company is subject to variable interest rates on interest bearing assets such as cash and cash equivalent, Term Deposits, Loan Investments and Investment in Debentures. The Company's interest rate exposure is mainly related to financial assets.

## ii. Foreign Currency Risk:

The company is exposed to foreign currency risks on sales and purchases denominated in a currency other than its functional currency (NPR). The two major currencies giving rise to currency risks are US Dollar (USD) and Euro (EURO). However, the company has not entered into any forward contracts to mitigate such risks. The company is subject to the risk that changes in foreign currency values impact the company's transactions/events relating to settlement of interconnection transactions, USD Term Investment and import of inventories, property plant & equipment and services.

The company closely monitors market economic activity and currency fluctuations in the market so as to respond effectively to the changes in exchange rate.

## 11. Provisions

### Accounting Policies

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Explanatory Notes

The provisions have been computed based on the legal provisions and past practices. The timing and actual payment is subject to further approvals. The company estimates that these obligations will be settled within the next 12 months, therefore no discounting has been applied. The carrying amount represents the amortised cost.

The amount of provision recognised is the management's best estimate of expenditure required to settle the present obligation at the reporting date. Management reviews provisions at each balance sheet date and is adjusted to reflect the best current estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

### Provisions

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Provision for GSM Licence Renewal Fee	-	16,723,287,671
Provision for Expenses	252,910,307	41,129,519
<b>Total</b>	<b>252,910,307</b>	<b>16,764,417,190</b>

The company has obtained a new GSM licence 2081/01/29. As per the Government of Nepal's decision and Telecommunication Act the company has obtained new licence by paying NPR 210 million.

## 12. Fair Value Measurements of Assets and Liabilities

In accordance with NFRS 13 'Fair Value Measurement', the company categorises assets or liabilities carried on the reporting date at fair value using a three-level hierarchy. Assets or liabilities categorised as Level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of Assets or liabilities categorised as Level 2 and, in particular, Level 3 is determined using valuation techniques including discounted cash flow analysis and other valuation models. In addition, in line with market practice, the company applies credit, debit and funding valuation adjustments in determining the fair value of its non-collateralized assets. A description of these adjustments is set out as under.

These valuation techniques involve management judgement and estimates to the extent of which depends on the complexity of the assets or liabilities and the availability of market observable information.



## Valuation of Financial Assets and Liabilities

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine the fair values.

### Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 predominantly comprise equity shares, treasury bills and other government securities. If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorised within Level 1 of the fair value hierarchy.

### Level 2

Level 2 valuations are those where quoted market prices are not available, for example where the assets or liabilities is traded in a market that is not considered to be active, or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Examples of such assets or liabilities include most over-the-counter derivatives, financial institution issued securities, certificates of deposit and certain asset-backed securities.

### Level 3

Level 3 portfolios are those where at least one input, which could have a significant effect on the valuation, is not based on observable market data. These are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

## 12.1 Assets and Liabilities Carried at Fair Value

Particulars	NPR			
Assets and Liabilities (FY 2023-24)	Carrying Amount	Quoted Market Prices	Observable Inputs	Unobservable Inputs
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
Land	23,085,052,066		23,085,052,066	
Building	3,432,481,389		3,432,481,389	
Cash and Cash Equivalent	4,252,650,842	(74,499)	4,252,725,341	
<b>Total</b>	<b>30,770,184,297</b>	<b>(74,499)</b>	<b>30,770,258,796</b>	<b>-</b>
Assets and Liabilities (FY 2022-23)	Carrying Amount	Quoted Market Prices	Observable Inputs	Unobservable Inputs
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
Land	23,085,052,066		23,085,052,066	
Building	3,474,938,750		3,474,938,750	
Cash and Cash Equivalent	5,410,127,330	4,228	5,410,123,102	
<b>Total</b>	<b>31,970,118,146</b>	<b>4,228</b>	<b>31,970,113,918</b>	<b>-</b>

Land revaluation has been periodically done to report the value of the land at fair value. Value of similar land in similar locality is considered for fair value determination. (also refer note 3)

Building and physical structure has been periodically revalued to report at the fair value. The Depreciated Replacement Cost (DRC) approach has been used for fair value determination of building and physical structures.

## 12.2 Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

The financial assets and financial liabilities carried at amortised cost have been assessed for their fair values. Since these assets and liabilities are not quoted in the active market and observable inputs for those assets and liabilities are not available, the management has used discounted cash flow to estimate their fair value, applying level 3 assumption under NFRS 13. Details of company are disclosed as under:



**Assets and Liabilities (FY 2023-24)**

NPR

Particulars	Carrying Amount	Fair Value	Quoted prices (Level 1)	Observable Inputs (Level 2)	Unobservable inputs (Level 3)
<b>Assets</b>					
Trade & Other Receivable	1,516,047,428	1,516,047,428	-	-	1,516,047,428
Term Deposits	39,318,429,300	39,318,429,300	-	-	39,318,429,300
Investments in Debenture	3,576,550,000	3,952,805,580	1,408,985,580		2,543,820,000
Investment in Mutual Funds	186,499,300	186,499,300	186,499,300		
Loan Investments	14,186,015,028	14,186,015,028			14,186,015,028
<b>Liabilities</b>					
Subscriber Deposits	59,987,070	59,987,070	-	-	59,987,070
Current Liabilities	10,482,835,655	10,482,835,655	-	-	10,482,835,655
Trade Payable	627,486,297	627,486,297			627,486,297

**Assets and Liabilities (FY 2022-23)**

NPR

Particulars	Carrying amount	Fair Value	Quoted prices (Level 1)	Observable Inputs (Level 2)	Unobservable inputs (Level 3)
<b>Assets</b>					
Trade & Other Receivable	2,087,247,188	2,087,247,188	-	-	2,087,247,188
Term Deposits	56,522,959,000	56,522,959,000	-	-	56,522,959,000
Investments in Debenture	3,484,239,000	3,510,753,012	1,843,222,012		1,667,531,000
Investment in Mutual Funds	127,990,000	127,990,000	127,990,000		
Loan Investments	13,787,131,386	13,787,131,386			13,787,131,386
<b>Liabilities</b>					
Subscriber Deposits	58,727,124	58,727,124	-	-	58,727,124
Current Liabilities	12,892,423,384	12,892,423,384	-	-	12,892,423,384
Trade Payable	2,665,500,864	2,665,500,864			2,665,500,864

## 13. Employee Benefits

### Accounting Policies

Short-term employee benefits, such as salaries, paid leave, performance-based awards and social security costs are recognised over the period in which the employees provide the related services.

The company operates a number of post-retirement benefit schemes for its employees including both defined benefit and defined contribution plans.

1. A defined benefit scheme is a plan that defines an amount of pension, gratuity or leave compensation benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary.
2. A defined contribution plan is a plan into which the company pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

Full actuarial valuations of the company's defined benefit schemes are carried out periodically with interim reviews in the intervening years; these valuations are updated by qualified independent actuaries. For the purposes of these annual updates, scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using actuarial assumptions. The defined benefit scheme liabilities are discounted using rates equivalent to the market yields at the reporting date. The company's profit or loss charge includes the current service cost, past service costs, net interest expense (income) and plan administration costs that are not deducted from the return on plan assets. Re-measurements, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest expense (income) and net of the cost of managing the plan assets) and the effect of changes to the asset ceiling (if applicable) are reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurements recognised in other comprehensive income are reflected immediately in retained profits and will not subsequently be reclassified to profit or loss.



The company's Statement of Financial Position includes the net surplus or deficit, being the difference between the fair value of scheme assets and the discounted value of scheme liabilities at the reporting date. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. In assessing whether a surplus is recoverable, the company considers its current right to obtain a refund or a reduction in future contributions and does not anticipate any future acts by other parties that could change the amount of the surplus that may ultimately be recovered.

The company provides various loans and advances to its employees as per the employee service by-laws of the company. The various loans and advances provided are Insured, Uninsured with different maturity period. Employee loan is measured at Fair value. Unamortised employee cost is the difference between the value of loan at carrying amount and present value of employee loan discounted at market rate. Deferred benefits is calculated each year on the closing outstanding balance so that it will consider the prepayment of loan and loan settlement of retired/resigned staff. Deferred benefit is calculated as difference between closing value of loan and present value of outstanding loan discounted at market rate less Amortisation of such benefit during the year. The discount rate that has been considered for computing fair value is the interest rate used for determining the taxable benefit of employees during the year.

## Explanatory Notes

### 13.1 Employee Benefits

#### Employee Benefit Expenses

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
<b>Short term employee benefits</b>		
Salaries & Wages	2,148,915,380	2,156,722,858
Allowances	1,300,563,769	1,289,974,919
Uniform Allowances	39,779,000	39,392,000
Overtime Allowances	38,433,721	34,710,498
Medical Expenses	525,283,839	524,816,066
Telecom Allowances	289,550,797	383,099,003
Employee Statutory Bonus	592,139,545	623,292,720
Other monetary Benefits	14,937,689	33,519,396
Leave Encashment	122,111,396	130,373,554
Finance cost under NFRS	166,880,181	164,536,652
<b>Defined Contribution Plan</b>		
Contribution to Provident Fund	211,025,523	210,451,092
Life Insurance	33,470,624	76,845,223
Retirement Contribution - Contract	1,922,123	33,759,511
<b>Defined Benefit Plan</b>		
Leave	147,387,427	91,923,306
Pension and Gratuity- Non-Contributory	2,362,239,316	2,150,344,260
Pension and Gratuity- Contributory	680,890,430	-
Other Long term employee benefits	11,152,204	7,046,781
<b>Total</b>	<b>8,686,682,966</b>	<b>7,950,807,839</b>

### 13.2 Post-Employment Benefits

#### (I) Defined Contribution Plan

The company operates two types of defined contribution plans.

1. The provident fund contribution, where a fixed percentage of ten percent of the salary (basic plus grade) is paid into the fund as and when the salaries become due.
2. The company contributes ninety percent of the insurance premium of the employee's life insurance policies. The amount of policy is different as per the level of employees. The insured amount and the bonus accrued thereon shall be available to the employees on retirement.

## (II) Defined Benefit Plan

The company provides pension for employees completing 20 years of service with the company and gratuity for employees who have not completed 20 years of service at the time of retirement/ severance. This scheme is applicable for employees joining before 2066 Kartik 01.

For employees joining after 2066 Kartik 01, Contributory pension fund was provided, which is in lieu of pension and gratuity whereby company pays fixed amount to the individual pension fund account that will be available to the employees on retirement, which is now amended by Board of Directors decision dated 2079 Shrawan 18. As per the decision, this group will be eligible for pension on completion of 20 years of service, for which 10% contribution is made by the employees with a matching 10% contribution made by the company. The short amount on settlement of such pension will be borne by the company. Those employees, who would not complete 20 years of service will be compensated with the amount deposited in respective employee's account maintained in the fund.

The company has been conducting actuarial assessment of defined benefit plans periodically. The discounted value of liabilities net of benefit plan investments is presented as noncurrent liabilities. The current service cost, past service cost and net interest (net of unwinding interest and return on plan assets) are charged to statement of profit or loss. The net actuarial re-measurements are charged or credited to the statement of other comprehensive income. The company pays retirement benefits partly from the plan assets and partly directly from the company. The company also pays the retirement benefits in advance as prepayments up to maximum of 7 years pension. Such prepayments have been deducted from the closing actuarial liabilities.

The defined benefit plans expose the company to actuarial risks such as longer than expected longevity of members, lower than expected returns on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

### Defined Benefit Plan Obligation

	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
Opening DBP Obligations	31,721,880,257	26,933,719,748
Addition of Obligation on transition date	542,991,310	-
Current Service Costs	1,629,914,733	874,282,780
Finance Cost	2,399,774,630	2,002,537,880
Benefits Paid	(1,053,236,244)	(1,009,339,752)
Actuarial Remeasurements	(1,603,181,520)	2,920,679,600
Closing DBP Obligation	33,638,143,165	31,721,880,257

### Defined Benefit Plan Assets

	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
Fair Value of Plan Assets at beginning	8,911,234,903	7,059,874,776
Employers Contribution	974,829,864	1,500,000,000
Employers Contribution- Non-Contributory	4,970,000,000	-
Return on Plan assets	717,060,794	504,179,540
(-) Advance Tax on return on plan assets	(44,683,062)	-
(-) Benefits Paid	(226,262,843)	(248,539,653)
Actuarial Remeasurements	148,188,100	95,720,240
Closing DBP Assets	15,450,367,755	8,911,234,903
Net Defined Benefit Plan Obligation	18,187,775,411	22,810,645,353
Charged / (credited) to P&L	3,312,628,569	2,372,641,120
Charged / (credited) to OCI	(1,751,369,620)	2,824,959,360

**Defined Benefit Plan Obligation – Pension and Gratuity (Non-contributory)**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Opening DBP Obligation	29,734,160,859	25,207,626,590
Current Service Costs	872,413,540	778,845,810
Finance Cost	2,206,886,570	1,875,677,990
Benefits Paid from Plan Assets	(226,262,843)	(248,539,650)
Benefits Paid directly by employers	(577,759,211)	(534,703,201)
Actuarial Remeasurements	(1,558,484,000)	2,655,253,320
Closing DBP Obligation	30,450,954,915	29,734,160,859

**Defined Benefit Plan Obligation – Pension and Gratuity (Contributory)**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Opening DBP Obligation	-	-
Additional DBO as at transition date	542,991,310	-
Current Service Costs	643,262,780	-
Finance Cost	37,627,650	-
Benefits Paid from Plan Assets	-	-
Benefits Paid directly by employers	-	-
Actuarial Remeasurements	-	-
Closing DBP Obligation	1,223,881,740	-

**Defined Benefit Plan Obligation – Leave**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Opening DBP Obligation	1,987,719,397	1,726,093,158
Current Service Costs	114,238,413	95,436,970
Finance Cost	155,260,410	126,859,890
Benefits Paid by the company	(249,214,190)	(226,096,901)
Actuarial Remeasurements	(44,697,520)	265,426,280
Closing DBP Obligation	1,963,306,510	1,987,719,397

**Actuarial Assumptions**

Actuarial valuation of defined benefit plan obligation is done on the basis of the following assumptions.

**Non-Contributory Defined Benefit Plan**

Particulars	FY 2023-24	FY 2022-23
Discount Rate	7.5%	7.5%
Salary Escalation Rate	7%	7%
Pension Inflation Rate	4%	4%
Expected Return on Assets	7.5%	7.5%
Mortality Rate (Pre- Retirement)	Nepal Assured Mortality 2009	Nepal Assured Mortality 2009
Mortality Rate (Post- Retirement)	Indian Individual Annuitant's Mortality Table (2012-15)	Indian Individual Annuitant's Mortality Table (2012-15)
Spouse age difference	5 years	5 years
Withdrawal Rate	Age<45 -2% Age>=45 -0.5%	Age<45 -> 5% Age>=45 -> 0%

**Contributory Defined Benefit Plan**

Particulars	FY 2023-24	FY 2022-23
Discount Rate	7.5%	-
Salary Escalation Rate	7%	-
Pension Inflation Rate	4%	-
Expected Return on Assets	7.5%	-
Mortality Rate (Pre- Retirement)	Nepal Assured Mortality 2009	-
Mortality Rate (Post- Retirement)	Indian Individual Annuitant's Mortality Table (2012-15)	-
Spouse age difference	5 years	-
Withdrawal Rate	Age<45 -2% Age>=45 -0.5%	-



## Sensitivity Analysis (Pension & Gratuity)

### Non-Contributory Defined Benefit Plan

Particulars	FY 2023-24	FY 2022-23
<b>Discount Rate</b>		
Effect on DBO – increase of discount rate by 1%	-13.0%	-13.2%
Effect on DBO – decrease of discount rate by 1%	16.3%	16.7%
<b>Salary Escalation Rate</b>		
Effect on DBO – increase of salary rate by 1%	3.9%	4.2%
Effect on DBO – decrease of salary rate by 1%	-3.6%	-3.9%
<b>Pension Inflation Rate</b>		
Effect on DBO – increase of pension inflation rate to 5%	11.9%	11.9%
Effect on DBO – decrease of pension inflation rate to 3%	-10.0%	-9.9%

### Contributory Defined Benefit Plan

Particulars	FY 2023-24	FY 2022-23
<b>Discount Rate</b>		
Effect on DBO – increase of discount rate by 1%	-23.8%	-
Effect on DBO – decrease of discount rate by 1%	33.3%	-
<b>Salary Escalation Rate</b>		
Effect on DBO – increase of salary rate by 1%	18.7%	-
Effect on DBO – decrease of salary rate by 1%	-15.7%	-
<b>Pension Inflation Rate</b>		
Effect on DBO – increase of pension inflation rate to 5%	12.3%	-
Effect on DBO – decrease of pension inflation rate to 3%	-10.0%	-

### Sensitivity Analysis (Leave Obligation)

Particulars	FY 2023-24	FY 2022-23	FY 2023-24	FY 2022-23
	Annual Leave		Sick Leave	
<b>Discount Rate</b>				
Effect on DBO – increase of discount rate by 1%	-7.3%	-6.7%	-6.2%	-6.7%
Effect on DBO – decrease of discount rate by 1%	8.3%	7.5%	6.9%	7.5%
<b>Salary Escalation Rate</b>				
Effect on DBO – increase of salary rate by 1%	8.3%	7.5%	6.9%	7.5%
Effect on DBO – decrease of salary rate by 1%	-7.4%	-6.8%	-6.3%	-6.8%

## 13.3 Plan Assets:

### a) Non-Contributory Plan Assets

The company has invested in the Gratuity Fund Scheme (deposit scheme) of Citizen Investment Trust (CIT) and earmarked Fixed Deposits as plan assets. The company has made a discretionary contribution of NPR 3.15 billion in CIT and NPR 1.82 Billion in the earmarked Fixed Deposits maintained at government commercial banks during the FY 2080-81. The principal investment objectives are to ensure the availability of funds to pay Gratuity and Lump sum pension from the plan assets and payments will be done from this fund only.

### b) Contributory Plan Assets

Contributory pension fund which was previously maintained to provide pension whereby company pays fixed amount to the individual pension fund account that will be available to the employees on retirement, which is now amended by Board of Directors decision dated 2079 Shrawan 18. The contributed amount in the fund from both employees and company has been booked as Defined Benefit Assets for the settlement of pension obligation.

As the contributed fund qualifies as plan assets under NAS-19 "Employee Benefits", it has been treated as Defined Benefit Assets (DBA). The fair value of the contributed fund at the transition date is recognized as part of the assets supporting the DB plan. The Defined Benefit Obligation (DBO) is measured at the present value of the future pension payments based on actuarial assumptions. The existing contributed fund (to be recognized as plan assets) is offset against the DBO to determine the net liability or asset. Past Service Cost has been recognized immediately in the Profit and Loss Account. Employee and employer contributions to the fund up to the transition date have been included as part of the plan assets supporting the new DB plan.



## 13.4 Estimated Future Benefit Payments:

Expected Future Benefit Payments are estimated using the same actuarial assumptions used in determining the benefit obligation as at July 15, 2024, because benefit payments will depend on future employment and compensation levels, average service period and payment election. The following table provides the expected benefit payments under the post-employment obligations on best estimate basis.

Fiscal Year	Pension and Gratuity Benefits (Non-contributory) Amount in NPR '000'	Pension and Gratuity Benefits (Contributory) Amount in NPR '000'	Accumulated Leave Amount in NPR '000'
July 15, 2025	999,353.46	216.23	107,154.99
July 15, 2026	1,358,036.30	703.58	176,379.11
July 15, 2027	1,485,085.51	986.54	193,370.46
July 15, 2028	1,649,891.89	1,657.83	212,537.71
July 15, 2029	1,660,972.03	1,806.52	189,020.42
Year 2029 to 2033	10,495,963.09	42,893.94	993,435.15

## 14. Share Capital

### Accounting Policies

The company applies NAS 32 '*Financial Instruments: Presentation*' to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the company having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

### Explanatory Notes

The company's registered capital structure is as follows:

#### Share Capital

Particulars	15 July 2024	16 July 2023 (Restated)
No of Shares		
Authorised	250,000,000	250,000,000
Issued	180,000,000	180,000,000
Paid Up	180,000,000	180,000,000
	NPR	
Face Value	100	100
Share Capital		
Authorised	25,000,000,000	25,000,000,000
Issued	18,000,000,000	18,000,000,000
Paid Up	18,000,000,000	18,000,000,000

The shareholding pattern on the company is as follows:

#### Shareholding Pattern

Particulars	15 July 2024	16 July 2023 (Restated)
The Government of Nepal	91.50%	91.50%
Citizen Investment Trust	0.03%	0.03%
General Public	8.47%	8.47%
	100.00%	100.00%

## 15. Reserve and Surplus

### Accounting Policies

#### Deferred Tax Reserve

It is the company's policy to appropriate the equivalent portion of the deferred tax assets when a net deferred tax asset arises. In event where deferred tax liability arises such amounts are reclassified within the equity to retained earnings.

#### Revaluation Reserve

##### Land

The company has adopted a revaluation model to present the value of its freehold land properties. The upward movement in the value of the land is adjusted by creating an equivalent amount of revaluation reserve. In the cases where there is decrease in the value of the land such decrease is first charged to the revaluation reserve to the extent reserve is available and remaining is charged to profit or loss as impairment loss.

#### Building and Physical Structure

The upward movement in the value of building and physical structure is adjusted by creating an equivalent amount of revaluation reserve. The additional depreciation on the revalued amount due to such revaluation in current fiscal year is transferred to equity.

### Explanatory Notes

#### Reserve and Surplus

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Retained Earning	48,032,904,612	42,228,075,646
Revaluation Reserve	23,461,649,269	23,509,660,706
Deferred Tax Reserve	4,412,498,352	9,913,516,551
Fair Value through OCI Reserve	-	-
	<b>75,907,052,234</b>	<b>75,651,252,903</b>

Movements in the reserves are given in detail in the Statement of Changes in Equity.

## 16. Revenue from Contract with Customers

### Accounting Policies

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts.

When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether it is primarily responsible for fulfilling the performance obligation and whether it controls the promised service before transfer to customers. Revenue is recognised when, or as, each distinct performance obligation is satisfied.

Revenue from content services rendered to customers are recognised based on gross amount billed to customers when the Company acts as a principal or recognised after netting off costs paid to content providers when the Company acts as an agent in the transaction.

The company follows the following 5 stage process in recognition of revenue from contracts with customers.

1. Identify contracts with the customer.
2. Identify the performance obligation within the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each of the performance obligations.
5. Recognise revenue when (or as) the performance obligations are satisfied.



### Portfolio Approach:

This above 5 stage process applies to the accounting for an individual contract with a customer. However, as a practical expedient, the company shall apply this to a portfolio of contracts (or performance obligations) with similar characteristics as the company reasonably expects that the effects on the financial statements of applying this process to the portfolio would not differ materially from applying this process to the individual contracts (or performance obligations) within that portfolio.

When accounting for a portfolio, the company shall use estimates and assumptions that reflects the size and composition of the portfolio.

### Contract Modification:

A contract modification is the change in the scope or price or both of a contract that is approved by the parties to the contract.

Contract modification shall account as separate contract if the following conditions are present:

- The scope of the contract increases because of the additional promised goods or services that are distinct.
- The price of the contract increases by an amount of consideration that reflects the stand-alone selling price of the additional promised goods and service.

### Non-Refundable Upfront Fees:

Non-refundable, registration, upfront service activation and setup fees associated with service arrangements are deferred and recognized over the associated service contract period or customer life. The receipt of those activation fees does not result in separate performance obligations. Instead, upfront fees are an advance payment for future services and, therefore, are recognised as contract liabilities and are recognised as revenue over the contract period/customer life where services are transferred to customers.

Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

- a. Service Revenues
- b. Multiples Deliverables
- c. Equipment sales

### Service Revenues

Service revenues mainly pertain to usage, subscription charges for voice, data, messaging and value-added services. Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the company's network and transmitted as data representing a digital signal on the network.

The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

The Company recognises revenue from these services as they are provided. The collection from customer in excess of revenue are classified as deferred revenue / advance from customers/subscribers as the case may be.

Service revenue includes revenue from international services which is revenue from interconnection, roaming charges for usage of the company's network by other operators for voice, data and messaging. It also includes the enterprise lease services. These are recognised upon transfer of control of services over time.

