Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Consolidated Statement of Financial Position

As at Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Notes	Current Year Ashadh 31, 2080	Previous Year Ashadh 32, 2079
Assets			
Non- Current Assets			
Intangible Assets	1	1,931,658,885	2,013,555,725
Property, Plant and Equipment	3	50,924,903,680	51,652,526,202
Right of Use(ROU) Assets	7	1,778,926,785	2,350,871,626
Capital Work-in-Progress	4	5,437,639,379	5,993,833,411
Long Term Loan and Advances	9.1.3.1	985,309,311	1,183,671,038
Investment in Associates	5	1,216,622,026	1,549,166,381
Investment in Subsidiary	6	-	-
Financial Assets	9	-	-
Equity Investments	9.1.1	190,000,000	130,000,000
Term Deposits and Investments in Debenture	9.1.5	3,612,229,000	2,854,212,000
Loan Investments	9.1.6	13,787,131,386	13,934,401,507
Employee Loan	9.1.2	3,718,032,284	3,563,575,599
Deferred Tax Asset	25	9,814,392,961	8,319,735,525
Contract Cost Assets	2	390,558,232	413,762,897
Total Non-Current Assets		93,787,403,930	93,959,311,911
Current Assets			
Inventory	6	707,915,993	171,442,125
Prepayments & Non-Financial Assets	8	2,120,327,713	2,164,844,859
Current Tax Assets (Net)	25	1,754,423,388	1,666,626,024
Financial Assets			
Employee Loan	9.1.2	75,948,918	48,929,431
Accruals, Advance & Others Receivables	9.1.3	782,416,484	312,302,999
Trade & Other Receivable	9.1.4	2,088,865,056	2,321,071,949
Investment in Term Deposits, Debenture and Mutual Fund	9.1.5	53,180,730,000	52,609,700,000
Cash & Cash Equivalents	9.1.7	5,423,157,591	5,679,805,614
Total Current Assets		66,133,785,143	64,974,723,000
Total Assets		159,921,189,073	158,934,034,912
Equity and Liabilities			
Equity			
Share Capital	13	18,000,000,000	18,000,000,000
Reserve and Surplus	14	75,891,071,098	77,247,217,400
Total Equity attributable to Equityholders		93,891,071,098	95,247,217,400
Non Controlling Interest		118,362,937	138,467,562
Total Equity		94,009,434,035	95,385,684,962
Non-Current Liabilities			
Post Employment Benefits	12	22,810,645,353	19,873,644,872
Deferred Government Grant	26	1,533,384,294	861,019,590
Financial Liabilities		-	-
Subscriber Deposits	9.2.1	58,727,124	62,588,773
Lease Liability	7	1,506,399,014	2,228,248,150
GSM License Renewal Fee Liability	9.2.2	-	-
Total Non-Current Liabilities		25,909,155,785	23,025,701,885
Current Liabilities and Provisions			
Current Tax Liabilities (Net)			
Financial Liabilities			
Lease Liability	7	441,760,875	260,613,435
Current Liabilities	9.2.4	13,054,728,886	14,396,576,453
Trade Payable	9.2.3	2,665,500,864	1,957,828,024
GSM License Renewal Fee Liability	9.2.2	-	3,668,703,704
Provisions	10	16,764,417,190	12,723,287,671
Non-Financial Liabilities	8	7,076,191,438	7,515,638,779
Total Current Liabilities and Provisions		40,002,599,253	40,522,648,065
Total Equity and Liabilities		159,921,189,073	158,934,034,912

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

As per our report of even date

Krishna Bahadur Raut
Chairman

Sangita Pahadee (Aryal)
Officiating Managing Director

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

CA. Peeyush Anand
P. Anand & Associates
Chartered Accountants

Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA.Nirjal Shrestha
Manager

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Consolidated Statement of Profit or Loss