The company collects Ownership Fee, Telecom Service Charge and Value Added Tax on behalf of the Government and therefore, it is not an economic benefit flowing to the company; hence it is excluded from revenue.

### Multiples Deliverables:

The Company has entered into certain multiple element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables therein are evaluated to determine whether they represent distinct performance obligations and if so, they are accounted for separately.



Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells equipment and network services separately.

## Equipment Sales

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer, i.e. transferred at a point in time.

## Explanatory Notes

### Revenue from Contract with Customers

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
<b>Revenue from rendering services</b>		
Voice	20,288,937,614	22,555,493,245
Data	12,525,227,583	11,630,039,024
SMS	1,343,614,755	1,576,729,276
Others	149,853,500	205,406,932
<b>Total</b>	<b>34,307,633,452</b>	<b>35,967,668,477</b>
Equipment sales	252,632,531	303,781,427
<b>Total</b>	<b>34,560,265,983</b>	<b>36,271,449,904</b>

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
<b>Fixed Line</b>		
Local/ Domestic	250,969,429	583,837,587
Leased Circuits	283,965,395	289,245,969
ADSL	54,287,515	182,512,346
SIP	1,165,159	477,473
FTTH – Voice	1,261,341,827	1,180,476,320
FTTH – Data	913,442,233	390,580,523
Others	21,532,531	21,317,497
<b>Fixed Line Total</b>	<b>2,786,704,088</b>	<b>2,648,447,716</b>
<b>GSM</b>		
Voice	16,173,148,849	17,158,967,570
Data	11,147,310,317	10,520,258,726
SMS	390,919,111	429,316,965
Roaming	26,107,238	12,312,302
Others	117,140,573	176,140,244
<b>GSM Total</b>	<b>27,854,626,087</b>	<b>28,296,995,807</b>
<b>Interconnection Services</b>		
Inter-connection - International	1,948,561,567	3,107,178,349
Inter-connection - Domestic	215,319,307	191,715,398
International Roaming (Sharing)	249,815,217	320,528,246
SMS	568,518,748	804,472,808
Others	11,180,395	7,949,192
<b>Interconnection Services Total</b>	<b>2,993,395,233</b>	<b>4,431,843,991</b>
<b>Value Added Services (VAS)</b>		
IPTV	552,824,362	557,127,131
<b>Total - Revenue from rendering services</b>	<b>34,307,633,452</b>	<b>35,967,668,477</b>



### **Multiples Deliverables:**

Products including multiple deliverables (Handset, Customer Premises Equipment, Fibre Cable, Network Services etc.) are allocated to standalone deliverables and recognized based on the same criteria of the individual deliverable. The Revenue of Package subscribed prevailing for more than one year has been recognised on accrual basis and deferred and unused resources has been adjusted to subscriber's liability.

### **Non-Refundable Upfront Fees**

The Company has estimated that the historical average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life. Thus, the Company service revenue that includes revenue from upfront service activation fees associated with service arrangements are deferred and recognized over the associated service contract period or customer life since the date of activation of service.

## **17. Finance Income**

### **Accounting Policies**

The finance income from the financial instruments is recognised as per effective interest method in accordance with NFRS 9.

### **Explanatory Notes**

#### **Finance Income**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Interest Income on Loan Investment	1,412,689,056	1,424,715,880
Interest on Debentures	360,480,641	324,223,761
Interest on Term Deposits and Bank Balance	4,828,070,696	5,882,339,957
Interest on Employee Loan	166,531,490	165,123,854
Change in Fair Value of Investment	13,107,300	(2,010,000)
<b>Total</b>	<b>6,780,879,184</b>	<b>7,794,393,452</b>

## **18. Other Income**

### **Accounting Policies**

Dividend income is recognised when the right to receive payment is established. Other incomes are recognised when the amounts can be reliably measured and the amount is probable to be received. Government grants income shall be recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received (refer Government Grant note 27).

### **Explanatory Notes**

#### **Other Income**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
LQD and other income	568,234,642	245,460,630
Government Grant Income	207,530,735	127,460,789
<b>Total</b>	<b>775,765,377</b>	<b>372,921,419</b>

## **19. Service Operation and Maintenance Costs**

### **Explanatory Notes**

These expenses include expenses incurred with fixed and mobile communications services arising from the operation and maintenance of such telecommunication networks.

**Service Operation and Maintenance Costs**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Maintenance - Office Equipment	46,795,664	63,062,300
Maintenance - Buildings	140,003,343	134,895,741
Maintenance - Plants/ Machinery	2,077,118,561	2,145,165,078
Power, Heating & Lighting	1,422,752,363	1,463,033,358
Fuel for Vehicles	107,308,856	116,248,715
Maintenance vehicles	73,502,336	71,497,076
Freight & Carriages	13,821,227	14,084,465
International IP Lease & Transit Cost	911,871,775	2,006,426,919
Cost of Telephone Sets and Other Materials	425,229,692	407,259,514
Cost of Cash Card	236,365,186	229,094,622
Inquiry Service Expenses	42,968,289	39,333,505
Value Added Services Expenses	79,765,217	105,222,160
Interconnection Expenses- Domestic	278,617,707	248,956,763
Interconnection Expenses-Foreign	259,605,657	428,621,481
Training Expenditure (Contract)	177,342,958	99,952,278
Rent Expense (For Service Operation)	27,373,555	20,478,597
P2P SMS Expenses	28,262,767	28,565,669
Roaming Expenses	11,248,886	6,627,471
Research Expenses	691,207	130,181
Others	1,948,437	1,906,326
<b>Total</b>	<b>6,362,593,683</b>	<b>7,630,562,220</b>

**20. Sales Channel, Marketing and Promotion Costs****Explanatory Notes****Sales Channel, Marketing and Promotion Costs**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Commission on Sales	93,434,467	95,823,185
Advertisement and Trade Promotion	187,818,356	165,482,950
<b>Total</b>	<b>281,252,823</b>	<b>261,306,135</b>

**21. Office Operation Expenses****Explanatory Notes****Office Operation Expenses**

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Travelling Expenses	137,811,319	158,684,896
Rates and Local Taxes	95,261,894	116,943,325
Rent Expenses (Office Operation)	160,291,869	175,544,015
Board Meeting Allowance	2,328,500	1,777,500
Other Meeting Allowances and Expenses	49,577,417	53,351,856
Printing and Stationery	32,441,292	37,456,564
Bank Charges	16,893,408	14,395,509
Training Expenses	231,091,089	202,205,152
Hospitality Expenses	24,906,015	24,763,885
Office Furnishing	11,399,911	10,674,253
Insurance	30,125,408	32,113,176
Statutory Audit Fee	2,400,000	2,400,000
Tax Audit Fee	800,000	900,000
Audit Expenses	5,282,372	4,397,004
Postage	1,226,568	1,042,199
Books and Periodicals	2,336,725	2,528,146



## Office Operation Expenses

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Professional fees	5,658,433	9,348,540
Security Expenses	260,380,406	220,366,941
Outsourcing Service expenses	9,658,821	11,675,404
Membership Fee	12,652,407	15,186,706
Business support Expense	58,513,360	67,284,772
Communication Expenses	18,737,764	19,716,968
Anniversary Expenses	5,565,262	6,924,558
Annual General Meeting Expenses	1,881,943	1,840,924
Miscellaneous Expenses	120,482,541	120,581,936
<b>Total</b>	<b>1,297,704,724</b>	<b>1,312,104,229</b>

## 22. Regulatory Fees, Charges and Renewals

### Explanatory Notes

#### Regulatory Fees, Charges and Renewals

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Royalty	1,367,501,991	1,438,706,739
Rural Telecommunication Development Fund Contribution	683,750,995	719,353,370
Frequency Fee	1,989,499,222	1,618,158,406
Licence Fee Expenses	3,276,712,329	4,000,000,000
<b>Total</b>	<b>7,317,464,537</b>	<b>7,776,218,515</b>

The liabilities on account of Royalty at the rate of 4% of service revenue have been provided for as per Telecommunication Rules, 2054 and contribution to Rural Telecommunication Development Fund (RTDF) at the rate of 2% of the service revenue as per conditions laid down by the Nepal Telecommunications Authority (refer Revenue from contract with customers Note 16).

The company pays annual frequency fee to Nepal Telecommunications Authority for using various frequency Band. The company also pays the variable Frequency fee in relation to GSM Licence i.e. 0.4% of the GSM Income which also includes the GSM portion on Interconnection revenue and Value-added services.

## 23. Finance Costs

### Explanatory Notes

These are finance costs calculated using effective interest rate on the GSM licence renewal fee payable and Lease Liability.

#### Finance Costs

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Unwinding Interest of GSM Licence Renewal Fee Liability	-	293,496,296
Finance Costs on lease Liability	167,924,772	194,453,790
<b>Total</b>	<b>167,924,772</b>	<b>487,950,086</b>

## 24. Impairment Costs and Reversals

### Accounting Policies



## Impairment of Non-Financial Assets

Impairment of an item of property plant and equipment is identified by comparing the carrying amount with the recoverable amount. If an individual asset does not generate future cash flows independently of other assets, recoverability is assessed on the basis of cash generating unit (CGU) to which the asset can be allocated.

At each reporting date the company assesses whether there is any indication that an asset may have been impaired.

Factors that are considered important and which could trigger an impairment review include the following:

- Obsolescence or physical damage;
- Significant changes in technology and regulatory environments;
- Significant changes under performance relative to expected historical or projected future operating results;
- Significant changes in the use of its assets or the strategy for its overall business.

The identification of impairment indicators, the estimation of future cash flows and determination of recoverable amount for assets and cash generating units require significant judgement. If such indication exists, the recoverable amount is determined. The recoverable amount of a CGU is determined at the higher of fair value less cost to sell on disposal and value-in-use. Generally recoverable amount is determined by means of discounted cash flows unless it can be determined on the basis of a market price. Cash flow calculations are supported by past trend and external sources of information and discount rate is used to reflect the risk specific to the asset or CGU.

## Impairment of Financial Assets

NFRS 9 establishes a three-stage impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition. These three stages then determine the amount of impairment to be recognised as expected credit losses (ECL) (as well as the amount of interest revenue to be recorded) at each reporting date:

15 July 2024

- Stage 1:** Credit risk has not increased significantly since initial recognition – recognise 12 months ECL and recognise interest on a gross basis.
- Stage 2:** Credit risk has increased significantly since initial recognition – recognise lifetime ECL and recognise interest on a gross basis.
- Stage 3:** Financial asset is credit impaired (using the criteria currently included in NAS 39 *Financial Instruments: Recognition and Measurement*) – recognise lifetime ECL and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

## Explanatory Notes

### Impairments/ (Reversal of Impairments)

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Property Plant and Equipment	57,265,663	(131,157)
Capital Work in Progress	128,970,603	524,275,659
Trade Receivables	(88,213,381)	(274,741,580)
Inventory	5,235,270	(131,496,266)
Loan Investment	(575,607,788)	-
<b>Total</b>	<b>(472,349,634)</b>	<b>117,906,656</b>

## 25. Effects of Changes in Foreign Currency Exchange Rates

### Accounting Policies

Foreign currency transactions are converted into functional currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated into the reporting currency of the company using the rates prevailing on the reporting date. The resulting gain or loss due to translation is taken to statement of profit or loss. Non-monetary assets are recorded using the rate of exchange prevalent as on the date of initial recognition and are not subsequently restated.



## Explanatory Notes

### Effects of Changes in Foreign Currency Exchange Rates

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Transaction Gain / (Loss)	30,488,664	601,780,664
Translation Gain / (Loss)	67,518,549	(393,078,278)
<b>Total</b>	<b>98,007,213</b>	<b>208,702,386</b>

## 26. Income Tax

### Accounting Policies

The company applies NAS 12 for accounting and reporting income taxes. Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

#### Current Tax:

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustment made to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

#### Deferred Tax:

Deferred tax is the tax expected to be payable or recoverable in future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

It is computed using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets recognised to the extent that it is probable that the temporary differences or taxable profit will be available against which deductive temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, based on the level of future taxable profit forecasts and tax planning strategies.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

### 26.1. Net Tax Asset / (Liability)

The company's final income tax assessment has been completed for the Income Year 2018-19 (2075-76). For the remaining financial years, the assets and liabilities have been recognised and carried as under:

Particulars				NPR
Fiscal Year	Tax Liability	Advance Tax Paid	Net Tax Asset/(Liability)	Cumulative
2019-20	6,271,148,664	6,962,104,678	690,956,014	1,397,453,290
2020-21	4,295,753,360	5,175,225,403	879,472,043	2,276,925,333
2021-22	5,380,142,722	4,762,661,677	(617,481,045)	1,659,444,288
2022-23	4,555,461,469	4,638,795,554	83,334,085	1,742,778,373
2023-24	-	2,320,444,854	2,320,444,854	4,063,223,227

### 26.2. Current Taxes

Current tax payable (or recoverable) is based on the taxable profit for the year and any adjustment made to tax payable in respect of previous years. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or

deductible. The company's current tax liabilities are calculated using provisions of the Income Tax Act, 2058 (2002 A.D.), Income Tax Rules, Directives and circulars relating thereto as currently applicable in Nepal.

### Income Taxes Expense

	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
<b>Provision for Tax</b>		
For current year	-	4,555,461,469
For prior years	44,921,136	-
Deferred Tax	4,975,671,213	(757,667,212)
<b>Total</b>	<b>5,020,592,349</b>	<b>3,797,794,257</b>

Under the prevailing Telecommunication Act, 2053 and related regulations, GSM licences have a validity of 25 years and are initially issued for a period not exceeding 10 years. In accordance with these provisions, NT received its first GSM licence on 2056-01-29 for a period of 10 years, which expired on 2081-01-28 after three renewals of 5 years each. During the reporting period, the company has paid NPR 20 Billion for its third renewal of GSM Licence fee, which has been claimed as expenses as per Income Tax Act, 2058.

## 26.3. Deferred Taxes

NPR			
Particulars (FY 2023-24)	Carrying Amount	Tax Base	Temporary Difference
<b>Assets</b>			
Property, Plant & Equipment	25,236,204,371	34,429,758,135	(9,193,553,764)
Land	23,085,052,066	586,900,301	22,498,151,765
Intangible Assets	1,512,403,472	1,591,091,383	(78,687,911)
Loan Investment	14,186,015,028	14,343,796,793	(157,781,765)
Trade Receivable	1,514,949,428	3,099,035,864	(1,584,086,436)
Accruals, Advances and Other Receivables	983,950,227	1,043,232,047	(59,281,820)
Inventory	521,072,182	769,857,389	(248,785,207)
Capital WIP	3,790,036,603	5,169,195,366	(1,379,158,763)
Prepayments and Other Non-Financial Assets	820,680,348	860,874,218	(40,193,870)
Change in fair value of Investment	186,499,300	173,392,000	13,107,300
Investment in Equity	219,034,000	204,436,000	14,598,000
Investment in Associates	1,576,597,257	2,463,341,250	(886,743,993)
Long Term Loan and Advances	852,758,962	946,143,646	(93,384,684)
<b>Liability and Provisions</b>			-
Provision for License Fee	-	-	-
Defined Benefit Plan Provision	18,187,775,411	-	(18,187,775,411)
Provision for Telecom Allowance	915,005,760	-	(915,005,760)
Provision for Staff Bonus	1,215,406,942	-	(1,215,406,942)
Translation gain/(loss)	-	-	67,518,549
Provision for expenses	252,827,307	-	(252,827,307)
Lease Liability	313,284,481	-	(313,284,481)
Taxable loss carried Forward			(2,694,320,339)
<b>Total</b>			<b>(14,708,327,838)</b>
	Tax Rate @	30%	(4,412,498,352)
Deferred Tax Liability / (Asset) - FY 2022-23 (Restated)			(9,913,516,551)
GSM licence fee DTA Adjustment			-
Deferred Tax Expense / (Income) FY 2023-24			5,501,018,199
Deferred Tax liability / (Asset) 15 July 2024			(4,412,498,352)
Deferred Tax Expense / (Income) - FY 2023-24 P&L			4,975,671,213
Deferred Tax Expense / (Income) - FY 2023-24 OCI			525,346,986



NPR

Particulars (FY 2022-23)	Carrying Amount	Tax Base	Temporary Difference
<b>Assets</b>			
Property, Plant & Equipment	27,774,308,836	36,488,529,323	(8,714,220,487)
Land	23,085,052,066	586,900,300	22,498,151,766
Intangible assets	1,613,834,392	1,497,244,782	116,589,609
Loan Investment	13,787,131,386	14,520,520,939	(733,389,553)
Trade Receivable	2,087,247,188	3,760,889,005	(1,673,641,817)
Accruals, Advances and Other Receivables	780,997,568	840,279,388	(59,281,820)
Inventory	707,568,287	951,118,224	(243,549,937)
Capital WIP	5,433,441,621	6,681,299,781	(1,247,858,160)
Prepayments and Other Non-Financial Assets	369,911,475	410,105,345	(40,193,870)
Change in fair value of Investment	127,990,000	130,000,000	(2,010,000)
Investment in Associates	1,485,280,118	1,827,941,250	(342,661,132)
Long Term Loan and Advances	985,309,311	1,078,693,995	(93,384,684)
<b>Liability and Provisions</b>			-
Provision for License Fee	16,723,287,671	-	(16,723,287,671)
Defined Benefit Plan Provision	22,810,645,353	-	(22,810,645,353)
Provision for Telecom Allowance	990,643,689	-	(990,643,689)
Provision for Staff Bonus	1,310,901,176	-	(1,310,901,176)
Provision for expenses	41,129,519	-	(41,129,519)
Translation gain/(loss)			(393,078,278)
Lease liability	239,919,401		(239,919,401)
<b>Total</b>			<b>(33,045,055,171)</b>
	Tax Rate @	30%	<b>(9,913,516,551)</b>
Deferred Tax Liability / (Asset) - FY 2021-22			<b>(8,310,934,189)</b>
GSM licence fee DTA Adjustment			-
Deferred Tax Expense / (Income) FY 2022-23			(1,602,582,362)
Deferred Tax liability / (Asset) 16 July 2023			(9,913,516,551)
Deferred Tax Expense / (Income) - FY 2022-23 P&L			(757,667,212)
Deferred Tax Expense / (Income) - FY 2022-23 OCI			(844,915,150)

## 26.4. Reconciliation of Profit Reported in the Financial Statements and as Reported to the Tax Return

Particulars	15 July 2024	16 July 2023 (Restated)
Profit before tax as per Financial Statement	11,250,651,361	11,746,155,390
Net Adjustments under Income Tax Act	(11,250,651,361)	3,342,309,880
Profit for Tax Purpose	-	15,184,871,563
Corporate Income Tax rate	30%	30%
<b>Total</b>	-	<b>4,555,461,469</b>

## 27. Government Grant:

### Accounting Policies

Government Grants are assistance by the government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

- (a) the entity will comply with the conditions attaching to them; and
- (b) the grants will be received.

Government Grant related to assets, including non-monetary grants at fair value, shall be recognised as deferred income which is recognised in profit or loss on a systematic basis over the useful life of the asset. Grants related to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised.



A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

## Explanatory Notes

### Deferred Government Grant

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Opening Balances	1,533,384,294	861,019,990
Addition during the year	338,595,042	799,825,093
Transfer to Equity during the year	(207,530,735)	(127,460,789)
Closing Balances	1,664,448,601	1,533,384,294

## 28. Assets Held for Sale

### Explanatory Notes

Company holds dismantled assets, mainly in the nature of maintenance returns and scraps that are in the process to be sold. In addition to the scraps and dismantled assets there are some assets that are already notified for auction sale. These assets have been retired from the books and are represented at zero or NPR 1 carrying amount. As per the requirement of NFRS 5 'Non-Current Assets Held for Sale and Discontinued Operation', these are to be valued at fair value less cost of sale.

Considering the significance of such assets, which management feels are low in terms of materiality these have not been recognised in the financial statements. Furthermore, there are practical difficulties in determining the value of such assets. Management assumes that the impact of such assets in terms of company's financial position and performance will be negligible.

There is no discontinued operation of the company.

## 29. Interest in Other Entities

### Accounting Policies

The company follows NFRS 12 'Disclosure of Interest in Other Entities' for disclosing the extent of the investment, control and influence.

### Explanatory Notes

#### Interest in Other Entities - Percentage of Shareholding

Particulars	FY 2023-24	FY 2022-23
Nepal Digital Payments Company Limited	62.22%	62.22%
Trishuli Jalvidhyut Company Limited	41.42%	41.42%
Upper Tamakoshi Hydropower Limited	6.00%	6.00%
Vidhyut Utpadan Company Limited	3.21%	3.21%
Nagarik Stock Dealer Company Limited	12.86%	12.86%
	<b>Treatment</b>	<b>Treatment</b>
Nepal Digital Payments Company Limited	Subsidiary	Subsidiary
Trishuli Jalvidhyut Company Limited	Associate	Associate
Upper Tamakoshi Hydropower Limited	Associate	Associate
Nagarik Stock Dealer Company Limited	Associate	Associate
Vidhyut Utpadan Company Limited	Equity Investment	Equity Investment
National Fund Management Limited	Equity Investment	Equity Investment
Sarbottam Cement Limited	Equity Investment	Equity Investment



The company holds 41.42% of equity investment as at reporting date in Trishuli Jalvidhyut Company Limited. However, the company does not hold control of Trishuli Jalvidhyut Company Limited, therefore Trishuli Jalvidhyut Company Limited is continued to be recognized as an associates. Shareholding has been reduced from 48.78% to 41.42% in the FY 2079-80 as the company has called Share Capital Amounting to NPR 270,112,770 from other shareholders.

The Capital structure of Trishuli Jalvidhyut Company Limited is structured in such a way that the company will ultimately hold 30% and the current equity holding is just a temporary effect.

## 30. Earnings Per Share

### Accounting Policies

Basic earnings per share are calculated by dividing the net profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

### Explanatory Notes

NAS 33 'Earnings per Share' requires that earnings per share (EPS) information be presented in the financial statements. The company's ordinary shares or potential ordinary shares are traded in a listed stock exchanges and the company files its financial statements with the respective regulatory bodies.

#### Earnings Per Share

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Profit Attributable to shareholders	6,230,059,012	7,948,361,133
Number of Shares (weighted average)	180,000,000	180,000,000
EPS (Basic)	34.61	44.16
EPS (Diluted)	34.61	44.16

There are no instruments of the company, current or prospective that will have any bearing on dilution of Earnings per Share. Therefore, the company has same basic and diluted EPS.

## 31. Contingencies and Capital Commitments

### 31.1. Contingent Liabilities

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

#### 31.1.1 Tax Related Dispute

##### 31.1.1.1 Appeal for Administrative Review:

The company's final tax assessment has been completed for the Income Year 2071/72, 2072/73, 2073/74, 2074/75, 2075/76 and 2076/77. The Company opted to appeal against the Reassessment order regarding Tax Deduction at Source (TDS) and Income Tax and consequently applied for an Administrative Review with the Director General, Inland Revenue Department by depositing respectively and for which the decision was pending.

Years	Deposited Date	NPR	
		Amount	
2071/72	2076.05.23	83,662,881	
2072/73	2077.05.23	155,613,123	
2073/74	2078.05.16	35,610,870	
2074/75	2079.04.26	15,462,584	
2075/76	2080.05.06	23,064,641	
2076/77	2081.04.28	18,172,339	
<b>TOTAL</b>		<b>331,586,439</b>	

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would exist against the company for Income Year 2073/74, 2074/75, 2075/76 and 2076/77 respectively, if the appeal goes against the company.

Fiscal year	Income tax	VAT	NPR
			TDS
2073/74	379,849,277		-
2074/75	164,934,227		-
2075/76	142,240,241		18,239,109
2076/77	35,281,907	11,256,344	8,485,155
<b>TOTAL</b>	<b>722,305,652</b>	<b>11,256,344</b>	<b>26,724,264</b>

### 31.1.1.2 Appeal to Revenue Tribunal:

The company's final tax assessment has been completed for the Income Year 2071/72, 2072/73, 2073/74, 2074/75, 2075/76 and 2076/77 and the final assessment order was duly received. The Company opted to appeal against the Reassessment order regarding Tax Deduction at Source (TDS) and Income Tax and consequently applied for an Administrative Review with the Director General, Inland Revenue Department, Income Year 2071/72 but not decided by the Director General. The Company opted to Appeal to the Revenue Tribunal Income Year 2072/73 but not decided by the Director General. The Company opted to appeal but the decision has not yet been received yet.

Fiscal Year	Deposited date	NPR
		Amount
2071/72	2077.08.23	143,097,864
2072/73	2079.02.23	155,614,000
<b>TOTAL</b>		<b>298,711,864</b>

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would exist against the company for the income year 2071/72 and 2072/73 if the appeal goes against the company.

Years	Income Tax	NPR
		TDS
2071/72	690,546,872	25,768,640
2072/73	1,367,938,169	6,253,413
<b>TOTAL</b>	<b>2,058,485,041</b>	<b>32,022,053</b>

## 31.1.2 Legal Cases

There were 26 major 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 except the matter provided in above note 31.1.1.2 about Tax related dispute.

During the reporting period, legal case regarding the dispute of 21 contract labour on wages base has been filed pending the decision from supreme court and if these decision goes against the company, management feels that total liability of NPR 9,608,056.35 would be payable.

## 31.1.3 Dispute with Nepal Telecommunications Authority (NTA)

There is a dispute with NTA regarding the payment of frequency fee from fiscal Year 2063/64 in Frequency Band 2100MHz. The issue is under discussion in the Ministry of Communication and Information Technology after the company filed an appeal for review of the same.

The contingent liability of NPR 1.66 billion for frequency fee and the fine amount up to the date of settlement, if any, would have existed against the company, if the appeal goes against the company.

## 31.2. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets such as network infrastructure and IT systems. These amounts are not recorded in the statement



of financial position since the company has not yet received the goods or services from the supplier. The amounts below are the minimum amounts that the company is committed to pay:

### Capital Commitments

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Commitment for Civil Works	88,817,232	574,167,205
Commitment for Procurement of Plant & Equipment	6,200,674,742	5,013,535,133
<b>Total</b>	<b>6,289,491,974</b>	<b>5,587,702,338</b>

## 32. Related Party Disclosures

### Accounting Policies

The Company follows requirements of NAS 24 'Related Parties' and other legal requirements for disclosures of related party transactions and balances.

### Explanatory Notes

#### 32.1. Identification of Related Party Disclosures

Following has been identified as related parties of the company:

1. The Government of Nepal - which is the principal owner of the company (please refer Share Capital note 14)
2. Directors of the company
3. Key Management Personnel of the company - all personnel level 11 and above are considered to influence management decision of the company.
4. Relatives of directors and key management personnel
5. Nepal Telecom employee retirement Fund maintained with Citizen Investment Trust (CIT) & Employee Provident Fund (EPF)
6. Nepal Telecom employee retirement earmarked fund is maintained with Nepal Bank Limited, Rastriya Banijya Bank Limited, Agricultural Development Bank Limited and other bank and Financial Institutions.
7. Trishuli Jal Vidhyut Company Limited
8. Upper Tamakoshi Hydropower Limited.
9. Nagarik Stock Dealer Company Limited.
10. Nepal Digital Payments Company Limited.

#### 32.2. Transactions with Related Parties

##### 32.2.1 Transaction with Government of Nepal

The company has contributed NPR 41,593,307,711 on account of tax and non-tax revenue to government treasury. It also paid NPR 6,587,726,400 dividend on equity share investment.

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Advance Tax including withholding tax	1,700,000,000	4,623,350,367
Value Added Tax-Collection Deposited	3,461,087,208	3,460,937,588
Telecom Service Charge- Collection Deposited	3,144,794,737	3,486,508,597
Ownership Fee- Collection Deposited	684,193,353	698,446,608
Custom duty - Paid on import	175,127,300	289,907,695
Royalty and RTDF -Liability Paid	2,158,060,109	2,249,791,180
Frequency Fee	2,046,595,006	1,621,499,980
Dividend	6,587,726,400	7,169,607,279
Property Tax	58,273,766	69,005,516
Licence Fee	16,989,500,000	3,367,870,000
Tax Deducted at Source (TDS)	4,587,949,832	1,418,772,575
<b>Total</b>	<b>41,593,307,711</b>	<b>28,455,697,385</b>



Service charges collection for providing telecommunication services to the Government of Nepal has been charged on commercial terms.

Regulatory charges provided to the Nepal Telecommunications Authority (an autonomous regulatory body established by GoN) has been made as per the legal and regulatory requirements.

### 32.2.2 Directors and Key Management Personnel

During the year ended 31 Ashadh, 2081, neither any directors nor any key management personnel or any associate or family member (relative) of the directors and key management personnel was indebted to the company.

There has been no material transactions or proposed transactions with directors and key management personnel or their relatives and associates except for the compensations and/or remuneration paid under the company's regulations.

## Compensation Paid

### a. Board of Directors (BoD)

The members of the Board of Directors have been paid board meeting fees of NPR 2,250,000 during this financial year. There were 42 Board meetings conducted during this financial year. The Chairperson and other members of the Board are paid NPR 7,500 with effect from 2078/12/24 per meeting for Board and Board Level Committees, which was previously NPR 4,000 per meeting.

The Composition of Board of Directors during the year is as below:

S.N.	Name	Board Meetings of FY 2023-24	
		Designation	Number of Meetings Attended
1	Mr. Ramkrishna Subedi	Chairperson	21
2	Mr. Krishna Bahadur Raut	Chairperson	20
3	Dr. Tok Raj Pandey	Member	39
4	Mr. Uttar Kumar Khatri	Member	01
5	Mr. Baburam Bhandari	Member	40
6	Ms. Nirmala Adhikari Bhattarai	Member	09
7	Mr. Komal Bahadur Khatri	Member	04
8	Mr. Koshal Chandra Subedi	Member	10
9	Mr. Sushil Koirala	Member	06
10	Ms. Sangita Pahadee (Aryal)	Member	32
11	Mr. Sunil Paudel	Member	09
12	Mr. Manish Jung Joshi	Member	19
13	Mr. Ambika Prasad Paudel	Member	18
14	Mr. Shankar Lamichhane	Member	31
15	Mr. Rajendra Aryal	Company Secretary	38
16	Mr. Rajendra Shrestha	Acting Company Secretary	3

Travelling Expenses Paid to Board of Directors (BoD) Members

S.N	Name	Amount (NPR)
1	Mr. Sunil Paudel	899,261
2	Mr. Uttar Khatri	340,811
3	Mr. Bhupal Baral	400,217
4	Mr. Phanindra Gautam	435,175
5	Mr. Ambika Prasad Paudel	454,465
6	Mr. Shankar Lamichhane	992,371
	<b>Total</b>	<b>3,522,300</b>



## b. Audit Committee

The members of the Audit Committee have been paid meeting fees of NPR 450,000.00 during this financial year. There were 13 meetings conducted during this financial year.

The composition of Audit Committee during the year is as below:

S.N.	Name	Designation	Audit Committee Meetings of FY 2023-24
			Number of Meetings Attended
1	Mr Sushil Koirala	Chairperson	3
2	Mr. Koshal Chandra Subedi	Chairperson	5
3	Ms. Nirmala Adhikari Bhattarai	Chairperson	3
4	Dr. Tok Raj Pandey	Chairperson/Member	12
5	Mr. Baburam Bhandari	Member	11
6	Mr. Komal Bahadur Khatri	Member	1
7	Mr. Ambika Prasad Paudel	Member	7
8	Mr. Manish Jung Joshi	Member	5
9	Mr. Prem Bahadur Gurung	Member Secretary	8
10	Mr. Dwarika Prasad Paudel	Member Secretary	5

The Chairperson and the members of the Board of Directors are provided with a monthly Telephone (Landline/Mobile) facility with a maximum limit of 1200 STD minutes, 700 ISD minutes and internet facilities of 1 MBPS ADSL/FTTH as per Article of Association (AoA) of the company.

## c. Key Management Personnel

Key management personnel include level 11 and above officials, are paid salary and compensation in accordance with the company's regulations. The compensation paid to Key Management Personnel including Managing Director are presented below:

Key Managerial Personnel Compensation		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Short term Employee Benefits	19,165,615	36,077,655
Post-Employment Benefits		
Defined Contribution Plan	781,624	1,285,190
Other Long-term Benefits		
Termination benefits		
<b>Total</b>	<b>19,947,239</b>	<b>37,362,845</b>

Total Post-Employment Benefits (refer Employee Benefit note 13) includes the Key Managerial Personnel's defined benefits plan as well.

Key Management personnel are also provided with the following benefits and disclosed under short term employee benefits.

- Benefits as per employees' regulation.
- Bonus as per Bonus Act/ regulation.

## 32.3. Transaction with Nepal Digital Payments Company Limited:

The following transactions have been carried out during the current year between the Company and subsidiary on arm's length principle.

**Nature of Transactions**

NPR

Particulars	Transaction amount		Outstanding balance Receivable/(payable)
	Dr.	Cr.	
House Rent Expenses		3,600,000	810,000
Telephone and Internet Expenses		277,428	45,382
Commission for Electricity Payment	1,582,000		(1,506,400)
MPOS Purchase		30,953,826	
<b>Total</b>	<b>1582,000</b>	<b>31,231,254</b>	<b>(651,018)</b>

**32.4. Balances with / by Related Parties:**

- Balances with Nepal Telecom employment retirement fund maintained with Citizen Investment Trust (CIT) and Employee Provident Fund (EPF) is disclosed under Defined benefit plan in Note 13.2.
- The equity investment in Trishuli Jal Vidhyut Company Limited/ Upper Tamakoshi Hydropower Ltd/ Nagarik Stock Dealer Company Ltd. and share of profit/(loss) has been disclosed under Investments in Associates in Note 5.
- The equity investment in Trishuli Jal Vidhyut Company Limited has been pledged to Nabil Bank Ltd under consortium project financing. In addition, the company has given corporate guarantee amounting to NPR 2.30 billion as well.
- The Loan Investment in Upper Tamakoshi Hydropower Ltd has been disclosed under Loan Investments in Note 10.1.6

**33. Segmental Reporting****Accounting Policies**

The company reports on operating segments, based on its service streams. The company's organisation is structured based on the service lines and products.

The reporting segments of the company are:

**Wireless Services**

Wireless services segment includes the GSM and CDMA segments. These services cover voice and data telecom services provided through wireless technology (GSM /CDMA). This includes the value-added services provided through the intermediary on a revenue sharing basis. This also includes WiMAX services.

**Fixed Line Services**

These services cover voice and data communications through fixed-line network and broadband technology for individuals as well as corporate customers. This includes Landline (PSTN), ADSL, FTTH, IPTV and Leased line data connectivity services.

**Treasury**

This includes the management of investment, cash and cash equivalent other than directly related with reported segment. This includes foreign currency denominated investment as well. The surplus funds of the company as a whole are professionally managed to generate maximum return.

**Unallocated**

It includes expenses / results, assets and liabilities of corporate office of the Company, current taxes, deferred taxes and certain financial assets and liabilities, not allocated to the operating segments.



## Explanatory Notes

### Segmental Analysis

(Note 33)

Particulars	Fixed Network		Wireless		Treasury		Unallocated		Total
	FY 2023-24	FY 2022-23 (Restated)	FY 2023-24	FY 2022-23 (Restated)	FY 2023-24	FY 2022-23 (Restated)	FY 2023-24	FY 2022-23 (Restated)	
<b>Revenue</b>									
External Sales	3,401,907,950	3,348,220,094	31,158,358,033	32,923,229,811	6,601,240,393	7,631,279,598	955,404,168	536,035,273	42,116,910,544
Inter-Segment Sales									44,438,764,775
<b>Total revenue</b>	<b>3,401,907,950</b>	<b>3,348,220,094</b>	<b>31,158,358,033</b>	<b>32,923,229,811</b>	<b>6,601,240,393</b>	<b>7,631,279,598</b>	<b>955,404,168</b>	<b>536,035,273</b>	<b>44,438,764,775</b>
Segment Result	(533,777,336)	(1,459,313,426)	5,950,061,231	7,676,587,190	6,341,389,892	7,324,470,258	1,244,134,194	(4,611,972,464)	8,929,771,557
<b>Operating Profit</b>	<b>(533,777,336)</b>	<b>(1,459,313,426)</b>	<b>5,950,061,231</b>	<b>7,676,587,190</b>	<b>6,341,389,892</b>	<b>7,324,470,258</b>	<b>1,244,134,194</b>	<b>(4,611,972,464)</b>	<b>8,929,771,557</b>
Corporate Income Tax (Current+Deferred)									(2,952,879,107)
<b>Net profit</b>									<b>5,976,892,450</b>
<b>Other Information</b>	<b>As at FY 2023-24</b>	<b>FY 2022-23 (Restated)</b>	<b>As at FY 2023-24</b>	<b>FY 2022-23 (Restated)</b>	<b>As at FY 2023-24</b>	<b>FY 2022-23 (Restated)</b>	<b>As at FY 2023-24</b>	<b>FY 2022-23 (Restated)</b>	<b>FY 2022-23 (Restated)</b>
Depreciation and Amortisation	2,137,537,845	1,703,392,043	3,523,722,249	3,947,080,349			1,386,520,662	1,371,322,568	7,021,794,960
<b>Segment Assets</b>	<b>13,746,869,597</b>	<b>12,239,884,159</b>	<b>19,502,948,525</b>	<b>27,852,079,899</b>	<b>60,361,642,391</b>	<b>78,080,281,740</b>	<b>93,611,460,513</b>	<b>118,172,245,798</b>	
Deferred tax assets (Net)									9,913,516,551
Unallocated Corporate Assets							36,105,868,091	31,650,968,135	31,650,968,166
<b>Total assets</b>	<b>13,746,869,597</b>	<b>12,239,884,159</b>	<b>19,502,948,525</b>	<b>27,852,079,899</b>	<b>60,361,642,391</b>	<b>78,080,281,740</b>	<b>134,129,826,956</b>	<b>159,736,730,515</b>	
Segment Liabilities	2,547,271,601	2,608,633,407	18,622,461,365	39,895,016,028	-	-			42,503,649,436
Unallocated Corporate Liabilities							19,053,041,756	23,581,828,176	23,581,828,176
<b>Total Liabilities</b>	<b>2,547,271,601</b>	<b>2,608,633,407</b>	<b>18,622,461,365</b>	<b>39,895,016,028</b>	<b>-</b>	<b>-</b>	<b>40,222,774,722</b>	<b>23,581,828,176</b>	<b>66,085,477,612</b>



### 33.1. Assumptions for Segmental Reporting

1. Revenue, expenses, assets and liabilities that relate to the Company as a whole which are not allocable to a particular segment on direct and/or reasonable basis have been included under “unallocated revenue/expenses/assets/liabilities”.
2. Revenue is taken on the basis of the product line for each service.
3. International services are being provided through the network/infrastructure of Fixed line and mobile services segments. Interconnection revenue is allocated to Fixed line and Mobile services on an estimated basis before considering inter-connection revenue.
4. Depreciation and Operation and Maintenance expenses are allocated on the basis of Property, Plant and Equipment for each service.

### 33.2. Geographical Segments

The company operates from seven provincial directorates located in seven different provinces of the country. However, the services delivered from those provincial offices are also managed by centrally located service directorates (Business Units). Therefore, information on provincial segments for the purpose of NFRS 8 ‘Operating Segments’ cannot be segregated and the management feels that the costs to develop such information would be excessive than the benefit that it would derive.

Further, the geographical operation is within the single legal jurisdiction and operational environment. Therefore, the company assumes to operate in a single geographical segment.

## 34. Disclosure on Reclassification and Restatement:

Material prior period errors shall be corrected retrospectively either by restating the comparative amounts for the prior period(s) in which the error occurred; or when the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for that period so that the financial statements are presented as if the error had never occurred.

In this respect, the prior period errors are restated retrospectively by restating the opening balances of assets, liabilities and equity with following effects:

- a) In FY 2078/79, amortization in Intangible assets (Software) were booked short of NPR 175,456,244. The amount has been adjusted in Opening Retained Earnings on this FY.
- b) With regards to Measurement of employee loan at Fair value, the amount of NPR 187,402,674 has been adjusted in Opening Retained Earning, while NPR 15,147,215 has been restated in corresponding previous year figure.
- c) Opening Retained Earnings have been adjusted with NPR 40,867,210 with respect to adjustment in Right-of-Use Assets and Lease Liability. Finance cost of Lease Liability by NPR 14,627,464 and Amortization Cost of ROU assets by NPR 96,926,044 has been restated in previous year.
- d) As a result of restatement and reclassification of above-mentioned amount, amount of NPR 124,612,693 has been adjusted in Deferred Tax Reserve and Deferred Tax Assets.

## 35. Interim Financial Reporting

The company follows NAS 34 ‘Interim Financial Reporting’ for publishing condensed interim financial statements in the print media. The company also complies with the requirements of Securities Board of Nepal (SEBON), Nepal Stock Exchange (NEPSE), Companies Act, 2063 by disclosing information in addition to condensed interim financial statements. The company also published detailed condensed interim financial statements as per NAS 34 in the company’s website [www.ntc.net.np](http://www.ntc.net.np).

## 36. Event Occurring After Reporting Period

Except for the under-stated post reporting period event there are no material events that has occurred subsequent to Ashadh 31, 2081 till the signing of this financial statements on Mangsir 30, 2081.



### 36.1. Changes in the Composition of Board of Directors (BoD)

There has been following changes in the representation to the Board of Directors (BoD) for the year 2080-81 and within the date of signing this financial statement.

SN	Name	Designation	Representative Office (Designation therein)	Appointment Date	Person Replaced	Reason
1	Ms. Radhika Aryal	Chairperson	Ministry of Communication & Information Technology	2081/04/14	Mr. Ram Krishna Subedi	Decision of Transfer from the GoN
2	Mr. Ram Krishna Subedi	Chairperson	Ministry of Communication & Information Technology	2080/06/17	Mr. Krishna Bahadur Raut	Decision of Transfer from the GoN
3	Ms. Nirmala Adhikari Bhattarai	Member	Ministry of Law, Justice and Parliamentary Affairs	2081/01/21	Mr. Komal Bahadur Khatri	Decision of Transfer from the GoN
4	Mr. Komal Bahadur Khatri	Member	Ministry of Law, Justice and Parliamentary Affairs	2080/12/06	Mr. Koshal Chandra Subedi	Decision of Transfer from the GoN
5	Mr. Koshal Chandra Subedi	Member	Ministry of Law, Justice and Parliamentary Affairs	2080/06/05	Mr. Sushil Koirala	Decision of Transfer from the GoN
6	Dr. Tok Raj Pandey	Member	Ministry of Finance	2080/04/10	Mr. Uttar Kumar Khatri	Decision of Transfer from the GoN
7	Ms. Sangita Pahadee (Aryal)	Managing Director	Nepal Telecom	2080/06/17	Mr. Sunil Paudel	Position Vacant and Decision of Government of Nepal
8	Mr. Manish Jung Joshi	Member	Nepal Telecom (Public Shareholder)	2080/09/29	Mr. Ambika Prasad Paudel	Appointed by the 16 <sup>th</sup> AGM
9	-	Member	Nepal Telecom (Employee Representative)	-	Mr. Shanker Lamichhane	Term Completion

### 37. Prior Period Adjustments and Exceptional Items

Previously reported financial statements and financial statements for the current financial year as reported has been restated in compliance with the requirements of NFRS.

The following adjustments are made for the identified omissions and misstatements for the financial year 2080-81 as per the provision of NAS 8. Net prior period amount of NPR 147,109 has been adjusted to the identified financial year. In cases where such identification could not be made, adjustment has been made in the opening equity.

			NPR
S.N.	Particulars	Expenditure	Income
1	Operating Income		56,865
2	Operating Expenses	203,974	
	<b>Total</b>	<b>203,974</b>	<b>56,865</b>
	<b>Net Effect</b>		<b>147,109</b>

Exceptional items wherever they occur are disclosed separately.



## 38. Other Disclosures

### 38.1. The Alternative Way of Presentation of the Statement of Profit or Loss is as Follows:

Particulars	FY 2023-24	FY 2022-23 (Restated)
<b>Operating Revenues</b>	<b>34,560,265,983</b>	<b>36,271,449,904</b>
<b>Operating Expenses</b>		
Depreciation	(6,011,222,012)	(5,970,305,009)
Amortisation	(1,036,558,744)	(1,051,489,951)
Employee Benefit Expenses	(8,686,682,966)	(7,950,807,839)
Service Operation and Maintenance Costs	(6,362,593,683)	(7,630,562,220)
Sales Channel, Marketing and Promotion Costs	(281,252,823)	(261,306,135)
Office Operation Expenses	(1,297,704,724)	(1,312,104,229)
Regulatory Fees, Charges and Renewals	(7,317,464,537)	(7,776,218,515)
Foreign Exchange (Loss)/Gain	98,007,213	208,702,386
Impairments - net of reversals	472,349,634	(117,906,656)
	<b>(30,423,122,642)</b>	<b>(31,861,998,167)</b>
<b>Profit from Operation</b>	<b>4,137,143,341</b>	<b>4,409,451,737</b>
Finance Income	6,780,879,184	7,794,393,452
Other Income	775,765,377	372,921,419
Shares of results of Associates	(275,211,769)	(342,661,132)
Finance Cost	(167,924,772)	(487,950,086)
<b>Profit Before Tax</b>	<b>11,250,651,361</b>	<b>11,746,155,390</b>
<b>Income Tax Expenses</b>		
Current Income Tax	(44,921,136)	(4,555,461,469)
Deferred Taxes	(4,975,671,213)	757,667,212
<b>Profit For the Period</b>	<b>6,230,059,012</b>	<b>7,948,361,133</b>

### 38.2. Exchange Rates Used

Exchange Rates	15 July 2024	16 July 2023 (Restated)
USD: NPR	133.36	131.17
EURO: NPR	145.46	147.19
GBP: NPR	173.29	171.95

### 38.3. The figures for the previous period have been regrouped/rearranged wherever necessary to make them comparable with the current period's figures.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
M.G.S. & Associates  
Chartered Accountants

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

Komal Bahadur Khatri  
Director

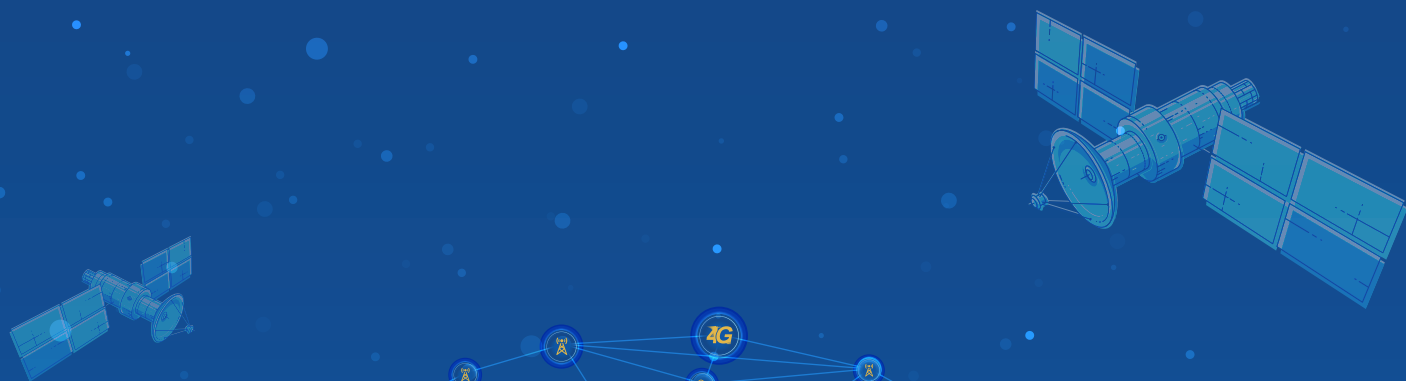
Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# FINANCIAL STATEMENTS

CONSOLIDATED





**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
NEPAL DOORSANCHAR COMPANY LIMITED (NEPAL TELECOM)**

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the Consolidated Financial Statements of Nepal Doorsanchar Company Limited ("Nepal Telecom"/"the Company") and its subsidiary (the company and its subsidiary together referred as "the Group") which comprise the Consolidated Statement of Financial Position (SOFP) as at Ashadh 31, 2081 (July 15, 2024), and Consolidated Statement of Profit or Loss (SOPL), Consolidated Statement of Other Comprehensive Income (OCI), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a Summary of Significant Accounting Policies.