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Notes	Current Year FY 2079-80	Previous Year FY 2078-79
Revenue from contract with customers	15	36,283,431,436	37,926,236,876
Finance Income	16	7,808,804,407	5,934,745,468
Other Income	17	369,422,256	542,722,200
Total Income		**44,461,658,100**	**44,403,704,543**
Employee Benefit Expenses	12.1	(7,968,266,841)	(7,379,235,131)
Service Operation and Maintenance Costs	18	(7,643,771,534)	(7,065,378,470)
Sales Channel, Marketing and Promotion Costs	19	(292,766,849)	(269,815,063)
Office Operation Expenses	20	(1,324,961,213)	(1,131,021,094)
Regulatory Fees, Charges and Renewals	21	(7,776,218,515)	(7,905,244,772)
Foreign Exchange (Loss)/Gain	22	204,816,406	337,314,071
Shares of results of Associates	5	(342,661,132)	(180,894,309)
Earning Before Interest ,Tax, Depreciation, Amortisation (EBITDA)		19,317,828,422	20,809,429,775
Finance Cost	22	(473,322,622)	(770,938,324)
Depreciation	3	(5,983,868,079)	(5,627,236,751)
Amortisation	2	(970,046,547)	(1,166,893,001)
Impairments - net of reversals	23	(117,935,384)	(223,422,359)
Profit Before Tax		11,772,655,790	13,020,939,341
Income Tax Expenses			
Current Income Tax	25.2	(4,555,461,469)	(5,380,142,722)
Deferred Taxes	25.3	649,742,286	796,679,736
Profit For the Period		7,866,936,606	8,437,476,354
Earnings Per Share (Basic)			
Earnings Per Share (Diluted)			
Net Profit attributable to:			
Equity holders of the company		7,887,041,230	8,450,040,319
Non-controlling interest		(20,104,625)	(12,563,965)
Profit For the Period		7,866,936,605	8,437,476,354

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

As per our report of even date

Krishna Bahadur Raut Chairman	Sangita Pahadee (Aryal) Officiating Managing Director	CA. Mahesh Kumar Guragain M.G.S. & Associates Chartered Accountants	CA. Peeyush Anand P. Anand & Associates Chartered Accountants
Koshal Chandra Subedi Director	Dr. Tokraj Pandey Director	Baburam Bhandari Director	Ambika Prasad Paudel Director
Shankar Lamichhane Director	Rajendra Shrestha Chief Financial Officer	CA.Nirjal Shrestha Manager	

Date : 28th Mangsir, 2080
Place :Kathmandu

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Consolidated Statement of Cash Flows