**QUALIFIED OPINION**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying Consolidated Financial Statements read with the Notes to the Financial Statements present fairly, in all material respects, the financial position of the Company as at 31 Ashadh, 2081 (July 15, 2024), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

**BASIS FOR QUALIFIED OPINION**

- a. The Company invested in a nationwide 4G/LTE network to expand its business and strengthen operations. Contracts for Core, Radio Access Network (RAN) I and II, totaling NPR 19.68 billion, were signed but not completed within the agreed 12-month timeline—by February 2020 (Falgun 16, 2076). The board meeting held on October 08, 2021 (2078/06/22) extended the contract up to April 14, 2022 (2078 Chaitra end). There is no further extension of the contract, but the Company is transacting with the contractor with the expired contract (paid NPR 971 million during FY 2080-81); such transactions are irregular. As of July 15, 2024, (Ashadh End 2081), the Company has capitalized NPR 15.95 billion related to RAN I and II. Income is understated by the amount liquidated damage of the 4G/LTE Project, which is a maximum of ten percent of the total contract price.
- b. The Company's policy to derecognize Property, Plant, and Equipment (PPE) has some limitations, with the legacy copper wire system with WDV of NPR 916 million recognized as PPE and NPR 57.26 million having been provisioned for impairment in the financial statements of FY 2080-81. Additionally, additional scrap and obsolete PPE exists within the Company's records but has not been identified, derecognized, and properly dealt with, making it difficult to determine its extent and value. Furthermore, there are many buildings owned by the Company without accruing any economic benefits. Accordingly, we are unable to comment on the consequential impact, if any, due to the possible impairment loss of the PPE.
- c. The Company's accounting policy requires impairment recognition for idle inventory items, with 25% for slow-moving, 50% for non-moving, and 100% for obsolete inventory. As of Ashadh End 2081, the Company has NPR 3.79 billion worth of inventories under Capital Work-in-Progress (Note 4 of the financial statements) and NPR 521 million under Inventory (Note 7 of the financial



statements). The Company's impairment assessment relies solely on inventory classification without considering usability and economic value of the inventory. It was observed that even the obsolete items are categorized as regular in ERP. Accordingly, we are unable to comment on the consequential impact, if any, due to the possible impairment loss of the inventory.

- d. The Wireline segment experienced an operating loss of NPR 534 million (previous year NPR 1.46 billion), representing a 15.69% gross loss margin against total revenue of NPR 2.78 billion (Fiber To The Home Services (FTTH) NPR 2.17 billion). The Company deployed 3,819 Fiber Distribution Cabinets (FDCs) and 1,849,562 Fiber Access Points (FAPs) across Nepal, with only 431,483 FAPs occupied, a utilization rate of 23%. This indicates uncertainty about cost recovery timelines and technology's profitability and long-term sustainability. We are unable to comment on whether future economic benefits will recover investment for the technology, potentially leading to asset impairment.

We have conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our Report. We are independent of the Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **EMPHASIS OF MATTERS**

The following matters are presented to draw users' attention to the financial statements that, in our judgment, are of such importance that they are fundamental to users' understanding of the financial statements. The audit opinion is not modified because of these matters.

- a. As the letter of the Ministry of Finance dated 2081-01-16, employees' bonuses must be calculated based on the operating profit of NPR 4.47 billion for FY 2080-81 and NPR 3.95 billion for FY 2079-80. But the Company has calculated and booked the employees' bonus based on the total profit of NPR 11.25 billion for FY 2080-81 and NPR 11.74 billion for FY 2079-80. Hence, the amount of the provision for bonus as reflected in the SOFP has been overstated by NPR 700 million (FY 2080-81 NPR 330 million and FY 2079-80 NPR 370 million). Furthermore, presentation of the SOPL does not portray the operating results of the core business of the Company in the form of profit.
- b. The meeting of the Board of Directors of the Company dated 2081-01-24 resolved to set aside the required amount to cover the liability of the Defined Benefit Plan of NPR 26.93 billion. Accordingly, the Company had to contribute NPR 12.73 billion during FY 2080-81, but the Company has not done so. Hence the assets of 'Post Employment Benefits' as reflected in the SOFP have been overstated to that extent.

#### **OTHER AUDIT MATTERS**

The following matters are presented that are other than those presented or disclosed in the financial statements that, in our judgment, are relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report. The audit opinion is not modified because of these matters.





- a. We did not audit the financial statements of subsidiary namely Nepal Digital Payments Company Ltd. The financial statements and other financial information have been audited by other auditor whose report has been furnished to us by the management. Our opinion on the financial statements so far as it relates to the accounts and disclosures included in respect of the subsidiary is based solely on the report of other auditor.
- b. The practice of 'unpaid Kaaj' prevails (per diem and travel costs not paid), which is an employee-induced event, not a Company need event. There are manpower shortages in rural areas and excesses in urban areas. Substantial expenditure has been made for outsourcing human resources. Additionally, there is a significant amount of casual labor expenditure paid in cash without verifiable evidence. There are no proper controls on such labor engagement and cash payment, making it difficult to verify the legitimacy of these payments.
- c. There is major concern of anti-graft agencies in the procurement process of the Company. The Company's procurement practices have raised notable concerns, particularly regarding the lack of prudent procurement practices—based on availability of budget rather than the Company's need—resulting in a surplus of assets that remain idle. The acquisition of a significant volume of assets, coupled with their underutilization, suggests a misalignment between procurement strategies and operational needs. The prevalence of continued non-moving and idle assets raises questions about the effectiveness and prudence of the Company's procurement approach.
- d. The extension of AMC of CRTB—Convergent Real-time Billing System was made for 4+1 years on a no-choice basis effective from September 19, 2022 (Ashoj 03, 2079). To initiate procurement of the New System, a bid was invited on March 31, 2024 (Chaitra 18, 2080), based on the cost estimation, and bid document prepared on June 20, 2021 (Ashadh 06, 2078). The issue is in litigation, and the case is pending in the court. There is a need for efficient procurement management to avoid delay in procurement to suffice the lead time required for the new vendor, as the contract of the existing billing system is expiring on September 18, 2027 (Ashoj 2, 2084).
- e. The Company has contracted with a vendor for managed services for restoration of service outages. We have noted various service outages, and the estimated amount of the penalty for the delay in restoration of outages is NPR 47.3 million.
- f. The Company's revenue generation in Koshi Pradesh and Madhesh Pradesh is significantly below expectations when considering the population size in these regions. Several factors contribute to the observed decline in revenue, including, but not limited to, the quality, promotion, and coverage of network services; timely maintenance of BTS sites; technology upgrades; insufficient market penetration; and a lack of effective customer retention strategies. Further, the Company has presented the product-wise segment reporting, but there is a lack of province-wise segment reporting.
- g. As a part of the 4G Contract, the contractor completed the installation, testing, commissioning, and on-airing of four 5G sites assigned by NT and installed one temporary trial 5G site at the NT Central office for the NT Day function without additional cost to NT and concluded that the





supplied equipment can be upgraded for 5G features. Strategy for implementation of 5G is yet to be formulated and implemented.

- h. Board of Directors of the Company had decided to plan and implement a Voluntary Retirement Scheme (VRS) and to conduct an Organization and Management (O&M) survey for restructuring of the Company, but it has not been implemented.
- i. The previous license of the mobile services issued by the Nepal Telecommunication Authority (NTA) to the Company expired on May 10, 2024 (2081-01-28). NTA has issued a new license for mobile services on May 10, 2024 (2081-01-28) for a period of 5 years under the condition that the renewal fee and condition of the license shall be as decided by NTA. The Company has paid the license fee of NPR 210 million. As no communication has been received from NTA, the Company has not made any provision of the renewal fee (royalty), nor is any contingent liability disclosed to this effect.
- j. The Company had budgeted NPR 25.80 billion for FY 2080-81, but the expenditure was as low as NPR 4.97 billion with the achievement rate of only 19% (previous year 22%).
- k. The Company has not complied with the provisions of the Labor Act, 2074, and Labor Regulation, 2075, relating to contractual employees, labor audits, and requirements of the Social Security Act 2075; the Bonus Act; and regulations relating to the maintenance and operation of the Employees Welfare Fund and Interconnection Guidelines 2076 relating to international and domestic usage charges. Furthermore, the ICT Security Policy and Business Continuity Plan (BCP) are not approved as mandated by NTA Cyber Security By-laws, 2077.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the Basis for Qualified Opinion Section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the matter
<p><b>Revenue Recognition</b></p> <p>We considered the accuracy of revenues relating to the voice and data services provided as a key audit matter due to the complexity of the IT systems, the significance of the volumes of data processed by the IT systems, and the impact of changing pricing models (tariff structures, incentive arrangements, discounts, etc.). The amount of revenue involved in the financial statement is material to the financial statements, and due</p>	<p>We evaluated the design and operating effectiveness of key controls over the capture and measurement of revenue transactions across all significant revenue streams, including evaluating the relevant IT systems with supporting evidence such as service detail records and evidence of customer payment.</p> <p>We obtained an understanding of the nature of various services provided by the Company,</p>



<p>to the complexity of the system, processes, and products/services used to record revenue, having multiple software programs is a reliance on automated processes and controls.</p> <p>The Company has used a billing system that captures, values, and records the revenue data generated from various software, which are heavily reliant on IT systems with processes and controls over the transactions. Disclosures relating to revenue recognition can be found at note 16.</p>	<p>comprising prepaid, postpaid, international, and fixed-line services.</p> <p>The accuracy and completeness of revenue amounts recorded is an inherent risk. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• System recorded transactions: real-time test of recording of transactions in the system, subsequently recorded to the accounting system. Information is processed in a separate directorate independent of the accounting directorate, resulting in additional control over billed records and accounted records.</li> <li>• Manual control over transactions: testing the design and implementation of various operating effectiveness of manual control over initiation, authorization, and testing of revenue transactions. These included testing of tariff rates, packages, treatment related to discounts, and recording to ERP, including major contracts.</li> <li>• Performing substantive testing, including analytical procedures, over major streams of revenue generation Testing of manual journal entries and end-to-end reconciliation from data records to billing systems and accounting ledgers.</li> <li>• Testing the delivery of goods and services rendered for recording of revenue from advance/deposits received.</li> </ul> <p>Based on the result of the sample testing and mix use of manual and automated controls that are in place, we have relied on the information generated by the system and process followed by the Company for revenue recognition.</p>
<p><b>Information Technology (IT) System and Controls</b></p> <p>The Company uses several IT/software systems with or without integrating with the ERP system for the management of its business operations. A significant part of the</p>	<p>We assessed the manual and automated controls relating to IT systems relevant to financial reporting, including the recognition of revenue.</p>






<p>Company's financial process is heavily reliant on IT systems with automated processes and controls over the capturing, valuing, and recording of transactions and manual interventions on the same while recording the data into ERP. This is a key part of our audit because of the complex IT environment supporting the business processes, the mix of manual and automated controls, the multiple internal and outsourced support arrangements, and the complexity of the billing systems, which result in revenue being recognized.</p>	<p>While a separate IS audit from a competent professional is yet to be carried out, we tested a sample of automated controls that are designed to enforce appropriate segregation of duties, roles, and controls. This included assessing the design of relevant automated processes and controls.</p> <p>We reviewed a sample of the financial information produced by various systems, recording in ERP and reporting.</p> <p>We evaluated the effectiveness of the controls in the systems.</p>
<p><b>Impairment</b></p> <p>The assets owned by the Company include property, plant, and equipment (PPE) and other assets. Given the dynamic nature of the industry in which the Company operates, there is a risk that there could be material impairment to intangible assets, investments, and other assets. Determination as to whether there is an impairment relating to an asset or Cash Generating Unit (CGU) involves significant judgment about the future cash flows and plans for these assets and CGUs.</p>	<p>We reviewed the policies and processes of impairment of each class of assets.</p> <p>We assessed the determination of cash-generating units (CGUs) used for their impairment assessment and to assess the impairment models and evaluate the reasonableness of key assumptions, including discount rate, growth rates, and forecast growth assumptions. We also performed sensitivity analysis around the key drivers of the cash flow projections.</p> <p>We reviewed the impairment matrix prepared for expected losses, mainly for accounts receivable and inventories, as per the policies.</p> <p>We tested the adequacy of impairment on investments, receivables, and other assets, including PPE of the Company. We reviewed the impairment of all significant classes of assets, basis, and adequacy, including reversals.</p>
<p><b>Fair Value Measurement</b></p> <p>The Company has investments in shares and debentures that are measured at fair value. Similarly, property, plant, and equipment—mainly land, buildings, and other assets—have been reassessed by the management technical experts of the Company, which was independently valued in FY 2078/79. The</p>	<p>We reviewed the basis and categorization of assets or liabilities carried on the reporting date at fair value using a three-level hierarchy, including key assumptions around discounted cash flow to estimate fair value.</p>





<p>Company categorizes assets or liabilities carried on the reporting date at fair value using a three-level hierarchy. Determination of fair value is based on a high degree of judgment and input from data that is not directly observable in the market. Further, the fair value is significantly influenced by the expected pattern of future benefits of the tangible assets.</p>	<p>We reviewed land and building reassessment reports obtained by the management with the involvement of the committee and experts. We assessed the methodology and the assumptions applied in determining the fair value. We have assessed the objectivity, independence, and competence of the specialists involved in the process.</p> <p>We assessed the adequacy of disclosure in Note 12 to the financial statements.</p>
<p><b>Provisions and contingencies tax, legal and other regulatory matters</b></p> <p>The Company has recognized provisions for probable outflows relating to legal, tax, and other regulatory matters and has disclosed contingencies for legal, tax, and other regulatory matters where the obligations are considered possible. The Company assesses the likelihood that a pending matter relating to tax, legal, or regulatory will succeed. In performing this assessment, the Company applies judgment and has recognized provisions based on whether additional amounts will be payable and has disclosed contingent liabilities where economic outflows are considered possible.</p> <p>We have considered the provisions recorded and the contingencies relating to tax, legal, and other regulatory matters as a key audit matter, as there is significant judgment to determine the possible outcome of matters under dispute and determining the amounts involved, which may vary depending on the outcome of the matters.</p>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls relating to:</p> <ul style="list-style-type: none"> <li>• Identification evaluation, recognition of provisions, and disclosure of contingencies for matters under review or appeal with relevant adjudicating authorities by considering the assumptions and information used by management in performing this assessment.</li> <li>• Completeness and accuracy of the underlying data/information used in the assessment.</li> </ul> <p>For tax matters, we evaluated the reasonableness of the management's positions by considering tax regulations and past decisions from tax authorities. For regulatory fees and other matters, we evaluated the reasonableness of the management's positions by considering relevant past assessment orders, commitments, and payments made. We also evaluated the disclosures provided in the notes to the financial statements concerning these matters.</p>

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's management is responsible for the preparation of the other information. The other information comprises the information included in the management report, the report of the Board of Directors, and the chairman's statement but does not include the financial statements and our





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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. As the other information documents are in the process of completion, the management has provided written representation that the final version of the documents will be provided when available.

### **RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

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

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

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

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit in the Management Letter outlining such findings with recommendations to correct such control deficiencies.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards. From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period, therefore they are described in our Auditor's Report.

#### **REPORT ON THE OTHER LEGAL AND REGULATORY REQUIREMENTS**

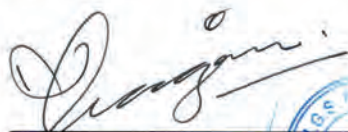
- a. We have obtained satisfactory information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- b. The financial statements, including the Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows, including a Summary of Significant Accounting Policies and the Notes to the Accounts, have been prepared in all material respects in accordance with the provisions of the Companies Act, 2063, and they are in agreement with the books of accounts of the Company, and the accounts and records of the Company are properly maintained in accordance with the prevailing laws.
- c. To the best of our information and according to the explanations given to us in the course of our audit, we observed that the business of the Company was conducted satisfactorily, and the Company's transactions were found to be within the scope of its authority.





We did not come across cases of accounting-related fraud, and the cases where the board of directors or any director or any office bearer of the Company acted contrary to the provisions of law except as reported in this report or caused loss or damage to the Company or committed any misappropriation of the funds of the Company.

Kathmandu, Nepal  
Date: 2081/09/05



CA. Mahesh Kumar Guragain  
Partner  
MGS & Associates  
Chartered Accountants  
UDIN No. 241221CA00125BT2cN



CA. Narendra Bhattarai  
Principal Partner  
Kuber N. Bhattarai & Co.  
Chartered Accountants  
UDIN No. 241221CA00037rx4BQ



# Consolidated Statement of Financial Position

As on 15 July 2024 (Ashadh 31, 2081)

Figures in NPR

		Current Year	Previous Year
Particulars	Notes	15 July 2024	16 July 2023 (Restated)
<b>Assets</b>			
<b>Non- Current Assets</b>			
Intangible Assets	1	1,572,717,065	1,756,202,640
Property, Plant and Equipment	3	48,378,543,452	50,924,903,680
Right of Use (ROU) Assets	7	1,775,104,048	2,044,511,476
Capital Work-in-Progress	4	3,792,366,603	5,437,639,379
Long Term Loan and Advances	9.1.3.1	852,758,962	985,309,311
Investment in Associates	5	1,576,597,257	1,216,622,026
Financial Assets	9	-	-
Equity Investments	9.1.1	219,034,000	190,000,000
Term Deposits and Other Investments	9.1.5	3,763,049,300	3,612,229,000
Loan Investments	9.1.6	14,186,015,028	13,787,131,386
Employee Loan	9.1.2	3,524,935,570	3,545,776,825
Deferred Tax Asset	25	4,452,860,452	9,939,005,654
Contract Cost Assets	2	365,151,701	390,558,232
<b>Total Non-Current Assets</b>		<b>84,459,133,438</b>	<b>93,829,889,610</b>
<b>Current Assets</b>			
Inventory	6	522,383,661	707,915,993
Prepayments & Non-Financial Assets	8	2,396,863,273	2,120,327,713
Current Tax Assets (Net)	25	4,077,827,667	1,754,423,388
Financial Assets			
Employee Loan	9.1.2	315,137,808	75,948,918
Accruals, Advance & Others Receivables	9.1.3	1,021,500,573	782,416,484
Trade & Other Receivable	9.1.4	1,517,710,617	2,088,865,056
Term Deposits and Other Investments	9.1.5	35,757,880,000	53,180,730,000
Cash & Cash Equivalents	9.1.7	4,268,953,223	5,423,157,591
<b>Total Current Assets</b>		<b>49,878,256,822</b>	<b>66,133,785,143</b>
<b>Total Assets</b>		<b>134,337,390,260</b>	<b>159,963,674,753</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share Capital	13	18,000,000,000	18,000,000,000
Reserve and Surplus	14	75,825,398,893	75,597,296,730
Total Equity attributable to Equityholders		93,825,398,893	93,597,296,730
Non Controlling Interest		101,535,862	118,351,996
<b>Total Equity</b>		<b>93,926,934,755</b>	<b>93,715,648,726</b>
<b>Non-Current Liabilities</b>			
Post Employment Benefits	12.2	18,187,775,411	22,810,645,353
Deferred Government Grant	26	1,664,448,601	1,533,384,294
Financial Liabilities		-	-
Subscriber Deposits	9.2.1	59,987,070	58,727,124
Lease Liability	7	1,818,849,395	1,842,670,003
<b>Total Non-Current Liabilities</b>		<b>21,731,060,477</b>	<b>26,245,426,774</b>
<b>Current Liabilities and Provisions</b>			
Current Tax Liabilities (Net)			
Financial Liabilities			
Lease Liability	7	270,042,316	441,760,875
Current Liabilities	9.2.3	10,658,848,523	13,054,728,886
Trade Payable	9.2.2	627,486,297	2,665,500,864
Provisions	10	252,910,307	16,764,417,190
Non-Financial Liabilities	8	6,870,107,585	7,076,191,438
<b>Total Current Liabilities and Provisions</b>		<b>18,679,395,028</b>	<b>40,002,599,253</b>
<b>Total Equity and Liabilities</b>		<b>134,337,390,260</b>	<b>159,963,674,753</b>

Significant Accounting Policies and Explanatory Notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
M.G.S. & Associates  
Chartered Accountants

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

Komal Bahadur Khatri  
Director

Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Consolidated Statement of Profit or Loss

For the Year ended on 15 July 2024 (Ashadh 31, 2081)

Figures in NPR

Particulars	Notes	Current Year	Previous Year
		FY 2023-24	FY 2022-23 (Restated)
Revenue from contract with customers	15	34,569,002,838	36,283,431,436
Finance Income	16	6,800,350,315	7,823,951,622
Other Income	17	770,670,450	369,422,256
<b>Total Income</b>		<b>42,140,023,602</b>	<b>44,476,805,315</b>
Employee Benefit Expenses	12.1	(8,713,373,970)	(7,968,266,841)
Service Operation and Maintenance Costs	18	(6,394,846,665)	(7,643,771,534)
Sales Channel, Marketing and Promotion Costs	19	(290,198,477)	(292,766,849)
Office Operation Expenses	20	(1,278,273,657)	(1,324,961,213)
Regulatory Fees, Charges and Renewals	21	(7,317,464,537)	(7,776,218,515)
Foreign Exchange (Loss)/Gain	24	95,681,996	204,816,406
Shares of results of Associates	5	(275,211,769)	(342,661,132)
<b>Earning Before Interest, Taxes, Depreciation and Amortisation (EBITDA)</b>		<b>17,966,336,523</b>	<b>19,332,975,637</b>
Finance Cost	22	(169,318,689)	(487,950,086)
Depreciation	3	(6,028,185,030)	(5,983,868,079)
Amortisation	1,2,7	(1,052,853,922)	(1,066,972,592)
Impairments - net of reversals	23	472,349,633	(117,935,384)
<b>Profit Before Tax</b>		<b>11,188,328,515</b>	<b>11,676,249,496</b>
Income Tax Expenses			
Current Income Tax	25.2	(44,921,136)	(4,555,461,469)
Deferred Taxes	25.3	(4,960,798,216)	774,354,979
<b>Profit For the Period</b>		<b>6,182,609,163</b>	<b>7,895,143,005</b>
Earnings Per Share (Basic)			
Earnings Per Share (Diluted)			
<b>Net Profit attributable to:</b>			
Equity holders of the company		6,200,534,660	7,915,247,630
Non-controlling interest		(17,925,497)	(20,104,625)
<b>Profit For the Period</b>		<b>6,182,609,163</b>	<b>7,895,143,005</b>

Significant Accounting Policies and Explanatory Notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
M.G.S. & Associates  
Chartered Accountants

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

Komal Bahadur Khatri  
Director

Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Consolidated Statement of Other Comprehensive Income

For the Year ended on 15 July 2024 (Ashadh 31, 2081)

Figures in NPR

Particulars	Notes	Current Year	Previous Year
		FY 2023-24	FY 2022-23 (Restated)
Profit for the Period		6,182,609,163	7,895,143,005
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss			
Exchange difference of translation of foreign operation			
Cash Flow Hedges			
Income Taxes relating to items that may be reclassified			
Items that will not be reclassified subsequently to profit or loss			
Gains on Property Revaluation	3	-	-
Investments in Equity Instruments (FV changes)			
Remeasurements of defined retirement benefit plans of employees	12.2	1,751,369,620	(2,824,959,360)
Shares of Other Comprehensive Income of Associates	5	(212,999)	8,575,527
Income Taxes relating to items that will not be reclassified	25.3	(525,346,986)	844,915,150
Total Comprehensive Income for the Period		7,408,418,798	5,923,674,322
Total Comprehensive Income attributable to:			
Equity holders of the company		7,426,344,295	5,943,778,947
Non-controlling interest		(17,925,497)	(20,104,625)
Total Comprehensive Income for the Period	-	7,408,418,798	5,923,674,322

Significant accounting policies and explanatory notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

CA. Mahesh Kumar Guragain  
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Komal Bahadur Khatri  
Director

Kosha Hari Niraula  
Director

Manish Jung Joshi  
Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Consolidated Statement of Changes in Equity

For the Year ended on 15 July 2024 (Ashadh 31, 2081)(Restated)

Figures in NPR

Particulars (FY 2022-23)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Non Controlling Interest	Total
Balance as on 16 July 2022	18,000,000,000	45,377,329,077	8,310,934,189	-	23,558,954,134	138,467,562	95,385,684,962
Previous Period Adjustment		(330,447,400)	-	-	-	(10,940)	(330,458,340)
Prior Period Income		2,204,515	-	-	-	-	2,204,515
Prior Period Expenses		(338,374)	-	-	-	-	(338,374)
Prior Period Accounting Adjustment		(69,914,692)	-	-	-	-	(69,914,692)
Adjustment of Stock		4,796,333	-	-	-	-	4,796,333
<b>Restated Opening Balance</b>	<b>18,000,000,000</b>	<b>44,983,629,459</b>	<b>8,310,934,189</b>	<b>-</b>	<b>23,558,954,134</b>	<b>138,456,622</b>	<b>94,991,974,404</b>
Profit for the year	-	5,943,778,948	-	-	-	(20,104,625)	5,923,674,322
Cash Dividend paid	-	(7,200,000,000)	-	-	-	-	(7,200,000,000)
Transfer from Revaluation Reserve	-	49,293,428	-	-	(49,293,428)	-	0
Transfer To Deferred Tax Reserve	-	(1,602,582,362)	1,602,582,362	-	-	-	-
<b>Balance as on 16 July 2023</b>	<b>18,000,000,000</b>	<b>42,174,119,473</b>	<b>9,913,516,551</b>	<b>-</b>	<b>23,509,660,706</b>	<b>118,351,996</b>	<b>93,715,648,726</b>

NPR

Particulars (FY 2023-24)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Non Controlling Interest	Total
Balance as on 17 July 2023	18,000,000,000	42,174,119,473	9,913,516,551	-	23,509,660,706	118,351,996	93,715,648,726
Previous Period Adjustment		1,904,977	-	-	-	1,109,362	3,014,340
Prior Period Income		56,865	-	-	-	-	56,865
Prior Period Expenses		(203,974)	-	-	-	-	(203,974)
<b>Restated Opening Balance</b>	<b>18,000,000,000</b>	<b>42,175,877,341</b>	<b>9,913,516,551</b>	<b>-</b>	<b>23,509,660,706</b>	<b>119,461,359</b>	<b>93,718,515,957</b>
Profit for the year	-	7,426,344,295	-	-	-	(17,925,497)	7,408,418,798
Cash Dividend paid	-	(7,200,000,000)	-	-	-	-	(7,200,000,000)
Transfer from Revaluation Reserve	-	48,011,437	-	-	(48,011,437)	-	0
Transfer To Deferred Tax Reserve	-	5,486,145,202	(5,486,145,202)	-	-	-	-
<b>Balance as on 15 July 2024</b>	<b>18,000,000,000</b>	<b>47,936,378,274</b>	<b>4,427,371,349</b>	<b>-</b>	<b>23,461,649,269</b>	<b>101,535,862</b>	<b>93,926,934,755</b>

Significant accounting policies and explanatory notes are integral part of this financial statements.

As Per Our Report of Even Date

**Radhika Aryal**  
Chairperson

**Sangita Pahadee (Aryal)**  
Managing Director

**Dhani Ram Sharma**  
Director

**CA. Mahesh Kumar Guragain**  
M.G.S. & Associates  
Chartered Accountants

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

**Komal Bahadur Khatri**  
Director

**Kosha Hari Niraula**  
Director

**Manish Jung Joshi**  
Director

**Rajendra Aryal**  
Chief Financial Officer

**CA. Nirjal Shrestha**  
Manager

Date: 15 December 2024  
Place: Kathmandu

# Consolidated Statement of Cash Flows

For the Year ended on 15 July 2024 (Ashadh 31, 2081)

Figures in NPR

	Current Year	Previous Year
Particulars	FY 2023-24	FY 2022-23 (Restated)
<b>Cash Flow from Operating Activities</b>	-	-
Net Profit for the Year	6,182,609,164	7,895,143,004
<b>Adjustments</b>	-	-
Income Tax expense recognised in profit or loss	44,921,136	4,555,461,469
Deferred Tax expense recognised in profit or loss	4,960,798,216	(774,354,979)
Depreciation	6,028,185,030	5,983,868,079
Finance Income	(6,633,818,824)	(7,658,827,768)
Impairment Loss/(Reversal of Impairment Loss)	(472,349,634)	117,935,384
Finance Costs	337,243,462	653,148,948
Actuarial (Gain)/Loss	1,751,369,620	(2,824,959,360)
Amortization	1,052,853,922	970,046,547
Equity loss on Associates	275,211,769	342,661,132
Unrealised (Gain)/Loss on Cash and Cash equivalents	-	-
<b>Movements in Working Capital</b>	-	-
Decrease/(Increase) in Inventory	180,297,062	(404,977,601)
(Increase)/Decrease in Prepayments & Other Non-Financial Assets	(273,797,637)	49,383,872
(Increase)/Decrease in Employee Loan	(218,347,635)	(196,623,387)
(Increase)/Decrease in Accruals, Advance & Others Receivables	(236,779,793)	(478,092,111)
(Increase)/Decrease in Trade Receivables	659,413,142	508,427,473
(Increase)/Decrease in Deferred Taxes	-	-
(Increase)/Decrease in Contract cost assets	(167,792,312)	(176,178,215)
Increase/(Decrease) in Non-Current Liability	(4,490,545,688)	3,605,303,036
Increase/(Decrease) in Provisions	(16,511,506,883)	4,041,129,519
Increase/(Decrease) in Current Liability	(2,763,143,574)	(5,705,915,148)
Increase/(Decrease) in Trade Payable	(2,041,861,099)	713,583,628
Increase/(Decrease) in Lease Liability	(206,879,411)	(429,148,189)
Increase/(Decrease) in Other Non-Financial Liabilities	(206,168,611)	(439,285,701)
NFRS Adjustments	(212,999)	8,575,527
Previous Year Adjustments	(69,317)	(71,718,851)
Income Taxes Paid	(2,368,325,414)	(4,643,258,834)
<b>Total Adjustments</b>	<b>(21,301,305,473)</b>	<b>(2,253,815,531)</b>
<b>Net Cash flow from Operating Activities (A)</b>	<b>(15,118,696,309)</b>	<b>5,641,327,473</b>
<b>Cash Flow from Investing Activities</b>	-	-
Acquisition of Intangible Assets	(331,385,361)	(404,083,160)
Acquisition of Property, Plant and Equipment	(3,538,919,691)	(5,256,943,127)
Decrease/(Increase) in ROU Assets	(62,001,161)	288,061,174
Decrease/(Increase) in Capital Work in Progress	1,516,302,174	31,918,372
Decrease/(Increase) in long term loan and Advances	132,550,349	198,361,727
Decrease/(Increase) in Investment	16,784,532,846	(1,251,893,656)
Income from Investment & Bank Deposit	6,633,818,824	7,658,827,769
Adjustment in Retained Earning	2,936,547.21	-
Investment in Subsidiary company	-	-
<b>Net Cash Flow from Investing Activities (B)</b>	<b>21,137,834,528</b>	<b>1,264,249,099</b>
<b>Cash Flow from Financing Activities</b>	-	-
Proceeds from issuance of shares from non-controlling interest	-	-
Increase in Capital	-	-
Dividend Paid	(7,172,067,804)	(7,166,110,575)
<b>Net Cash Flow from Financing Activities (C)</b>	<b>(7,175,667,804)</b>	<b>(7,166,110,575)</b>
<b>Net Increase in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(1,156,529,585)</b>	<b>(260,534,003)</b>
Effect of exchange rate fluctuations on Cash and Cash equivalents	2,325,218	3,885,980
<b>Cash &amp; Cash Equivalents at Beginning of the Period</b>	<b>5,423,157,591</b>	<b>5,679,805,614</b>
<b>Cash &amp; Cash Equivalents at the End of the Period</b>	<b>4,268,953,223</b>	<b>5,423,157,591</b>

Significant accounting policies and explanatory notes are integral part of this financial statements.

As Per Our Report of Even Date

Radhika Aryal  
Chairperson

Sangita Pahadee (Aryal)  
Managing Director

Dhani Ram Sharma  
Director

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Director

Rajendra Aryal  
Chief Financial Officer

CA. Nirjal Shrestha  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Notes to Consolidated Financial Statements

## i. Background

The Consolidated Financial Statements comprise financial statements of Nepal Doorsanchar Company Limited ("the Parent company") and its subsidiary "Nepal Digital Payments Company Limited (NDPC)" (hereinafter jointly referred to as "the Group") for the year ended 31<sup>st</sup> Ashadh, 2081.

The Group's principle activities include providing a wide range of telecommunication services in line with technological advances and providing service related to Payment Service through the use of communication network.

"The Group" represents the Company and its subsidiary.

## ii. Basis of Preparation

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by revaluation of Land, Buildings and Physical Structure, certain financial instruments measured at fair value

The Consolidated financial statements are prepared on an accrual basis.

## iii. Compliance with NFRS

The accompanying Consolidated Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by Accounting Standards Board Nepal (ASB) and pronounced by the Institute of Chartered Accountants of Nepal (ICAN).

## iv. Approval of Financial Statements

The accompanying Consolidated Financial Statements have been approved and authorised for issue by the Board of Directors (BoD) of the company in its meeting held on 30<sup>th</sup> Mangsir, 2081 (15<sup>th</sup> December, 2024).

## v. Presentation of Financial Statements

1. The consolidated statement of profit or loss has been prepared using the classification 'By Nature' method.
2. The cash flows from operation within the consolidated statement of cash flows have been derived using the Indirect method.
3. For presentation of consolidated Statement of Financial Position, Assets and Liabilities, wherever applicable, are bifurcated in current and non-current based on their respective maturity, as well as the company's normal operating cycle. Such information has been disclosed in respective notes as applicable.

## vi. Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiary as at 31<sup>st</sup> Ashadh, 2081. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee; (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above. The Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:



- The size of the Group's holding of voting rights;
- Potential voting rights held by the Group;
- Rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the Consolidated Financial Statements to ensure conformity with the Group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to the same reporting date as that of the parent Group, i.e., year ended on 31 Ashadh. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

### Consolidation Procedure:

- Combine items of assets, liabilities, equity, income, expenses and cash flows of the parent company with those of its subsidiaries. For this purpose, the income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the Consolidated Financial Statements at the acquisition date.
- Offset (eliminate) the carrying amount of the parent company's investment in each subsidiary and the parent company's portion of equity of each subsidiary.
- Eliminate in full intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intra Group transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intra Group losses may indicate an impairment that requires recognition in the consolidated financial statements.
- Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests, which are not owned, directly or indirectly, by the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full consolidation.

### Non-Controlling Interest:

Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests, which are not owned, directly or indirectly, by the Parent Company.

## vii. Presentation of Currency

The Consolidated Financial Statements have been presented in the nearest Nepalese Rupees (NPR). Nepalese Rupees (NPR) is the functional and presentation currency as well.

## viii. Discounting

When realisation of assets and settlement of obligations is for more than one year, the Group considers the discounting of such assets and liabilities where the impact is material. Various internal and external factors have been considered for determining the appropriate discount rate to be applied to the cash flows of the Group. Appropriate discount rate is also used to determine the value in use for assessment of asset impairment as well.



Weighted Average Cost of Capital (WACC), with risk adjustment, is basically used in determining discount rates. For this purpose, Capital Asset Pricing Model (CAPM) is generally used to determine the cost of equity. As the company does not have any debt, weighted average cost of capital for the company would in fact mean cost of equity only. Besides, utilization of CAPM model for expected rate of return would in turn require beta to be determined. Since the parent company is the only listed company in Nepalese telecom industry, market beta may not give an appropriate picture of movement of the market and the company's rate of return.

Therefore, the risk adjusted dividend growth model has been used in determining the appropriate discount rate to be applied for preparation of the financial statements. The rate, thus, derived for discounting the assets and liabilities is 8%.

## ix. Accounting Policies, Critical Accounting Estimates and Judgements

### Accounting Policies

NFRS requires the Group to adopt accounting policies that are most appropriate to the Group's circumstances. In determining and applying accounting policies, management is required to make judgements in respect of items where the choice of specific policy, accounting estimates or assumptions to be followed could materially affect the company's reported financial position, results or cash flows.

The accounting policies adopted by the Group are consistently applied. Specific accounting policies have been included in the specific section of the notes for each item of financial statements which requires disclosures of accounting policies or changes in accounting policies. Effect and nature of the changes, if any, have been disclosed at appropriate places.

### Accounting Estimates and Judgements

The preparation of the Consolidated Financial Statements in accordance with NFRS requires the management to make judgements, estimates and assumptions applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses, including contingencies and commitments. Due to the inherent uncertainty in making estimates, actual results reported in future periods may differ from those estimates. The estimates and the underlying assumptions are reviewed on on-going basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which estimates are revised, if the revision affects only that period; they are recognised in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Group's results and financial position, are given in the respective sections of the notes wherever they have been applied.

## x. Going Concern

The Consolidated Financial Statements are prepared on a going concern basis, as Board of Directors of the Group is satisfied that the Group has resources to continue the business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it.

## xi. Lease

NFRS 16 'Leases' which supersedes NAS 17 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessee to recognise most leases on the Statement of Financial Position.

Lessor accounting under NFRS 16 is substantially unchanged from NAS 17. Lessor will continue to classify leases as either operating or finance using similar principles as in NAS 17. Therefore, NFRS 16 does not have an impact for leases where the Company is a lessor. As per NFRS 16, the company as a lessee recognises a right to use of asset and liability for future payments arising from a lease contract.

## xii. Reporting Dates

Particulars	Nepalese Calendar Date/ Period	Gregorian Calendar Date/ Period
Comparative SoFP* Date	31 Ashadh 2080	16 July 2023
Comparative reporting period	1 Shrawan 2079- 31 Ashadh 2080	16 July 2022 - 16 July 2023
NFRS SoFP* Date	31 Ashadh 2081	15 July 2024
NFRS reporting period	1 Shrawan 2080 - 31 Ashadh 2081	17 July 2023 - 15 July 2024

\* SoFP = Statement of Financial Position

## xiii. Materiality

The Group, for the preparation of consolidated financial statements, determines materiality based on the nature or magnitude, or both. Materiality is a pervasive constraint in financial reporting because it is pertinent to all of the qualitative characteristics.

## 1. Intangible Assets

### Accounting Policies

An intangible asset is a non-monetary asset that can be identified but does not have a physical form. It is a resource that an entity controls as a result of past events, such as purchase or creation and from which future economic benefits are expected. Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. The useful lives and amortisation methods of the assets are reviewed at least annually. Changes in the estimated useful life or the expected pattern of consumption of future economic benefit embodied in the assets are accounted for by changing the amortisation period or method, as appropriate and are treated as changes in accounting estimates in accordance with NAS 8. Amortisation is charged to Statement of Profit or Loss on a straight-line basis over the useful life of intangible assets.

Intangible assets having indefinite useful life are assessed for impairment at each reporting date.

## Explanatory Notes

### Intangible Assets

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Opening Balance	1,756,202,640	2,013,555,725
Additions during the year	333,923,852	404,883,160
Amortization During the Year	(517,409,427)	(662,236,244)
Total	1,572,717,065	1,756,202,640

## 2. Contract Cost Assets

Contract cost assets comprise the incremental costs of obtaining a contract (sales commission paid to dealers for sales of SIM/RUIM cards). These costs are capitalised as it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded.



The capitalised contract cost assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Such costs are thus recognized over the contract period with the customer.

## Explanatory Notes:

The Group has estimated that the historical average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and, hence, deferred such incremental costs of obtaining a contract. Hence, the Group has estimated anticipated average customer life to be 5 years.

<b>Contract Cost Assets</b>		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Opening Balance	390,558,232	413,762,897
Additions during the year	167,792,312	176,178,215
Amortization during the year	(193,198,843)	(199,382,880)
Closing Balance	365,151,701	390,558,232

## 3. Property, Plant and Equipment (PPE)

### Accounting Policies

Property, plant and equipment are recognised as assets, if and only if it is probable that future economic benefits associated with the item will flow to the Group ; and the cost of the item can be measured reliably. Property, plant and equipment are recognised in the statement of financial position at their cost and are inclusive of all expenses necessary to bring the assets to working condition for its intended use less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable.

For Subsequent recognition, the Land and Building class of assets is recognized under Revaluation Model. Under the revaluation model, after initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Whereas, remaining class of assets are recognized under the historical cost method, in which acquisition or construction cost is used for initial recognition, subject to depreciation over the expected useful life and to possible write-down in the event of a permanent impairment in value.

The depreciation period is based on the expected useful life of an asset. Items of property, plant and equipment are depreciated on pro rata basis in the year of acquisition. The residual values, useful lives and the depreciation methods of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates, they are accounted for as a change in accounting estimates in accordance with NAS 8. For the reporting period the management has decided there is no significant changes in the said estimates.

In addition to the purchase price and cost directly attributable to bringing the asset to the location and conditions necessary for it to be capable of operating in the manner intended by the management if an item of property, plant and equipment consists of several components with different estimated useful lives, those components that are significant, are depreciated over their individual useful lives. Subsequent costs that do not qualify the recognition criteria under NAS 16 are expensed as and when incurred.

PPE shall be capitalized as and when they are available for use i.e. after the equipment became capable to provide service to the customer.

NAS 16 and IFRIC 1 require cost of PPE to include the estimated cost for dismantling and removal of the assets and restoring the site on which they are located. Management perceives that such costs are difficult to estimate and considering the past practice the amount of such costs are not material to affect the economic decision of the user as a result of such non-inclusion. Therefore, asset retirement obligation (ARO) has not been recognised.

Assets that have been decommissioned or has been identified as damaged beyond economic repair or rendered useless due to obsolescence and are derecognised whenever identified. On disposal of an item of property, plant and



equipment or when no economic benefits are expected from its use or disposal, the carrying amount of an item is derecognised. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between net disposal proceeds, if any and the carrying amount of that item is recognised in the statement of profit or loss.

### Depreciation

Depreciation is charged so as to expense off the cost of assets, other than land, using straight line method over their estimated useful lives. The depreciation is charged on revalued amount of building and physical structure over the remaining useful life. The additional depreciation if any on revalued amount of building and physical structure is transferred from revaluation reserve to equity. The residual values, useful life and depreciation methods are reviewed at least at each financial year end. If expectations differ from the previous estimates the changes are accounted for as changes in estimates in accordance with NAS 8.

If an item of property, plant and equipment consists of several components with different useful lives, those components that are significant are depreciated over their individual useful life. Any component asset's useful life is not considered more than its major assets.

### De-Recognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from the use of that asset. Gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposals proceed, if any and the carrying amount.

### Impairment

Property Plant and Equipment are subject to impairment assessment if there is any indication that the carrying value may exceed the recoverable value of the assets. Such impairment assessment of assets is done on the basis of cash generating unit or if not possible on individual asset basis.

### Revaluation

Freehold land properties, building and physical structure held by the Group is recognised and reported at fair value conducting periodic revaluation. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The accumulated depreciation on revalued building and physical structure is eliminated against the gross carrying amount of the assets and net amount is restated to the revalued amount of the assets.

## Explanatory Notes

### Revaluation Reserve

Depreciation is charged on revalued amount of building and physical structure over the remaining useful life. Additional depreciation amounting NPR 48,011,437 on revalued amount of building and physical structure has been transferred from revaluation reserve to equity. The effect of revaluation of Land, Building and Physical Structures as on 31 Ashadh, 2081 are as below:

NPR			
Particulars	Land	Building	Total
Balance As on 16 July 2023 (Restated)	22,433,646,055	1,076,014,651	23,509,660,706
Upward Revaluation During the Period			
Downward Revaluation During the Period			
Transfer from Revaluation reserve to Retained Earning		(48,011,437)	(48,011,437)
Balance As on 15 July 2024	22,433,646,055	1,028,003,214	23,461,649,269



NPR

Description	LAND	BUILDINGS	PLANT & MACHINERY	HEATING, LIGHTING & AIR-CONDITION	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	TOTAL
<b>Original Cost</b>								
<b>As on 16 July 2023</b>	23,085,052,066	3,615,392,505	79,254,085,704	577,406,429	459,771,431	2,023,901,364	1,105,568,186	110,121,177,685
Adjustment of prior period Capitalization	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As on 16 July 2023</b>	23,085,052,066	3,615,392,505	79,254,085,704	577,406,429	459,771,431	2,023,901,364	1,105,568,186	110,121,177,685
Additions During the Year	-	88,996,192	3,098,362,578	47,295,264	23,114,759	87,578,619	191,936,451	3,537,283,863
Disposal during the year	-	-	(5,175,991,125.42)	(24,500.00)	(19,500.00)	(446,961,466.04)	-	(5,622,996,591)
Transfer Adjustment	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As on 15 July 2024</b>	23,085,052,066	3,704,388,697	77,176,457,156	624,677,193	482,866,690	1,664,518,517	1,297,504,637	108,035,464,957
<b>Depreciation and Impairment</b>								
<b>As on 16 July 2023</b>	-	139,680,071	54,859,018,542	439,974,799	395,806,230	1,760,492,604	859,122,846	58,454,095,093
Adjustment of depreciation up to previous year	-	-	-	-	-	-	-	-
Accumulated Impairment Loss as on 16 July 2023	-	-	742,178,913	-	-	-	-	742,178,913
Adjustment of Impairment loss (write back) up to previous year	-	-	-	-	-	-	-	-
During the Year depreciation	-	131,065,032	5,684,944,254	45,257,112	21,703,772	85,469,294	57,036,301	6,025,475,764
Transfer Adjustment	-	-	-	-	-	-	-	-
During the Year Impairment loss/ (write back)	-	-	41,033,241	(24,500)	(19,498)	(446,097,713)	-	(405,108,470)
Written back on disposals	-	-	(5,159,719,848)	-	-	-	-	(5,159,719,848)
Transfer adjustment	-	-	54	-	-	-	-	54
<b>As on 15 July 2024</b>	-	270,745,103	56,167,455,156	485,207,411	417,490,503	1,399,864,185	916,159,147	59,656,921,506
<b>Net Block</b>								
<b>As on 15 July 2024</b>	23,085,052,066	3,433,643,594	21,009,002,000	139,469,782	65,376,187	264,654,332	381,345,490	48,378,543,452
<b>As on 16 July 2023</b>	23,085,052,066	2,733,533,521	24,395,067,162	137,431,630	63,965,202	263,408,760	246,445,340	50,924,903,680

## 4. Capital Work in Progress (CWIP)

### Accounting Policies

Assets in the course of construction are carried at cost, less any accumulated impairment loss. Depreciation on these assets commence when these assets are ready for their intended use.

The expenditure incurred in acquisition and installation of new systems and equipment till the date of commissioning or civil works under construction till the date of completion is recognised as Capital work in progress. Equipment are capitalised upon commissioning and civil works are capitalised upon handing over after being capable of use.

Capital Inventory under installation are presented net of allowance for obsolete items.

### Explanatory Notes

#### Capital Work in Progress

NPR

Particulars	Capital Works	Capital Inventory under installation	Total
CWIP Balance as on 16 July 2023	479,082,120	6,206,415,419	6,685,497,540
Prior Year Adjustment	-	-	-
	479,082,120	6,206,415,419	6,685,497,540
Net Addition / (Net Transfer) for FY 2023-24	(197,272,225)	(1,319,029,948)	(1,516,302,173)
CWIP Balance as on 15 July 2024	281,809,895	4,887,385,471	5,169,195,366
	-	-	-
Accumulated Impairment as on 16 July 2023	24,698,202	1,223,159,958	1,247,858,160
Impairment for FY 2023-24	-	128,970,603	128,970,603
Accumulated Impairment as on 15 July 2024	24,698,202	1,352,130,561	1,376,828,763
	-	-	-
Net Balance as on 15 July 2024	257,111,693	3,535,254,910	3,792,366,603
Net Balance as on 16 July 2023	454,383,918	4,983,255,461	5,437,639,379

## 5. Investments in Associates

### Accounting Policies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investor but do not have control or joint control over those policies.

At the date of acquisition, any excess of cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results, assets and liabilities of associates are incorporated in the Consolidated Financial Statements using the equity method of accounting.

### Explanatory Notes

During the Reporting Period, the Group has subscribed the right share of Upper Tamakoshi Hydropower Ltd.

#### Investments in Associates

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Investment in Trishuli Jal Vidhyut Company Ltd.		
At cost	741,000,000	741,000,000
Equity adjustment	(259,643,623)	(83,606,843)



## Investments in Associates

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Investment in Upper Tamakoshi Hydropower Ltd.		
At cost	1,270,800,000	635,400,000
Equity adjustment	(595,678,628)	(445,166,276)
Investment in Nagarik Stock Dealer Company Ltd.		
At cost	451,541,250	451,541,250
Equity adjustment	(31,421,741)	(82,546,106)
<b>TOTAL</b>	<b>1,576,597,257</b>	<b>1,216,622,026</b>
<b>Associates share Income/(Expense)</b>	<b>(275,424,768)</b>	<b>(334,085,605)</b>
Associates share Income/(Expense) to PL	(275,211,769)	(342,661,132)
Associates share Income/(Expense) to OCI	(212,999)	8,575,527

## 6. Inventory

### Accounting Policies

Inventories are carried at the lower of net realisable value or cost.