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Current Year FY 2079-80	Previous Year FY 2078-79
Cash Flow from Operating Activities	-	-
Net Profit for the Year	7,866,936,605	8,437,476,354
Adjustments	-	-
Income Tax expense recognised in profit or loss	4,555,461,469	5,380,142,722
Deferred Tax expense recognised in profit or loss	(649,742,286)	(796,679,736)
Depreciation	5,983,868,079	5,627,236,751
Finance Income	(7,658,827,768)	(5,741,496,607)
Impairment Loss/(Reversal of Impairment Loss)	117,935,384	223,422,359
Finance Costs	653,148,948	953,240,316
Actuarial (Gain)/Loss	(2,824,959,360)	(2,410,366,473)
Amortization	970,046,547	1,166,893,001
Equity loss on Associates	342,661,132	180,894,309
Unrealised (Gain)/Loss on Cash and Cash equivalents	-	-
Movements in Working Capital	-	-
Decrease/(Increase) in Inventory	(404,977,601)	387,016,830
(Increase)/Decrease in Prepayments & Other Non-Financial Assets	49,383,872	(423,948,225)
(Increase)/Decrease in Employee Loan	(181,476,173)	430,801,433
(Increase)/Decrease in Accruals, Advance & Others Receivables	(478,092,111)	97,921,467
(Increase)/Decrease in Trade Receivables	508,427,473	(16,618,847)
(Increase)/Decrease in Deferred Taxes	-	-
(Increase)/Decrease in Contract cost assets	(176,178,215)	(203,399,427)
Increase /(Decrease) in Non-Current Liability	3,605,303,036	(2,442,750,189)
Increase /(Decrease) in Provisions	4,041,129,519	4,000,000,000
Increase /(Decrease) in Current Liability	(5,705,915,148)	(220,230,917)
Increase /(Decrease) in Trade Payable	713,583,628	358,611,893
Increase /(Decrease) in Lease Liability	(540,701,697)	2,488,861,585
Increase /(Decrease) in Other Non-Financial Liabilities	(439,285,701)	(124,577,706)
NFRS Adjustments	8,575,527	(8,611,702)
Previous Year Adjustments	(71,718,851)	4,452,862
Income Taxes Paid	(4,643,258,834)	(4,766,765,541)
Total Adjustments	**(2,225,609,131)**	**4,144,050,159**
Net Cash flow from Operating Activities (A)	**5,641,327,474**	**12,581,526,513**
Cash Flow from Investing Activities	-	-
Internet License Fee Renewal	-	-
Acquisition of Intangible Assets	(404,083,160)	(86,429,440)
Acquisition of Property, Plant and Equipment	(5,256,943,126)	(6,952,090,825)
Decrease/ (Increase) in ROU Assets	288,061,174	(2,713,476,384)
Decrease/ (Increase) in Capital Work in Progress	31,918,372	2,306,791,808
Decrease/ (Increase) in long term loan and Advances	198,361,727	786,047,666
Decrease/ (Increase) in Investment	(1,251,893,656)	(13,724,431,850)
Income from Investment & Bank Deposit	7,658,827,768	5,741,496,607
Adjustment in Retained Earning	-	-
Investment in Subsidiary company	-	-
Net Cash Flow from Investing Activities (B)	**1,264,249,099**	**(14,642,092,418)**
Cash Flow from Financing Activities	-	-
Proceeds from issuance of shares from non-controlling interest	-	-
Increase in Capital	-	-
Dividend Paid	(7,166,110,575)	(2,999,548,898)
Net Cash Flow from Financing Activities (C)	**(7,166,110,575)**	**(2,999,548,898)**
Net Increase in Cash & Cash Equivalents (A+B+C)	**(260,534,002)**	**(5,060,114,803)**
Effect of exchange rate fluctuations on Cash and Cash equivalents	3,885,980	8,992,964
Cash & Cash Equivalents at Beginning of the Period	5,679,805,614	10,730,927,453
Cash & Cash Equivalents at the End of the Period	**5,423,157,591**	**5,679,805,614**

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

As per our report of even date

Krishna Bahadur Raut
Chairman

Sangita Pahadee (Aryal)
Officiating Managing

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

CA. Peeyush Anand
P. Anand & Associates
Chartered Accountants

Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA.Nirjal Shrestha
Manager

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Consolidated Statement of Other Comprehensive Income

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Notes	Current Year FY 2079-80	Previous Year FY 2078-79
Profit for the Period		7,866,936,606	8,437,476,354
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		2,332,373,532
Investments in Equity Instruments (FV changes)			
Remeasurements of defined retirement benefit plans of employees	12.2	(2,824,959,360)	(2,410,366,473)
Shares of Other Comprehensive Income of Associates	5	8,575,527	(8,611,702)
Income Taxes relating to items that will not be reclassified	25.3	844,915,150	25,981,393
Total Comprehensive Income for the Period		5,895,467,923	8,376,853,105
Total Comprehensive Income attributable to:			
Equity holders of the company		5,915,572,548	8,389,417,070
Non-controlling interest		(20,104,625)	(12,563,965)
Total Comprehensive Income for the Period	-	5,895,467,923	8,376,853,105

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

As per our report of even date

Krishna Bahadur Raut
Chairman

Sangita Pahadee (Aryal)
Officiating Managing Director

CA. Mahesh Kumar Guragain
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Koshal Chandra Subedi
Director

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Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA.Nirjal Shrestha
Manager

Date : 28th Mangsir, 2080
Place :Kathmandu

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Consolidated Statement of Changes in Equity