Cost comprises of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using First in First out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the necessary estimated expenses.

Inventories are presented net of allowance for obsolete items. The saleable item are valued at lower of cost or net realisable value.

### Explanatory Notes

Inventories primarily consist of cash cards, telephone sets (mobile or otherwise), drop wires, Customer Premises Equipment (CPE), fiber cables, accessories and spares and Top-Up balances for resale purposes that are not eligible for capitalization.

## Inventory

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
<b>Gross Inventory</b>		
Telephone sets, Drop Wire & Accessories	194,522,297	282,002,297
Cash Cards and Top up Balance for resale purpose	253,185,972	116,051,208
Spares and other Inventories	323,460,599	553,412,425
	<b>771,168,868</b>	<b>951,465,930</b>
<b>Allowance Adjustments</b>		
Telephone sets, Drop Wire & Accessories	56,833,416	52,833,094
Cash Cards and Top up Balance for resale purpose	2,567,371	2,326,958
Spares and other Inventories	189,384,420	188,389,885
	<b>248,785,207</b>	<b>243,549,937</b>
<b>Inventory net of allowances</b>		
Telephone sets, Drop Wire & Accessories	137,688,881	229,169,203
Cash Cards and Top up Balance for resale purpose	250,618,601	113,724,250
Spares and other Inventories	134,076,179	365,022,540
<b>Total</b>	<b>522,383,661</b>	<b>707,915,993</b>



## 7. Leases

### Accounting Policies

#### Identification of Lease

At inception of a contract, the Group determines whether the contract is, or contains a lease. A lease exists if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. In making this assessment, the Group considers whether:

- i. The contract involves the use of an identified asset, either explicitly or implicitly. The asset must be physically distinct or represent substantially all the capacity of a physically distinct asset. Assets that a supplier has a substantive right to substitute are not considered distinct.
- ii. The lessee has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- iii. The lessee has the right to direct the use of the asset, in other words, has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Group recognises a lease liability and right-of-use asset at the commencement of a lease. Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the incremental borrowing rate.

#### Lease Term

The lease term is the non-cancellable period of the lease adjusted for the impact of any extension options that the Group is reasonably certain the lessee will exercise, or termination options that the Group is reasonably certain the lessee will not exercise.

#### Incremental Borrowing Rate (IBR)

The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term and with similar security, to obtain an asset of similar value.

#### Lease Payment

Lease payment includes fixed monthly payment mostly in advance for the period of six (6) months or in arrear for the same period.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are re-measured if there is a change in future lease payments, or the amount the Group expects to be payable under a residual value guarantee if any.

The Group also re-measures lease liabilities where the lease term changes. This occurs when the non-cancellable period of the lease changes, or on occurrence of a significant event or change in circumstances within the control of the lessee and which changes our initial assessment in regard to whether the lessee is reasonably certain to exercise extension options or not to exercise termination options. Where the lease term changes the Group re-measures the lease liability using the incremental borrowing rate at the date of reassessment. Where a significant event or change in circumstances does not occur, the lease term remains unchanged and the carrying amounts of the lease liability and associated right-of-use asset will decline over time.

Right-of-use assets are initially measured at the initial amount of the corresponding lease liabilities, adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of any decommissioning costs that have been recognised as provisions, less any lease incentives received if any. They are subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group has elected not to recognise lease liabilities and right-of-use assets for short-term leases that have a lease term of 12 months or less and leases for which underlying assets is of low-value. Leases with the value of underlying assets below NPR 600,000 is considered as low value lease. The Group recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term or systematic basis deemed appropriate by the management.



## Explanatory Notes

### Initial Application

The Group has adopted NFRS 16 'Leases' using the modified retrospective method with prospective effect of adoption as applicable from Shrawan 1, 2078. Under this method, the standard is applied prospectively as if the lease is started from the said Financial Year. Before the adoption of NFRS 16, the Group used to classify each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

### Incremental Borrowing Rate

The Group applied the incremental borrowing rates of 8% for lease based on considerations specific to the leases by taking into account the risk-free borrowing rates as adjusted for country/ group specific risk premiums.

### Right of Use Assets

		NPR
Particulars		Land and Building (Restated)
As on 16 July 2023		2,748,469,387
Addition during the period		79,308,254
Adjustment of FY 2023-24		(3,760,765)
<b>Total Value of Assets as on 15 July 2024</b>		<b>2,824,016,876</b>
<b>Accumulation Amortisation</b>		<b>706,667,176</b>
Amortisation Charged for the year		343,612,354
Transfer to assets held for sale		(1,366,702)
<b>Total Amortisation as on 15 July 2024</b>		<b>1,048,912,828</b>
<b>Net ROU Assets As on 15 July 2024</b>		<b>1,775,104,048</b>

### Lease Liability

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Current	270,042,316	441,760,875
Non-Current	1,818,849,395	1,842,670,003
<b>Closing Balance</b>	<b>2,088,891,711</b>	<b>2,284,430,877</b>

## 8. Prepayments, Non-Financial Assets and Non-Financial Liabilities

### 8.1. Prepayments and Non-Financial Assets

#### Accounting Policies

Instances where the payments have been made and where expense pertains to the future period(s) are recognised as prepayments. These amounts are charged to profit or loss in the period to which they relate with. Other Non-Financial Assets include Advances for spare parts and to suppliers, employees and other working advances on which the Group receives the goods and services in the future during the normal course of business. The Prepaid expenses and Other Non-Financial Assets are stated net of allowances for bad and doubtful debt based on the Group's assessment of credit worthiness and overdue for more than 12 months.

## Explanatory Notes

### Prepayments, Non-Financial Assets

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Prepaid expenses	133,486,665	72,689,938
Less: Provision for possible losses	(1,355,994)	(1,355,994)
Other Non-Financial Assets	738,852,650	345,888,859
Less: Provision for possible losses	(38,837,876)	(38,837,876)
Deferred Employee Expenses	1,564,717,828	1,741,942,786
<b>Total</b>	<b>2,396,863,273</b>	<b>2,120,327,713</b>

## 8.2. Non-Financial Liabilities

### Accounting Policies

Non-Financial Liabilities include the statutory liabilities which arise as a result of statutory obligation during the normal course of business of the Group. It also includes advance money received/ liabilities on part of the Group to the customers for promised services. It also includes employee bonus and telecom allowances payable as per legal provisions and parent company's employees service bylaws.

### Explanatory Notes

#### Other Non-Financial Liabilities

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
VAT Payable	226,366,193	45,776,917
TDS payable	24,702,132	8,598,619
Other Fee Collection Payable	277,855,346	290,033,182
Royalty and Contribution to RTDF Payable	2,051,252,986	2,158,060,109
Advance from Subscribers	1,184,776,049	1,338,165,565
Unearned Cash Card Sales	974,742,177	934,012,181
Telecom Allowance Payable	915,005,760	990,643,689
Employee Bonus Payable	1,215,406,942	1,310,901,176
<b>Total</b>	<b>6,870,107,585</b>	<b>7,076,191,438</b>

## 9. Financial Instruments

### Accounting Policies

The Group has elected to apply NFRS 9 *Financial Instruments* as per new accounting policies that provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

### 9.1. Financial Assets

#### (I) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value
  1. through other comprehensive income, or
  2. through profit or loss
- those to be measured at amortised cost.

The classification depends upon the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (II) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are charged in profit or loss.



## Investments and Other Financial Assets

### Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

#### a. Amortised Cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### b. Fair Value Through Other Comprehensive Income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

#### c. Fair Value Through Profit or Loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

### Equity Instruments

The Group subsequently measures all equity investments at fair value. Where management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### De-Recognition of Financial Assets

A financial asset is derecognized only when the contractual rights to the cash flows from the financial asset expires, or it transfers the financial asset and the transfer qualifies for de-recognition. On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in the Statement of Profit or Loss.

### (III) Impairment of Financial Assets

The Group assesses on a forward-looking basis, the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets only, the Group applies the simplified approach permitted by NFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has three types of financial assets subject to NFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under NFRS 9 for each of these classes of assets.



**(i) Trade & Other Receivables**

For trade & other receivables, the Group applies the simplified approach to providing for expected credit losses as prescribed by NFRS 9, which requires the use of the lifetime expected loss provision for all trade & other receivables.

**(ii) Term Deposits & Investments in Debentures**

These are debt investments at amortised cost and are considered to be low risk and thus the impairment is determined as 12 months expected credit losses.

**(iii) Loan Investments**

These are debt investments at amortised cost and are considered to be low risk and thus the impairment is determined as 12 months expected credit losses.

**Explanatory Notes:**

Particulars	NPR				
Financial Assets (FY 2023-24)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments	219,034,000				219,034,000
Employee Loan	3,840,073,378				3,840,073,378
Accruals, Advance & Other Receivables	1,021,500,573				1,021,500,573
Trade & Other Receivable				1,517,710,617	1,517,710,617
Term Deposits and other Investments				39,520,929,300	39,520,929,300
Loan Investments				14,186,015,028	14,186,015,028
Cash & Cash Equivalents	4,268,953,223				4,268,953,223
Total	9,349,561,174	-		55,224,654,945	64,574,216,119

Financial Assets (FY 2022-23)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments	190,000,000				190,000,000
Employee Loan	3,621,725,743				3,621,725,743
Accruals, Advance & Other Receivables	782,416,484				782,416,484
Trade & Other Receivable				2,088,865,056	2,088,865,056
Term Deposits and other Investments				56,792,959,000	56,792,959,000
Loan Investments				13,787,131,386	13,787,131,386
Cash & Cash Equivalents	5,423,157,591				5,423,157,591
Total	10,017,299,818	-		72,668,955,442	82,814,245,260

**9.1.1 Equity Investments:****Accounting Policies**

Equity investments are accounted for at fair value in accordance with NFRS 9 'Financial Instruments.' These investments have been classified as per their listing status.

Equity Investments	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
<b>Listed Equity Investment</b>	<b>29,034,000</b>	
Sarbottom Cement Ltd.	14,436,000	
Change in Fair Value of Investment	14,598,000	
<b>Unlisted Equity Investment</b>	<b>190,000,000</b>	<b>190,000,000</b>
Vidhyut Utpadan Company Ltd.	130,000,000	130,000,000
National Fund Management Ltd.	60,000,000	60,000,000
<b>Total</b>	<b>219,034,000</b>	<b>190,000,000</b>



### 9.1.2 Employee Loans

#### Accounting Policies

Employee loans are accounted for fair value through profit or loss. The effective interest and the change in fair value shall be charged/credited to profit and loss.

#### Explanatory Notes

Employee loans are benefits provided by the Group to its employees. The Group's business model is to hold on to these assets until maturity for the purpose of collecting principal, interest and bonus amount. The Group collects interest at the time of disbursal and principal is collected over the period in accordance with the repayment schedule. For Insured Loan, the employee will pay required premiums annually and final settlement will be done after maturity of Insurance plan. The Group collects the principal amount and agreed proportionate amount of bonus received from the insurance company.

The intrinsic effective interest and the net change in fair value is taken to profit or loss and the principal outstanding is reported at fair value. These loans have the recoverable period from 1 to 20 years. The discount rate that has been considered for computing fair value is the notional average interest rate used for determining the taxable benefit of employees during the year, which is 7% for the reporting period. These assets are considered to have nominal risk of recovery as the employee's current and retirement benefits and Insurance Plan adequately secures the receivables.

#### Employee Loan

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Opening Employee Loan	5,530,200,019	5,559,989,995
Employee Loan Disbursed During the Period	159,890,350	66,494,624
Employee Loan Repayment During the Period	(113,622,272)	(96,284,600)
<b>Gross Disbursement and Outstanding</b>	<b>5,576,468,097</b>	<b>5,530,200,019</b>
Fair Value adjustment	(1,736,394,719)	(1,908,474,276)
<b>Total Employee Loan at Fair Value</b>	<b>3,840,073,378</b>	<b>3,621,725,743</b>
Employee Loan - Current Portion	315,137,808	75,948,918
Employee Loan - Non-Current Portion	3,524,935,570	3,545,776,825
<b>Total Employee Loan at Fair Value</b>	<b>3,840,073,378</b>	<b>3,621,725,743</b>

### 9.1.3 Accruals, Advances and Other Receivables

#### Accounting Policies

These comprise of interest accrued, claim against employees, claim against supplier and others. These are expected to be settled in normal course of operation within one-year period of such claims. These are recognised initially at cost and subsequently at fair value through profit or loss.

#### Explanatory Notes

#### Accruals, Advances and Other Receivables

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Interest Accrued	559,952,565	704,553,098
Less: Provision of possible losses	-	-
Advance to and Claims Against Others	507,157,958	129,478,783
Less: Provision for possible losses	(59,183,104)	(59,183,104)
Advance to and Claims Against Employees	13,671,871	7,666,423
Less: Provision for possible losses	(98,716)	(98,716)
<b>Total</b>	<b>1,021,500,573</b>	<b>782,416,484</b>

### 9.1.3.1 Long Term Loan and Advances

#### Accounting Policies

These comprise of long-term advances provided to suppliers for equipment / Systems and other. These are expected to be settled in normal course of operation in period of more than one-year period of such claims. These are recognised initially at cost and subsequently at fair value through profit or loss.

#### Explanatory Notes

	NPR	
Long Term Loan and Advances	15 July 2024	16 July 2023 (Restated)
Opening Balance	1,078,693,995	1,277,055,722
Prior Year Adjustment	-	-
Restated Opening Balance	1,078,693,995	1,277,055,722
Net Addition / (Net Transfer) for FY 2023-24	(132,550,349)	(198,361,727)
Closing Balance	946,143,646	1,078,693,995
	-	-
Opening Accumulated Impairment	93,384,684	93,384,684
Impairment for FY 2023-24	-	-
Closing Accumulated Impairment	93,384,684	93,384,684
Net Balance as at end of FY 2023-24	852,758,962	985,309,311

### 9.1.4 Trade & Other Receivables

#### Accounting Policies

##### Trade Receivables:

Trade receivables comprise of amounts owed to the Group by the customers as per NFRS 15: Revenue from Contracts with customers. Trade receivables do not carry any interest and are measured at the carrying amount at which the items are initially recognised less any impairment losses, i.e. stated at their nominal value as reduced by appropriate allowances. Such allowances are affected by way of write-downs based on the estimated irrecoverable amount. The Group estimates the Expected Credit Loss (ECL) on these instruments in the form of impairments.

Individual trade receivables are written off when management deems them not to be collectible. Write-offs of trade receivables are recognised in some cases using the allowance accounts.

#### Explanatory Notes

The Group uses portfolio approach based on historical credit loss experience to estimate the lifetime expected credit losses.

The Group's trade receivables are stated after lifetime expected credit loss. In addition to the non-recoverable risk of trade receivables, which the Group believes is adequately covered by the allowances made, these assets are subject to diminishing value due to time value of money and inflationary devaluation as no interest is charged on these accounts.

##### Impairment:

Due to the Global economic crisis, it is expected that an increase in unemployment rates and decline in gross domestic product will exceed the relevant thresholds. Therefore, when estimating the expected credit loss, we have incorporated up to ten percent macroeconomic adjustment in arriving at the expected loss rate in addition to historical loss rate derived from default from customers. As a result, we have increased the allowance for Expected Credit Loss to reflect risks and uncertainties brought by the global economic crisis. It is important to note that any future changes in macroeconomic assumptions could significantly impact our allowance for Expected Credit Loss in subsequent years.



## Trade Receivables

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
<b>Gross Trade &amp; Other Receivable</b>		
Wireless	558,327,725	551,995,253
Fixed Line	1,182,684,024	1,154,998,731
International Inter- connection	878,775,189	1,479,613,000
Domestic Inter- connection	395,354,428	419,671,108
Contract Assets	87,997,685	156,228,780
<b>Total</b>	<b>3,103,139,053</b>	<b>3,762,506,873</b>
<b>Expected Credit Loss</b>		
Wireless	346,207,794	340,653,844
Fixed Line	792,897,745	784,744,724
International Inter- connection	124,438,035	193,096,295
Domestic Inter- connection	273,486,134	269,221,125
Contract Assets	48,398,728	85,925,829
<b>Total</b>	<b>1,585,428,436</b>	<b>1,673,641,817</b>
<b>Trade Receivables net of impairment</b>		
Wireless	212,119,932	211,341,409
Fixed Line	389,786,280	370,254,007
International Inter- connection	754,337,154	1,286,516,705
Domestic Inter- connection	121,868,294	150,449,983
Contract Assets	39,598,957	70,302,951
<b>Total</b>	<b>1,517,710,617</b>	<b>2,088,865,056</b>

### 9.1.5 Term Deposits and Other Investment :

## Accounting Policies

The Group recognises deposits and investments in Debenture, Mutual fund initially at fair value and subsequently at amortised cost using effective interest rate. The Group has capacity and intention to hold on these investments until maturity. It is the Group's business model to hold on these investments solely for the purpose of receiving principal and interest.

## Explanatory Notes

### Term Deposits and Other Investments :

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Investment in Debentures of class 'A' Bank	3,779,050,000	3,754,239,000
Investment in Mutual Fund	162,322,700	130,000,000
Investment in National Equity Fund -1	11,069,300	-
Change in Fair Value of Investment	13,107,300	(2,010,000)
<b>Net investment in Mutual Fund</b>	<b>186,499,300</b>	<b>127,990,000</b>
<b>Term Deposits with Banks</b>		
in Foreign Currency (US\$)	7,934,920,000	9,050,730,000
in Nepalese Currency	27,620,460,000	43,860,000,000
	<b>39,520,929,300</b>	<b>56,792,959,000</b>
Current	35,757,880,000	53,180,730,000
Non-Current	3,763,049,300	3,612,229,000
<b>Total</b>	<b>39,520,929,300</b>	<b>56,792,959,000</b>

### 9.1.6 Loan Investments

The Group recognises loan investments initially at fair value and subsequently at amortised cost using effective interest rate. The Group has capacity and intention to hold on these investments until maturity. It is the Group's business model to hold on these investments solely for receiving principal and interest.



## Explanatory Notes

	NPR	
Loan Investments	15 July 2024	16 July 2023 (Restated)
Loan Investments in Upper Tamakoshi Hydropower Ltd.	14,343,796,793	14,520,520,939
Less: Expected Credit Loss	(157,781,765)	(733,389,553)
<b>Net Investment</b>	<b>14,186,015,028</b>	<b>13,787,131,386</b>

### 9.1.7 Cash and Cash Equivalents

#### Accounting Policies

Cash and cash equivalents are recognised initially at fair value and subsequently at fair value through profit or loss. They are reported at their carrying value. The carrying amount of cash and cash equivalents approximate their fair value.

	NPR	
Cash and Cash Equivalents	15 July 2024	16 July 2023 (Restated)
Particulars		
Bank Balances		
Interest Bearing	4,268,878,724	5,423,153,363
Non-Interest Bearing	-	-
Cash Balance	74,499	4,228
	<b>4,268,953,223</b>	<b>5,423,157,591</b>
Effect of Exchange rate changes	-	-
<b>Total</b>	<b>4,268,953,223</b>	<b>5,423,157,591</b>

Cash and cash equivalents have original maturity of less than three months. These enable the Group to meet its short-term liquidity requirements. The majority of the Group's cash and cash equivalents comprise of interest bearing call deposits with commercial banks which are subject to insignificant risk of change in value. These also include cash-in-hand and cheques.

Foreign currency balances with banks falling under the cash and cash equivalents classification, are converted into reporting currency using the closing exchange rates and resulting Foreign exchange gain loss is recognised in profit or loss.

Risk of holding cash and bank balance is the time value of money and the inflationary devaluation which is not fully off-set by interest earned by those bank deposits.

## 9.2. Financial Liabilities

### (I) Classification

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- Financial guarantee contracts.

The financial liability is accounted for at amortised cost using effective interest rate. The group has considered the discount rate for the future payments and computation of amortised cost. The effective interest is recognised in the statement of profit or loss.

### (II) Measurement

On initial recognition all financial liabilities are recognised at their fair value. The subsequent measurement depends on the classification of the financial liabilities.



### (III) De-Recognition of Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## Explanatory Notes

Financial liabilities of the Group are reported at amortised cost using effective interest rate.

Particulars	NPR		
Financial Liabilities (FY 2023-24)	FVtPL	Amortised cost	Total
Subscriber Deposits		59,987,070	59,987,070
Current Liabilities		10,658,848,523	10,658,848,523
Trade Payable		627,486,297	627,486,297
<b>Total</b>	<b>-</b>	<b>11,346,321,890</b>	<b>11,346,321,890</b>

Financial Liabilities (FY 2022-23)	FVtPL	Amortised cost	Total
Subscriber Deposits		58,727,124	58,727,124
Current Liabilities		13,054,728,886	13,054,728,886
Trade Payable		2,665,500,864	2,665,500,864
<b>Total</b>	<b>-</b>	<b>15,778,956,874</b>	<b>15,778,956,874</b>

#### 9.2.1. Subscriber Deposits

## Explanatory Notes

Subscribers' deposits are deposits from customers for services they have subscribed in accordance with the Group's service policies. It consists of a credit limit and deposit from customers for services they have subscribed to.

Particulars	NPR	
Subscriber Deposits	15 July 2024	16 July 2023 (Restated)
Deposit and Credit Limit from Subscriber	59,987,070	58,727,124
<b>Total</b>	<b>59,987,070</b>	<b>58,727,124</b>

Only nominal value of subscriber deposit is reversed, normally as the result of discontinuance by the subscribers and it is not possible to estimate probable future payments. Therefore, the entire subscriber deposit is classified as non-current.

#### 9.2.2. Trade Payable

Trade payables represent liabilities for services received from interconnection telecom operator prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within twelve (12) months after the reporting period. Otherwise, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## Explanatory Notes

Trade Payable	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
Payable for Bandwidth Service	427,762,217	2,358,092,522
Payable for Interconnection Service	199,724,080	307,408,342
<b>Total</b>	<b>627,486,297</b>	<b>2,665,500,864</b>

### 9.2.3. Current Liabilities

Current liabilities and other payables are recorded at cost. They are expected to be settled within 12 months of normal course of business. The carrying amounts represents the amortised cost.

## Explanatory Notes

### Current Liabilities

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Sundry Creditors - Suppliers	8,927,504,121	11,404,439,226
Advances Work/Income related	1,154,606,912	1,236,250,428
Others Liabilities	576,737,490	414,039,232
<b>Total</b>	<b>10,658,848,523</b>	<b>13,054,728,886</b>

### 9.3. Off-Setting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

### 9.4. Financial Guarantee Contract:

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of a financial guarantee contract is the present value of the difference between the net contractual cash flows required under a debt instrument and the net contractual cash flows that would have been required without the guarantee. The present value is calculated using a risk-free rate of interest.

At the end of each subsequent reporting period financial guarantees are measured at the higher of:

- The amount of the loss allowance; and
- The amount initially recognized less cumulative amortization, where appropriate.

The amount of the loss allowance at each subsequent reporting period initially equals to 12-month expected credit losses. However, where there has been a significant increase in the risk that the specified debtor will default on the contract, the calculation is for lifetime expected credit losses.

Expected credit losses for a financial guarantee contract are the cash shortfall adjusted by the risks that are specific to the cash flows.

Cash shortfalls are the difference between:

- The expected payments to reimburse the holder for a credit loss that it incurs; and
- Any amount that an entity expects to receive from the holder, the debtor or any other party

## Explanatory Notes

The Group has given financial guarantee and pledged its equity share investment of its associate M/s Trishuli Jalavidhyut Company Limited to Nabil Bank Ltd for Trishuli 3B Hydro Project financing.

### 9.5. Financial Risk Management

The Group's business activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (Foreign currency risk, interest risk) which may adversely impact the fair value of its financial instruments. Risk management focuses on the unpredictable financial loss and seeks to minimize potential adverse effect on Group's performance.

The Group's Board and senior management has overall responsibility for the establishment and oversight of the Group's risk management. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies/practices and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The risk management is done by management that provides assurance that the Group's financial risk activities are governed by appropriate practices & procedures and that financial risks are identified, measured and managed in accordance with Group's risk objectives.



### **Credit Risk:**

Credit risk is the risk of financial loss arising from counterparty to financial instruments if the party fails to repay or service debt according to the contractual terms or obligation. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

Financial instruments that are subject to concentrations of credit risk, principally consist of investments in debt instruments, trade receivables, terms deposits, accruals, advances and other receivables and loan given to employees. Terms deposits in banks result in material concentrations of credit risks.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty to a financial instrument. For the purpose of risk control of Trade Receivables, Credit limits and deposits are established for each customer, whereby the credit limit represents the maximum open amount for one bill cycle. For loan Investment, Property Plant and Equipment at present and to be owned in future has been mortgaged and corporate guarantee has been obtained.

### **Liquidity Risk:**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due without incurring unacceptable losses. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group's manages the liquidity to ensure sufficient liquidity to meet all liabilities when due, without facing unacceptable losses. Any short term surplus cash generated by the Group, over and above working capital requirements and other operational requirements including loan and capital commitment, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to maximize its returns on investment.

### **Market Risk:**

Market risk is the risk related to changes in market prices, such as interest rates, foreign exchange rates and market economics conditions. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

#### **i. Interest Rate Risk:**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Any movement in the reference rates could have an impact on the Group's cash flows as well as costs.

The Group's Revenue Department manages the interest rate risk in order to reduce the financial impact as a consequence of the interest rate fluctuation. The Group has established a policy and procedures to monitor investments and facilitate its investment diversification efforts.

The Group is subject to variable interest rates on interest bearing assets such as cash and cash equivalent, Term Deposits, Loan Investments and Investment in Debentures. The Group's interest rate exposure is mainly related to financial assets.

#### **ii. Foreign Currency Risk:**

The Group is exposed to foreign currency risks on sales and purchases denominated in a currency other than its functional currency (NPR). The two major currencies giving rise to currency risks are US Dollar (USD) and Euro (EURO). However, the Group has not entered into any forward contracts to mitigate such risks. The Group is subject to the risk that changes in foreign currency values impact the Group's transactions/events relating to settlement of interconnection transactions, USD Term Investment and import of inventories, property plant & equipment and services.

The Group closely monitors market economic activity and currency fluctuations in the market so as to respond effectively to the changes in exchange rate.



## 10. Provisions

### Accounting Policies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Explanatory Notes

#### Provisions

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Provision for GSM License Renewal Fee	-	16,723,287,671
Provision for Expenses	252,910,307	41,129,519
<b>Total</b>	<b>252,910,307</b>	<b>16,764,417,190</b>

## 11. Fair Value Measurements of Assets and Liabilities

In accordance with NFRS 13 'Fair Value Measurement', the Group categorises assets or liabilities carried on the reporting date at fair value using a three-level hierarchy. Assets or liabilities categorised as Level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of Assets or liabilities categorised as Level 2 and, in particular, Level 3 is determined using valuation techniques including discounted cash flow analysis and other valuation models. In addition, in line with market practice, the Group applies credit, debit and funding valuation adjustments in determining the fair value of its uncollateralised assets.

## 12. Employee Benefits

### Accounting Policies

Short-term employee benefits, such as salaries, paid leave, performance-based awards and social security costs are recognised over the period in which the employees provide the related services.

The Group operates a number of post-retirement benefit schemes for its employees including both defined benefit and defined contribution plans.

1. A defined benefit scheme is a plan that defines an amount of pension, gratuity or leave compensation benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary.
2. A defined contribution plan is a plan into which the Group pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

Full actuarial valuations of the Group's defined benefit schemes are carried out periodically with interim reviews in the intervening years; these valuations are updated by qualified independent actuaries. For the purposes of these annual updates, scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using actuarial assumptions. The defined benefit scheme liabilities are discounted using rates equivalent to the market yields at the reporting date. The Group's profit or loss charge includes the current service cost, past service costs, net interest expense (income) and plan administration costs that are not deducted from the return on plan assets. Re-measurements, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest expense (income) and net of the cost of managing the plan assets) and the effect of changes to the asset ceiling (if applicable) are reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurements recognised in other comprehensive income are reflected immediately in retained profits and will not subsequently be reclassified to profit or loss.

The Group's consolidated Statement of Financial Position includes the net surplus or deficit, being the difference between the fair value of scheme assets and the discounted value of scheme liabilities at the reporting date. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. In assessing whether a surplus is recoverable, the Group considers its current right to obtain a refund or a reduction in future contributions and does not anticipate any future acts by other parties that could change the amount of the surplus that may ultimately be recovered.



The Group provides various loans and advances to its employees as per the employee service by-laws of the Group. The various loans and advances provided are Insured, Uninsured with different maturity period. Employee loan is measured at Fair value. Unamortized employee cost is the difference between the value of loan at carrying amount and present value of employee loan discounted at market rate. Deferred benefits are calculated each year on the closing outstanding balance so that it will consider the prepayment of loan and loan settlement of retired/resigned staff. Deferred benefit is taken from current year calculation as difference between closing value of loan and present value of outstanding loan discounted at market rate less Amortization of such benefit during the year. The discount rate that has been considered for computing fair value is the interest rate used for determining the taxable benefit of employees during the year.

## Explanatory Notes

### 12.1. Employee Benefits

<b>Employee Benefit Expenses</b>		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
<b>Short term employee benefits</b>		
Salaries & Wages	2,165,256,955	2,168,398,900
Allowances	1,304,475,673	1,291,204,215
Uniform Allowances	39,779,000	39,392,000
Overtime Allowances	38,699,727	35,073,779
Medical Expenses	525,283,839	524,816,066
Telecom Allowances	289,610,797	383,159,003
Employee Statutory Bonus	592,139,545	623,292,720
Other monetary Benefits	16,677,703	35,101,792
Leave Encashment	123,214,356	130,553,617
Finance cost of Employee Loan	166,880,181	164,536,652
<b>Defined Contribution Plan</b>		
Contribution to Provident Fund	214,294,069	210,451,092
Life Insurance	33,470,624	76,845,223
Retirement Contribution - Contract	1,922,123	36,127,436
<b>Defined Benefit Plan</b>		
Leave	147,387,427	91,923,306
Pension and Gratuity- Non Contributory	2,362,239,316	2,150,344,260
Pension and Gratuity- Contributory	680,890,430	-
Other Long term employee benefits	11,152,204	7,046,781
<b>Total</b>	<b>8,713,373,970</b>	<b>7,968,266,841</b>

### 12.2. Post-Employment Benefits

#### (I) Defined Contribution Plan

The Group operates three defined contribution plans.

1. The provident fund contribution, where fixed percentage of ten percent of the salary (basic plus grade) is paid into the fund as and when the salaries become due.
2. The Group contributes ninety percentage of insurance premium of the employee's life insurance policies. The amount of policy is different as per the level of employees. The insured amount and the bonus accrued thereon shall be available to the employees on retirement.

#### (II) Defined Benefit Plan

The Group provides pension for employees completing 20 years of service with the Group and gratuity for employees who have not completed 20 years of service at the time of retirement/ severance. This scheme is applicable for employees joining before 2066 Kartik 01.

For employees joining after 2066 Kartik 01, Contributory pension fund was provided, which is in lieu of pension and gratuity whereby the Group pays fixed amount to the individual pension fund account that will be available to the employees on retirement, which is now amended by Board of Directors decision dated 2079 Shrawan 18. As per the

decision, this group will be eligible for pension on completion of 20 years of service, for which 10% contribution is made by the employees with a matching 10% contribution made by the company. The short amount on settlement of such pension will be borne by the Group. Those employees, who would not complete 20 years of service will be compensated with the amount deposited in respective employee's account maintained in the fund.

The Group has been conducting actuarial assessment of defined benefit plans periodically. The discounted value of liabilities net of benefit plan investments is presented as non-current liabilities. The current service cost, past service cost and net interest (net of unwinding interest and return on plan assets) are charged to statement of profit or loss. The net actuarial re-measurements are charged or credited to the statement of other comprehensive income. The Group pays retirement benefits partly from the plan assets and partly directly from the group. The Group also pays the retirement benefits in advance as prepayments up to maximum of 7 years pension. Such prepayments have been deducted from the closing actuarial liabilities.

The defined benefit plans expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected returns on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

### Defined Benefit Plan Obligation

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Opening DBP Obligations	31,721,880,257	26,933,719,748
Addition of Obligation on transition date	542,991,310	-
Current Service Costs	1,629,914,733	874,282,780
Finance Cost	2,399,774,630	2,002,537,880
Benefits Paid	(1,053,236,244)	(1,009,339,752)
Actuarial Remeasurements	(1,603,181,520)	2,920,679,600
<b>Closing DBP Obligation</b>	<b>33,638,143,165</b>	<b>31,721,880,257</b>

### Defined Benefit Plan Assets

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
<b>Fair Value of Plan Assets at beginning</b>	<b>8,911,234,903</b>	<b>7,059,874,776</b>
Employers Contribution contributory	974,829,864	1,500,000,000
Employers Contribution- Non-Contributory	4,970,000,000	-
Return on Plan assets	717,060,794	504,179,540
	-	-
Advance Tax on return on plan assets	(44,683,062)	-
(-) Benefits Paid -Contributory	(226,262,843)	(248,539,653)
(-) Benefits Paid - Non- Contributory	-	-
(-) Actuarial Remeasurements	148,188,100	95,720,240
<b>Closing DBP Assets</b>	<b>15,450,367,755</b>	<b>8,911,234,903</b>
<b>Net Defined Benefit Plan Obligation</b>	<b>18,187,775,411</b>	<b>22,810,645,353</b>
Charged / (credited) to P&L	3,312,628,569	2,372,641,120
Charged / (credited) to OCI	(1,751,369,620)	2,824,959,360

### Defined Benefit Plan Obligation – Pension and Gratuity (Non-contributory)

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
<b>Opening DBP Obligation</b>	<b>29,734,160,859</b>	<b>25,207,626,590</b>
Current Service Costs	872,413,540	778,845,810
Finance Cost	2,206,886,570	1,875,677,990
Benefits Paid from Plan Assets	(226,262,843)	(248,539,650)
Benefits Paid directly by employers	(577,759,211)	(534,703,201)
Actuarial Re-measurements	(1,558,484,000)	2,655,253,320
<b>Closing DBP Obligation</b>	<b>30,450,954,915</b>	<b>29,734,160,859</b>



### Defined Benefit Plan Obligation – Pension and Gratuity (Contributory)

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Opening DBP Obligation	-	-
Additional DBO as at transition date	542,991,310	-
Current Service Costs	643,262,780	-
Finance Cost	37,627,650	-
Benefits Paid from Plan Assets	-	-
Benefits Paid directly by employers	-	-
Actuarial Remeasurements	-	-
Closing DBP Obligation	1,223,881,740	-

### Defined Benefit Plan Obligation – Leave

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Opening DBP Obligation	1,987,719,397	1,726,093,158
Current Service Costs	114,238,413	95,436,970
Finance Cost	155,260,410	126,859,890
Benefits Paid by the company	(249,214,190)	(226,096,901)
Actuarial Re-measurements	(44,697,520)	265,426,280
Closing DBP Obligation	1,963,306,510	1,987,719,397

## 12.3. Plan Assets:

### a) Non-Contributory Plan Assets

The Group has invested in the Gratuity Fund Scheme (deposit scheme) of Citizen Investment Trust (CIT) and earmarked Fixed Deposits as plan assets. The Group has made a discretionary contribution of NPR 3.15 billion in CIT and NPR 1.82 billion in the earmarked Fixed Deposits maintained at government commercial banks during the FY 2080-81. The principal investment objectives are to ensure the availability of funds to pay Gratuity and Lump sum pension from the plan assets and payments will be made from this fund only.

### b) Contributory Plan Assets

Contributory pension fund which was previously maintained to provide pension whereby the Group pays fixed amount to the individual pension fund account that will be available to the employees on retirement, which is now amended by Board of Directors decision dated 2079 Shrawan 18. The contributed amount in the fund from both employees and the Group has been booked as Defined Benefit Assets for the settlement of pension obligation.

As the contributed fund qualifies as plan assets under NAS-19 "Employee Benefits", it has been treated as Defined Benefit Assets (DBA). The fair value of the contributed fund at the transition date is recognized as part of the assets supporting the DB plan. The Defined Benefit Obligation (DBO) is measured at the present value of the future pension payments based on actuarial assumptions. The existing contributed fund (to be recognized as plan assets) is offset against the DBO to determine the net liability or asset. Past Service Cost has been recognized immediately in the Profit and Loss Account. Employee and employer's contributions to the fund up to the transition date have been included as part of the plan assets supporting the new DB plan.

## 12.4. Estimated Future Benefit Payments:

Expected Future Benefit Payments are estimated using the same actuarial assumptions used in determining the benefit obligation as at July 15, 2024, because benefit payments will depend on future employment and compensation levels, average service period and payment election. The following table provides the expected benefit payments under the post-employment obligations on best estimate basis.



Fiscal Year	Pension and Gratuity Benefits (Non-contributory) Amount in NPR '000'	Pension and Gratuity Benefits (Contributory) Amount in NPR '000'	Accumulated Leave Amount in NPR '000'
July 15, 2025	999,353	216	107,155
July 15, 2026	1,358,036	704	176,379
July 15, 2027	1,485,086	987	193,370
July 15, 2028	1,649,892	1,658	212,538
July 15, 2029	1,660,972	1,807	189,020
Year 2029 to 2033	10,495,963	42,894	993,435

## 13. Share Capital

### Accounting Policies

The Group applies NAS 32 '*Financial Instruments: Presentation*' to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

### Explanatory Notes

#### Share Capital

Particulars	15 July 2024	16 July 2023 (Restated)
No of Shares		
Authorised	250,000,000	250,000,000
Issued	180,000,000	180,000,000
Paid Up	180,000,000	180,000,000
		<b>NPR</b>
Face Value	100	100
Share Capital		
Authorised	25,000,000,000	25,000,000,000
Issued	18,000,000,000	18,000,000,000
Paid Up	18,000,000,000	18,000,000,000

## 14. Reserve and Surplus

### Accounting Policies

#### Deferred Tax Reserve

It is the Group's policy to appropriate the equivalent portion of the deferred tax assets when a net deferred tax asset arises. In event where deferred tax liability arises such amounts are reclassified within the equity to retained earnings.

#### Revaluation Reserve

##### Land

The Group has adopted a revaluation model to present the value of its freehold land properties. The upward movement in the value of the land is adjusted by creating an equivalent amount of revaluation reserve. In the cases



where there is decrease in the value of the land such decrease is first charged to the revaluation reserve to the extent reserve is available and remaining is charged to profit or loss as impairment loss.

### Building and Physical Structure

The upward movement in the value of building and physical structure is adjusted by creating an equivalent amount of revaluation reserve. The additional depreciation on revalued amount due to such revaluation in current fiscal year is transferred to equity.

## Explanatory Notes

### Reserve and Surplus

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Retained Earning	47,936,378,274	42,174,119,473
Revaluation Reserve	23,461,649,269	23,509,660,706
Deferred Tax Reserve	4,427,371,349	9,913,516,551
Fair Value through OCI Reserve	-	-
<b>Total</b>	<b>75,825,398,893</b>	<b>75,597,296,730</b>

Movements in the reserves are given in detail in the Consolidated Statement of Changes in Equity.

## 15. Revenue from Contract with Customers

### Accounting Policies

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Group has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts.

When determining the consideration to which the Group is entitled for providing promised products or services via intermediaries, the Group assesses whether it is primarily responsible for fulfilling the performance obligation and whether it controls the promised service before transfer to customers. Revenue is recognised when, or as, each distinct performance obligation is satisfied.

Revenue from content services rendered to customers are recognised based on gross amount billed to customers when the Group acts as a principal or recognised after netting off costs paid to content providers when the Group acts as an agent in the transaction.

The Group follows the following 5 stage process in recognition of revenue from contracts with customers.

1. Identify contracts with the customer.
2. Identify the performance obligation within the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each of the performance obligations.
5. Recognise revenue when (or as) the performance obligations are satisfied.

## Explanatory Notes

### Revenue from Contract with Customers

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Revenue from rendering services		
Voice	20,288,660,136	22,555,435,019
Data	12,494,273,757	11,626,639,024
SMS	1,343,614,755	1,576,729,276
Others	189,821,658	220,846,690
<b>Total</b>	<b>34,316,370,307</b>	<b>35,979,650,009</b>
Equipment sales	252,632,531	303,781,427
<b>Total</b>	<b>34,569,002,838</b>	<b>36,283,431,436</b>

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
<b>Fixed Line</b>		
Voice	250,691,951	583,779,361
Leased Circuits	283,965,395	289,245,969
ADSL	54,287,515	182,512,346
SIP	1,165,159	477,473
FTTH – Voice	1,261,341,827	1,180,476,320
FTTH – Data	913,442,233	390,580,523
Others	21,532,531	21,317,497
<b>Fixed Line Total</b>	<b>2,786,426,610</b>	<b>2,648,389,490</b>
<b>GSM</b>		
Voice	16,173,148,849	17,158,967,570
Data	11,116,356,491	10,520,258,726
SMS	390,919,111	429,316,965
Roaming	26,107,238	12,312,302
Others	157,108,732	191,580,002
<b>GSM Total</b>	<b>27,863,640,419</b>	<b>28,312,435,565</b>
<b>Interconnection Services</b>		
Inter-connection - International	1,948,561,567	3,107,178,349
Inter-connection - Domestic	215,319,307	191,715,398
International Roaming (Sharing)	249,815,217	320,528,246
SMS	568,518,748	804,472,808
Others	11,180,395	7,949,192
<b>Interconnection Services Total</b>	<b>2,993,395,233</b>	<b>4,431,843,991</b>
<b>Value Added Services (VAS)</b>		
IPTV	120,083,682	33,253,832
<b>Total - Revenue from rendering services</b>	<b>34,316,370,307</b>	<b>35,979,650,009</b>

## 16. Finance Income

### Accounting Policies

The finance income from the financial instruments are recognised as per effective interest method in accordance with NFRS 9.

### Explanatory Notes

#### Finance Income

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Interest Income on Loan Investment	1,412,689,056	1,424,715,880
Interest on Debentures	360,480,641	324,223,761
Interest on Term Deposits	4,847,541,827	5,911,898,127
Interest on Employee Loan	166,531,490	165,123,854
Change in Fair Value of Investment	13,107,300	(2,010,000)
<b>Total</b>	<b>6,800,350,315</b>	<b>7,823,951,622</b>

## 17. Other Income

### Accounting Policies

Dividend income is recognised when the right to receive payment is established. Other incomes are recognised when the amounts can be reliably measured and the amount is probable to be received. Government grants income



shall be recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received (refer Government Grant note 26).

## Explanatory Notes

### Other Income

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
LQD and other income	563,139,715	241,961,467
Government Grant Income	207,530,735	127,460,789
<b>Total</b>	<b>770,670,450</b>	<b>369,422,256</b>

## 18. Service Operation and Maintenance Costs

### Explanatory Notes

These expenses include expenses incurred with fixed and mobile communications services arising from the operation and maintenance of such telecommunication networks.

### Service Operation and Maintenance Costs

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Maintenance - Office Equipment	46,795,664	63,175,953
Maintenance - Buildings	140,087,381	134,895,741
Maintenance - Plants/ Machinery	2,077,118,561	2,145,165,078
Power, Heating & Lighting	1,422,752,363	1,463,033,358
Fuel for Vehicles	107,308,856	116,248,715
Maintenance vehicles	73,502,336	71,497,076
Freight & Carriages	13,821,227	14,084,465
International IP Lease & Transit Cost	911,871,775	2,006,426,919
Cost of Telephone Sets and Other Materials	425,229,692	407,259,514
Cost of Cash Card	272,134,130	243,529,201
Inquiry Service Expenses	42,968,289	39,333,505
Value Added Services Expenses	79,765,217	105,222,160
Interconnection Expenses- Domestic	278,617,707	248,956,763
Interconnection Expenses-Foreign	259,605,657	428,621,481
Training Expenditure (Contract)	177,342,958	99,952,278
Rent Expense (For Service Operation)	23,773,555	19,139,680
P2P SMS Expenses	28,262,767	28,565,669
Roaming Expenses	11,248,886	6,627,471
Research Expenses	691,207	130,181
Others	1,948,437	1,906,326
<b>Total</b>	<b>6,394,846,665</b>	<b>7,643,771,534</b>

## 19. Sales Channel, Marketing and Promotion Costs

### Explanatory Notes

### Sales Channel, Marketing and Promotion Costs

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Commission on Sales	93,949,833	96,068,071
Advertisement and Trade Promotion	196,248,644	196,698,778
<b>Total</b>	<b>290,198,477</b>	<b>292,766,849</b>



## 20. Office Operation Expenses

### Explanatory Notes

#### Office Operation Expenses

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Travelling Expenses	138,328,963	159,082,356
Rates and Local Taxes	95,261,894	116,984,375
Rent and Leasehold Cost of Land and Buildings	160,291,869	176,882,932
Board Meeting Allowance	2,508,500	2,023,500
Other Meeting Allowances and Expenses	49,635,451	53,390,012
Printing and Stationery	32,697,437	37,651,261
Bank Charges	17,245,277	15,000,740
Training Expenses	231,091,089	202,205,152
Hospitality Expenses	25,344,453	25,135,602
Office Furnishing	11,642,227	11,046,017
Insurance	30,672,476	32,635,680
Statutory Audit Fee	2,639,867	2,639,867
Tax Audit Fee	800,000	900,000
Audit Expenses	5,342,372	4,782,376
Postage	1,234,825	1,071,139
Books and Periodicals	2,336,725	2,528,146
Professional fees	6,400,933	9,652,540
Security Expenses	260,380,406	220,700,541
Outsourcing Service expenses	8,318,819	12,315,017
Membership Fee	12,652,407	15,186,706
Business support Expense	58,583,943	67,390,633
Communication Expenses	18,476,141	16,258,742
Anniversary Expenses	5,745,440	7,056,926
Annual General Meeting Expenses	1,909,097	1,886,824
Miscellaneous Expenses	98,733,047	130,554,128
Donation	-	-
<b>Total</b>	<b>1,278,273,657</b>	<b>1,324,961,213</b>

## 21. Regulatory Fees, Charges and Renewals

### Explanatory Notes

#### Regulatory Fees, Charges and Renewals

NPR

Particulars	15 July 2024	16 July 2023 (Restated)
Royalty	1,367,501,991	1,438,706,739
Rural Telecommunication Development Fund Contribution	683,750,995	719,353,370
Frequency Fee	1,989,499,222	1,618,158,406
License Fee Expenses	3,276,712,329	4,000,000,000
<b>Total</b>	<b>7,317,464,537</b>	<b>7,776,218,515</b>

The liabilities on account of Royalty at the rate of 4% of service revenue have been provided for as per Telecommunication Rules, 2054 and contribution to Rural Telecommunication Development Fund (RTDF) at the rate of 2% of the service revenue as per conditions laid down by the Nepal Telecommunications Authority (refer Revenue from contract with customers Note 15).

The Group pays annual frequency fee to Nepal Telecommunications Authority for using various frequency Band. The Group also pays the variable Frequency fee in relation to GSM License i.e. 0.4% of the GSM Income which also includes the GSM portion on Interconnection revenue and Value added services.



## 22. Finance Costs

### Explanatory Notes

These are finance costs calculated using effective interest rate on the GSM license renewal fee payable.

Finance Costs		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Unwinding Interest of GSM License Renewal Fee Liability	-	293,496,296
Finance Costs on lease Liability	169,318,689	194,453,790
<b>Total</b>	<b>169,318,689</b>	<b>487,950,086</b>

## 23. Impairment Costs and Reversals

### Accounting Policies

#### Impairment of Non-Financial Assets

Impairment of an item of property plant and equipment is identified by comparing the carrying amount with the recoverable amount. If an individual asset does not generate future cash flows independently of other assets, recoverability is assessed on the basis of cash generating unit (CGU) to which the asset can be allocated.

At each reporting date the Group assesses whether there is any indication that an asset may have been impaired.

Factors that are considered important and which could trigger an impairment review include the following:

- Obsolescence or physical damage;
- Significant changes in technology and regulatory environments;
- Significant changes under performance relative to expected historical or projected future operating results;
- Significant changes in the use of its assets or the strategy for its overall business.