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars (FY 2078-79)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Non Controlling Interest	Total
Balance as on Shrawan 1, 2078	15,000,000,000	46,102,839,987	7,497,703,394	-	21,252,804,087	151,031,527	90,004,378,995
Previous Period Adjustment		-	-	-	-	-	-
Prior Period Income		329,989	-	-	-	-	329,989
Prior Period Expenses		(743,347)	-	-	-	-	(743,347)
Prior Period Accounting Adjustment		-	-	-	-	-	-
Adjustment of Stock		4,866,220	-	-	-	-	4,866,220
		-	-	-	-	-	-
Restated Opening Balance	15,000,000,000	46,107,292,849	7,497,703,394	-	21,252,804,087	151,031,527	90,008,831,857
Profit for the year	-	8,389,417,070	-	-	-	(12,563,965)	8,376,853,105
Share of non controlling interest							-
Dividend to equity shareholder	-	(3,000,000,000)	-	-	-		(3,000,000,000)
Bonus share to equity shareholder	3,000,000,000	(3,000,000,000)	-	-	-	-	-
Transfer from Revaluation Reserve	-	26,223,485	-	-	(26,223,485)		-
Transfer to Revaluation Reserve	-	(2,332,373,532)	-	-	2,332,373,532		-
Transfer To Deferred Tax Reserve	-	(813,230,795)	813,230,795	-	-		-
Balance as on Ashadh 32, 2079	18,000,000,000	45,377,329,077	8,310,934,189	-	23,558,954,134	138,467,562	95,385,684,962

NPR

Particulars (FY 2079-80)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Non Controlling Interest	Total
Balance as on Shrawan 1, 2079	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		(8,466,633)	-	-	-	-	(8,466,633)
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
Restated Opening Balance	18,000,000,000	45,305,610,226	8,310,934,189	-	23,558,954,134	138,467,562	95,313,966,111
Profit for the year	-	5,915,572,548	-	-	-	(20,104,625)	5,895,467,923
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)		0
Transfer to Revaluation Reserve	-	-	-	-	-		-
Transfer To Deferred Tax Reserve	-	(1,477,969,669)	1,477,969,669	-	-		-
Balance as on Ashadh 31 2080	18,000,000,000	42,592,506,534	9,788,903,858	-	23,509,660,706	118,362,937	94,009,434,035

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

As per our report of even date

Krishna Bahadur Raut
Chairman

Sangita Pahadee (Aryal)
Officiating Managing Director

Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

CA. Mahesh Kumar Guragain
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Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA.Nirjal Shrestha
Manager

Date : 28th Mangsir, 2080
Place :Kathmandu

i. Background

The Consolidated Financial Statements comprise financial statements of Nepal Doorsanchar Company Limited ("the Parent company") and its subsidiaries "Nepal Digital Payments Company Limited (NDPC)" (hereinafter jointly referred to as "the Group") for the year ended 31st Ashadh, 2080.

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 subsidiaries.

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, fair value measurement of financial assets and liabilities.

The 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 Mangsir 28, 2080 (14th December, 2023).

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 subsidiaries as at 31st Ashadh, 2080. 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:

a) 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.

b) 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.

c) 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 intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

d) 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 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 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 Consolidated 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 Parent Company is a lessor. As per NFRS 16, the parent company as a lessee recognises a right to use of asset and liability for future payments arising from a lease contract. NFRS 16 is implemented from the Financial year 2078-79, therefore the date of initial application for this purpose is 1st Shrawan,2078 (16 July 2021).

xii. Reporting Dates

Particulars	Nepalese Calendar Date / Period	Gregorian Calendar Date / Period
Comparative SoFP* Date	32 Ashadh 2079	16 July 2022
Comparative reporting period	1 Shrawan 2078 - 32 Ashadh 2079	16 July 2021 - 16 July 2022
NFRS SoFP* Date	31 Ashadh 2080	16 July 2023
NFRS reporting period	1 Shrawan 2079 - 31 Ashadh 2080	17 July 2022 - 16 July 2023

** 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

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 acquisition 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	**Ashadh 31, 2080**	**Ashadh 32, 2079**
Opening Balance	**2,013,555,725**	**2,567,267,291**
Additions during the year	404,883,160	86,429,440
Amortization During the Year	(486,780,000)	(640,141,006)
Total	**1,931,658,885**	**2,013,555,725**

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 if 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.