The identification of impairment indicators, the estimation of future cash flows and determination of recoverable amount for assets and cash generating units require significant judgement. If such indication exists, the recoverable amount is determined. The recoverable amount of a CGU is determined at the higher of fair value less cost to sell on disposal and value-in-use. Generally recoverable amount is determined by means of discounted cash flows unless it can be determined on the basis of a market price. Cash flow calculations are supported by past trend and external sources of information and discount rate is used to reflect the risk specific to the asset or CGU.

#### Impairment of Financial Assets

NFRS 9 establishes a three-stage impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition. These three stages then determine the amount of impairment to be recognised as expected credit losses (ECL) (as well as the amount of interest revenue to be recorded) at each reporting date:

- Stage 1:** Credit risk has not increased significantly since initial recognition – recognise 12 months ECL and recognise interest on a gross basis.
- Stage 2:** Credit risk has increased significantly since initial recognition – recognise lifetime ECL and recognise interest on a gross basis.
- Stage 3:** Financial asset is credit impaired (using the criteria currently included in NAS 39 *Financial Instruments: Recognition and Measurement*) – recognise lifetime ECL and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

## Explanatory Notes

### Impairments/ (Reversal of Impairments)

	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
Property Plant and Equipment	57,265,663	(102,429)
Capital Work In Progress	128,970,603	524,275,659
Trade Receivables	(88,213,381)	(274,741,580)
Inventory	5,235,270	(131,496,266)
Loan Investment	(575,607,788)	-
<b>Total</b>	<b>(472,349,634)</b>	<b>117,935,384</b>

## 24. Effects of Changes in Foreign Currency Exchange Rates

### Accounting Policies

Foreign currency transactions are converted into functional currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated into the reporting currency of the Group using the rates prevailing on the reporting date. The resulting gain or loss due to translation is taken as a statement of profit or loss. Non-monetary assets are recorded using the rate of exchange prevalent as on the date of initial recognition and are not subsequently restated.

## Explanatory Notes

### Effects of Changes in Foreign Currency Exchange Rates

	NPR	
Particulars	15 July 2024	16 July 2023 (Restated)
Transaction Gain / (Loss)	30,488,664	601,780,664
Translation Gain / (Loss)	65,193,332	(396,964,258)
<b>Total</b>	<b>95,681,996</b>	<b>204,816,406</b>

## 25. Income Tax

### Accounting Policies

The Group applies NAS 12 for accounting and reporting income taxes. Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

#### Current Tax:

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustment made to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

#### Deferred Tax:

Deferred tax is the tax expected to be payable or recoverable in future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

It is computed using statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets recognised to the extent that is probable that the temporary differences or taxable profit will be available against which deductive temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, based on the level of future taxable profit forecasts and tax planning strategies.



Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

## 25.1. Net Tax Asset / (Liability)

The Group's final income tax assessment has been completed for the Income Year 2018-19 (2075-76). For the remaining financial years, the assets and liabilities have been recognised and carried as under:

Particulars				NPR
Fiscal Year	Tax Liability	Advance Tax Paid	Net Tax Asset/ (Liability)	Cumulative
2019/20	6,271,148,664	6,962,104,678	690,956,014	1,397,453,290
2020/21	4,295,753,360	5,175,225,403	879,472,043	2,276,925,333
2021/22	5,380,142,722	4,769,843,413	(610,299,309)	1,666,626,024
2022/23	4,555,461,469	4,650,440,569	87,797,364	1,754,423,388
2023/24	-	2,323,404,278	2,323,404,278	4,077,827,667

## 25.2. Current Taxes

Current tax payable (or recoverable) is based on the taxable profit for the year and any adjustment made to tax payable in respect of previous years. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's current tax liabilities are calculated using provisions of the Income Tax Act, 2058 (2002 A.D.), Income Tax Rules, Directives and circulars relating thereto as currently applicable in Nepal.

Income Taxes Expense			NPR
Particulars	15 July 2024	16 July 2023 (Restated)	
Provision for Tax			
For current year	-	4,555,461,469	
For prior years	44,921,136	-	
Deferred Tax	4,960,798,216	(774,354,979)	
<b>Total</b>	<b>5,005,719,352</b>	<b>3,781,106,490</b>	

## 25.3. Deferred Taxes

Particulars (FY 2023-24)	Carrying Amount	Tax Base	Temporary Diff
<b>Assets</b>			
Property, Plant & Equipment	25,293,491,385	34,486,452,781	(9,192,961,396)
Land	23,085,052,066	586,900,301	22,498,151,765
Intangible Assets	1,572,717,065	1,656,018,783	(83,301,717)
Carry Forward of Deductible losses	-	(2,851,747,300)	(2,851,747,300)
Loan Investment	14,186,015,028	14,343,796,793	(157,781,765)
Trade Receivable	1,514,949,428	3,099,035,864	(1,584,086,436)
Accruals, Advances and Other Receivables	983,950,227	1,043,232,047	(59,281,820)
Inventory	521,072,182	769,857,389	(248,785,207)
Capital WIP	3,790,036,603	5,169,195,366	(1,379,158,763)
Prepayments and Other Non-Financial Assets	820,680,348	860,874,218	(40,193,870)
Change in fair value of Investment	186,499,300	173,392,000	13,107,300
Investment in Equity	219,034,000	204,436,000	14,598,000
Investment in Associates	1,576,597,257	2,463,341,250	(886,743,993)
Long Term Loan and Advances	852,758,962	946,143,646	(93,384,684)
<b>Liability and Provisions</b>			
Provision for License Fee			-
Defined Benefit Plan Provision	18,187,775,411	-	(18,187,775,411)
Provision for Telecom Allowance	913,125,701	-	(913,125,701)
Provision for Staff Bonus	1,215,457,476	-	(1,215,457,476)



Particulars (FY 2023-24)	Carrying Amount	Tax Base	Temporary Diff
Translation gain/(loss)	-	-	67,518,549
Provision for expenses	252,827,307	-	(252,827,307)
Net of Lease Liability/ROU	313,284,481	-	(313,284,481)
<b>Total</b>			<b>(14,869,776,237)</b>
Tax Rate at		25% & 30%	(4,452,860,452)
Deferred Tax Liability / (Asset) - FY 2022-23 (Restated)			(9,939,005,653)
GSM license fee DTA Adjustment			-
Deferred Tax Expense / (Income) -Normal FY 2023-24			5,486,145,202
Deferred Tax liability / (Asset) 15 July 2024			(4,452,860,452)
Deferred Tax Expense / (Income) - FY 2023-24 P&L			4,960,798,216
Deferred Tax Expense / (Income) - FY 2023-24 OCI			525,346,986

## 25.4. Reconciliation of Profit Reported in the Financial Statements and as Reported to the Tax Return

Particulars	NPR	
	FY 2023-24	FY 2022-23 (Restated)
Profit before tax as per Financial Statement	11,188,328,513	11,676,249,494
Net Adjustments under Income Tax Act	(11,188,328,513)	3,508,622,069
Profit for Tax Purpose	-	15,184,871,563
Income Tax rate (25% & 30%)		
<b>Total For current year</b>	<b>-</b>	<b>4,555,461,469</b>

## 26. Government Grant:

### Accounting Policies

Government Grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

- (a) The entity will comply with the conditions attaching to them; and
- (b) The grants will be received.

Government Grant related to assets, including non-monetary grants at fair value, shall be recognised as deferred income which is recognised in profit or loss on a systematic basis over the useful life of the asset. Grants related to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

### Explanatory Notes

#### Deferred Government Grant

Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Opening Balances	1,533,384,294	861,019,990
Addition during the year	338,595,042	799,825,093
Transfer to Equity during the year	(207,530,735)	(127,460,789)
<b>Closing Balances</b>	<b>1,664,448,601</b>	<b>1,533,384,294</b>



## 27. Assets Held for Sale

### Explanatory Notes

The Group holds dismantled assets, mainly in the nature of maintenance returns and scraps that are in the process to be sold. In addition to the scraps and dismantled assets there are some assets that are already notified for auction sale. These assets have been retired from the books and are represented at zero or Re 1 carrying amount. As per the requirement of NFRS 5 'Non-Current Assets Held for Sale and Discontinued Operation', these are to be valued at fair value less cost of sale.

Considering the significance of such assets, which management feels are low in terms of materiality these have not been recognised in the consolidated financial statements. Furthermore, there are practical difficulties in determining the value of such assets. Management assumes that the impact of such assets in terms of Group's financial position and performance will be negligible.

There is no discontinued operation of the Group.

## 28. Interest in Other Entities

### Accounting Policies

The Group follows NFRS 12 'Disclosure of Interest in Other Entities' for disclosing the extent of the investment, control and influence.

### Explanatory Notes

#### Interest in Other Entities - Percentage of Shareholding

Particulars	FY 2023-24	FY 2022-23
Trishuli Jalvidhyut Company Limited	41.42%	41.42%
Upper Tamakoshi Hydropower Limited	6.00%	6.00%
Vidhyut Utpadan Company Limited	3.21%	3.21%
Nagarik Stock Dealer Company Limited	12.86%	12.86%
	<b>Treatment</b>	<b>Treatment</b>
Nepal Digital Payments Company Limited	Subsidiary	Subsidiary
Trishuli Jalvidhyut Company Limited	Associate	Associate
Upper Tamakoshi Hydropower Limited	Associate	Associate
Nagarik Stock Dealer Company Limited	Associate	Associate
Vidhyut Utpadan Company Limited	Equity Investment	Equity Investment
National Fund Management Limited	Equity Investment	Equity Investment
Sarbottam Cement Limited	Equity Investment	Equity Investment

## 29. Contingencies and Capital Commitments

### 29.1. Contingent Liabilities

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

#### 29.1.1 Tax Related Dispute

##### 29.1.1.1 Appeal for Administrative Review:

The Group's final tax assessment has been completed for the Income Year 2071/72, 2072/73, 2073/74, 2074/75 and 2075/76 and 2076/77. The Group opted to appeal against the Reassessment order regarding Tax Deduction at Source (TDS) and Income Tax and consequently applied for an Administrative Review with the Director General, Inland Revenue Department by depositing respectively and for which the decision was pending.

**Administrative Review**

NPR

Year	Deposited Date	Amount
2071/72	2076.05.23	83,662,881
2072/73	2077.05.23	155,613,123
2073/74	2078.05.16	35,610,870
2074/75	2079.04.26	15,462,584
2075/76	2080.05.06	23,064,641
2076/77	2081.04.28	18,172,340
<b>Total</b>		<b>331,586,439</b>

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would exist against the Group for Income Year 2073/74, 2074/75, 2075/76 and 2076/77 respectively, if the appeal goes against the Group.

NPR

Year	Income Tax	VAT	TDS
2073/74	379,849,277		-
2074/75	164,934,227		-
2075/76	142,240,241		18,239,109
2076/77	35,281,907	11,256,344	8,485,155
<b>Total</b>	<b>722,305,652</b>	<b>11,256,344</b>	<b>26,724,264</b>

**29.1.1.2 Appeal to Revenue Tribunal:**

The Group's final assessment has been completed for the Income Year 2071/72, 2072/73, 2073/74, 2074/75 and 2075/76 and 2076/77 and the final assessment order was duly received. The Group opted to appeal against the Reassessment order regarding Tax Deduction at Source (TDS) and Income Tax and consequently applied for an Administrative Review with the Director General, Inland Revenue Department, Income Year 2071/72 but not decided by the Director General. The Group opted to appeal to the Revenue Tribunal Income Year 2072/73 but not decided by the Director General. The Group opted to appeal but the decision has not yet been received yet.

NPR

Year	Deposited Date	Amount
2071/72	2077.08.23	143,097,864
2072/73	2079.02.23	155,614,000
<b>Total</b>		<b>298,711,864</b>

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would exist against the Group for the income year 2071/72 and 2072/73 if the appeal goes against the Group.

NPR

Year	Income Tax	TDS
2071/72	690,546,872	25,768,640
2072/73	1,367,938,169	6,253,413
<b>Total</b>	<b>2,058,485,041</b>	<b>32,022,053</b>

**29.1.2 Legal Cases**

There were 26 major legal cases against the Group pending in the court of law during the year. Liability, if those are decided against the Group, could not be assessed reliably; management feels that such liability would not be significant requiring quantified disclosure except the matter provided in above note 29.1.1.2 about Tax related dispute.

During the reporting period, legal case regarding the dispute of 21 contract labour on wages basis has been filed pending the decision from supreme court and if these decision goes against the Group, management estimates total liability of NPR 9,608,056.35 would be payable.

**29.1.3 Dispute with Nepal Telecommunications Authority (NTA)**

There is a dispute with NTA regarding the payment of frequency fee from fiscal Year 2063/64 in Frequency Band 2100MHz. The issue is under discussion in the Ministry of Communication and Information technology after the Group filed an appeal for review of the same.



The contingent liability of NPR 1.66 billion for frequency fee and the fine amount up to the date of settlement, if any, would have existed against the Group, if the appeal goes against the Group.

## 29.2. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets such as network infrastructure and IT systems. These amounts are not recorded in the statement of financial position since the Group has not yet received the goods or services from the supplier. The amounts below are the minimum amounts that the Group is committed to pay:

<b>Capital Commitments</b>		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Commitment for Civil Works	88,817,232	574,167,205
Commitment for Procurement of Plant & Equipment	6,200,674,742	5,013,535,133
	<b>6,289,491,974</b>	<b>5,587,702,338</b>

## 30. Related Party Disclosures

### Accounting Policies

The Group follows requirements of NAS 24 *Related Parties* and other legal requirements for disclosures of related party transactions and balances.

### Explanatory Notes

#### 30.1. Identification of Related Party Disclosures

Following has been identified as related parties of the Group:

1. The Government of Nepal - which is the principal owner of the Parent company (please refer Share Capital note 13)
2. Directors of the company
3. Key Management Personnel of the company - all personnel level 11 and above are considered to influence management decision of the company.
4. Relatives of directors and key management personnel
5. Nepal Telecom employee retirement Fund maintained with Citizen Investment Trust (CIT) & Employee Provident Fund (EPF)
6. Nepal Telecom employee retirement Fund earmarked with Nepal Bank Limited, Rastriya Banijya Bank Limited and Agricultural Development Bank Limited and with other bank and Financial Institutions.
7. Trishuli Jal Vidhyut Company Limited
8. Upper Tamakoshi Hydropower Limited.
9. Nagarik Stock Dealer Company Limited.
10. Rastriya Banijya Bank Limited (RBB)

#### 30.2. Transactions with Related Parties

##### 30.2.1 Transaction with Government of Nepal

The parent company has contributed NPR 41,593,307,711 on account of tax and non-tax revenue to government treasury. It also paid NPR 6,587,726,400 dividend on equity share investment.

		NPR
Particulars	15 July 2024	16 July 2023 (Restated)
Advance Tax including withholding tax	1,700,000,000	4,623,350,367
Value Added Tax-Collection Deposited	3,461,087,208	3,460,937,588
Telecom Service Charge- Collection Deposited	3,144,794,737	3,486,508,597
Ownership Fee- Collection Deposited	684,193,353	698,446,608
Custom duty -Paid on import	175,127,300	289,907,695
Royalty and RTDF -Liability Paid	2,158,060,109	2,249,791,180



Particulars	NPR	
	15 July 2024	16 July 2023 (Restated)
Frequency Fee	2,046,595,006	1,621,499,980
Dividend	6,587,726,400	7,169,607,279
Property Tax	58,273,766	69,005,516
License Fee	16,989,500,000	3,367,870,000
Tax Deducted at Source (TDS)	4,587,949,832	1,418,772,575
<b>Total</b>	<b>41,593,307,711</b>	<b>28,455,697,385</b>

Service charges collection for providing telecommunication services to the Government of Nepal has been charged on commercial terms.

Regulatory charges provided to the Nepal Telecommunications Authority (an autonomous regulatory body established by GoN) has been made as per the legal and regulatory requirements.

### 30.2.2 Directors and Key Management Personnel

During the year ended 31 Ashadh, 2081, neither any directors nor any key management personnel or any associate or family member (relative) of the directors and key management personnel was indebted to the Group.

There has been no material transactions or proposed transactions with directors and key management personnel or their relatives and associates except for the compensations and/or remuneration paid under the Group's regulations.

### 30.2.3 Intra- Group Transaction:

The following transactions have been carried out during the current year between the Group on arm's length principle.

Nature of Transactions		NPR
Particulars	Transaction amount	
	Dr.	Cr.
House Rent Expenses		3,600,000
Telephone and Internet Expenses		277,428
Commission for Electricity Payment	1,582,000	
MPOS Purchase		30,953,825
<b>Total</b>	<b>1,582,000</b>	<b>31,231,254</b>
		<b>(651,018)</b>

## 31. Disclosure on Reclassification and Restatement:

Material prior period errors shall be corrected retrospectively either by restating the comparative amounts for the prior period(s) in which the error occurred; or when the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for that period so that the financial statements are presented as if the error had never occurred.

In this respect, the prior period errors are restated retrospectively by restating the opening balances of assets, liabilities and equity of parent company with following effects:

- In FY 2078/79, amortization in Intangible assets (Software) were booked short of NPR 175,456,244. The amount has been adjusted in Opening Retained Earnings on this FY.
- With regards to Measurement of employee loan at Fair value, the amount of NPR 187,402,674 has been adjusted in Opening Retained Earning, while NPR 15,147,215 has been restated in corresponding previous year figure.
- Opening Retained Earnings have been adjusted with NPR 40,867,210 with respect to adjustment in Right-of-Use Assets and Lease Liability. Finance cost of Lease Liability by NPR 14,627,464 and Amortization Cost of ROU assets by NPR 96,926,044 has been restated in previous year.
- As a result of restatement and reclassification of above-mentioned amount, amount of NPR 124,612,693 has been adjusted in Deferred Tax Reserve and Deferred Tax Assets.



## 32. Event Occurring After Reporting Period

Except for the under-stated post reporting period event there are no material events that has occurred subsequent to Ashadh 31, 2081 till the signing of this financial statements on Mangsir 30, 2081.

## 33. Prior Period Adjustments and Exceptional Items

Previously reported financial statements and financial statements for the current financial year as reported has been restated in compliance with the requirements of NFRS.

The following adjustments are made for the identified omissions and misstatements for the financial year 2023-24 as per the provision of NAS 8. Net prior period amount of NPR 147,109 has been adjusted to the identified financial year. In case where such identification could not be made, adjustment has been made in the opening equity.

S.N.	Particulars	NPR	
		Expenditure	Income
1	Operating Income		56,865
2	Operating Expenses	203,974	
	<b>Total</b>	<b>203,974</b>	<b>56,865</b>
	<b>Net Effect</b>		<b>147,109</b>

Exceptional items wherever they occur are disclosed separately.

## 34. Other Disclosures

### 34.1. Exchange rates used

Exchange Rates	15 July 2024	16 July 2023 (Restated)
USD: NPR	133.36	131.17
EURO: NPR	145.46	147.19
GBP: NPR	173.29	171.95

### 34.2. The figures for the previous period have been regrouped/rearranged wherever necessary to make them comparable with the current period's figures.

As Per Our Report of Even Date

**Radhika Aryal**  
Chairperson

**Sangita Pahadee (Aryal)**  
Managing Director

**Dhani Ram Sharma**  
Director

**CA. Mahesh Kumar Guragain**  
M.G.S. & Associates  
Chartered Accountants

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

**Komal Bahadur Khatri**  
Director

**Kosha Hari Niraula**  
Director

**Manish Jung Joshi**  
Director

**Rajendra Aryal**  
Chief Financial Officer

**CA. Nirjal Shrestha**  
Manager

Date: 15 December 2024  
Place: Kathmandu



# Milestones

Year	Nepal Telecom Milestones	Year	Nepal Telecom Milestones
1913	Establishment of First Telephone Line in Kathmandu	2005	Access Network Services Introduced
1914	Establishment of Open Wire Trunk Link from Kathmandu to Raxaul (India)	2005	Outsourcing of PSTN Telephone Inquiry Service (197)
1935	Installation of 25 Lines Automatic Exchange in Royal Palace	2005	FIN PSTN Credit Limit PCL Service Launched
1936	Installation of Open Wire Trunk Line from Kathmandu to Dhankuta	2006	FIN Nepal Direct Home Country Direct (HCD Service) Launched
1950	Establishment of Telegram Service	2006	Introduction of IVR 190 Service for PSTN Fault Complaint in Kathmandu Valley
1950	Introduction of High Frequency Radio System (AM)	2006	CDMA Limited Services in Kathmandu Valley
1950	Establishment of CB Telephone Exchange (100 lines) in Kathmandu	2006	10+2 Results Published via IVR 1601 Service
1951	Installation of Open Wire Trunk Line from Kathmandu to Palpa	2006	PSTN Voice Mail Service (VMS) Launched
1955	Distribution of Telephone Line to General Public	2007	National Roaming for CDMA Mobile (SkyPhone) Started
1962	First Public Telephone Exchange In Kathmandu (300 lines CB)	2007	Expansion of Internet Bandwidth via Optical Link between Nepal & India
1964	Beginning of International Telecommunications Service using HF Radio to India and Pakistan	2007	PSTN Bill Inquiry Service Started via 1606 IVR Service
1965	First Automatic Exchange in Nepal (1000 lines in Kathmandu)	2007	VOIP Call Complaint Registration Started via 188 IVR Service
1971	Introduction of Telex Service	2007	GPRS, 3G and CRBT Services Introduced in GSM Mobile
1974	Microwave Transmission Links Establishment for Internal Trunk	2008	Broadband ADSL Service Launched
1982	Establishment of Standard "B" Type Earth Station for International Circuits	2008	IVR Service 1607 Started for GSM and CDMA PUK Inquiry
1982	Establishment of SPC Telex Exchange	2008	IVR 198 Service Extended for ADSL Fault Complaint Registration
1983	Establishment of Digital Telephone Exchange	2008	PSTN VMS - Notice Board Service
1984	Commencement of STD Service	2009	IVR 198 Service Extended Outside KTM Valley
1984	Rural Telecom Service (JICA) Started	2009	IVR 1606 Service Extended Outside Kathmandu Valley
1987	Commencement of ISD Service	2009	SMS Service from GSM to CDMA Mobile Started
1995	Installation of Optical Fiber Network	2009	Postpaid CDMA Mobile Service Started
1996	Conversion of all Transmission Link to Digital Transmission Link	2010	EasyPhone (SoftPhone) SIP PCC Service Launched
1996	Automation of the Entire Telephone Network	2010	All 3915 VDCs Served by Nepal Telecom's Services
1996	Independent International Gateway Exchange Established	2010	Volume Based ADSL Service Launched
1996	Introduction of VSAT Services	2011	EasyPhone (SoftPhone) SIP PPP Service Launched
1997	Digital Link with D.O.T. India through Optical Fiber in Birgunj - Raxaul	2011	GSM 3G Data Card Service Introduced
1998	Direct Link with Bangladesh Established	2011	First International Carrier Partner's Meet Organized by NT
1999	Launching of GSM Mobile Postpaid Service	2012	WiMAX 4G Service Launched
2000	Implementation of SDH Microwave Radio	2012	IP-CDMA System Commissioned
2000	Launching of Internet Service	2012	Convergent Real Time Billing and Customer Support System Launched
2001	Launching of Payphone Service	2013	IP-Based Wireline Network (NGN) Service Launched
2001	International Roaming Service Started in GSM Mobile	2014	Wi-Fi Hotspot, NT Official Mobile App
2002	East West Highway Optical Fiber Project Started	2015	FTTH Service Launched
2003	GSM NAMASTE Prepaid Service Launched	2015	Social Site 'Meet' Launched
2004	Establishment of NEPAL TELECOM (Transformation from Corporation to Nepal Doorsanchar Company Limited)	2016	NT PRO Service Launched
2004	FIN EasyCall Pre-paid Calling Card Service (PCC Services) Launched	2017	4G/LTE Service Launched
2004	SLC Results Published Through 1600 IVR Service	2018	Operation of Optical Fiber Link between Kerung Border of Nepal and China
2005	FIN Advanced FreePhone Service (AFS) Launched	2019	4G/LTE Service Extended in all Provinces
2005	Soft Launch of CDMA	2020	4G/LTE Service Extended in 77 Districts
		2021	NTTV Service Launched
		2022	Commercial launch of VoLTE & ViLTE Service





# NEPAL TELECOM

RASTRAKO SANCHAR

**Nepal Doorsanchar Company Limited**  
Central Office, Bhadrakaliplaza, Kathmandu

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