NPR

Contract Cost Assets		
	Ashadh 31, 2080	**Ashadh 32, 2079**
Opening Balance	413,762,897	374,510,707
Additions during the year	176,178,215	203,399,427
Amortization during the year	(199,382,880)	(164,147,237)
Closing Balance	**390,558,232**	**413,762,897**

3. Property, Plant and Equipment (PPE)

Accounting Policies

Property, plant and equipment are stated in the Consolidated 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. Property, plant and equipment are recognised as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the Group ; and the cost of the item can be measured reliably.

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.

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.

Plant and Machinery 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 49,293,428 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 32 Ashadh, 2079 are as below:

NPR

	Land	Building	Total
Balance As on Ashadh 32, 2079	22,433,646,056	1,125,308,079	23,558,954,134
Upward Revaluation During the Period	-	-	-
Downward Revaluation During the Period	-	-	-
Transfer from Revaluation reserve to Retained Earning		(49,293,428)	(49,293,428)
Balance As on Ashadh 31, 2080	22,433,646,056	1,076,014,651	23,509,660,706

NPR

Description	LAND	BUILDINGS	PLANT & MACHINERY	HEATING, LIGHTING & AIR-CONDITION	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	Total
Cost (NPR)								
adh 32, 2079	23,080,103,001	4,279,822,415	74,443,850,380	520,458,265	434,037,913	1,885,243,571	979,801,080	**105,623,316,625**
ent of prior period Capitalization	-		-	-	-	-	-	-
on Adjustment	-	-	-	-	-	-	-	-
adh 32, 2079	**23,080,103,001**	**4,279,822,415**	**74,443,850,380**	**520,458,265**	**434,037,913**	**1,885,243,571**	**979,801,080**	**105,623,316,625**
During the Year	4,949,065	98,399,597	4,810,235,324	56,948,164	25,774,198	143,146,747	125,767,106	**5,265,220,201**
during the year	-	-	-	-	-	(4,488,953.03)	-	**(4,488,953)**
Adjustment	-			-	-	-	-	**(404,083,160)**
on Adjustment	-	- 762,829,507	-	-	-	-	-	(762,829,507)
adh 31, 2080	**23,085,052,066**	**3,615,392,505**	**79,254,085,704**	**577,406,429**	**459,812,111**	**2,023,901,365**	**1,105,568,186**	**110,121,218,366**
cion and Impairment (NPR)								
adh 31, 2078		1,509,261,946	48,440,791,022	387,823,182	374,944,976	1,695,572,819	820,217,565	**53,228,611,510**
nt of depreciation up to previous year	-	(1,588,290)	1,549,065	40,036	(10,627)	52,735	(34,990)	**7,928**
nt of prior period Capitalization	-	-	742,178,913	-	-	-	-	**742,178,913**
nt of Impairment loss (write back) up to year	-	-	-	-	-	-	-	-
Year depreciation	-	128,577,161	5,674,499,543	52,111,581	20,883,833	68,855,691	38,940,271	5,983,868,079
djiustment						(3,988,640)		(3,988,640)
Year Impairment loss/ (write back)		-	-	-	28,728	-	-	28,728
ack on disposals	-	-	-	-				
on adjustment	-	(754,391,833)	-	-	-	-	-	(754,391,833)
dh 31, 2080	-	**881,858,984**	**54,859,018,542**	**439,974,799**	**395,846,909**	**1,760,492,605**	**859,122,846**	**59,196,314,685**
dh 31, 2080	**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**
dh 32, 2079	23,080,103,001	2,770,560,469	25,260,880,445	132,635,083	59,092,937	189,670,752	159,583,515	51,652,526,202

Kathmandu

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

NPR

Capital Work in Progress	Capital Works	Capital Inventory under installation	Total
CWIP Balance as Ashadh 32, 2079	**379,890,432**	**6,337,525,480**	**6,717,415,912**
Net Addition / (Net Transfer) for 2079-80	99,191,688	(131,110,061)	(31,918,372)
CWIP Balance as at Ashadh 31,2080	**479,082,120**	**6,206,415,419**	**6,685,497,540**
Accumulated Impairment as at Ashadh 32, 2079	**54,587,061**	**668,995,440**	**723,582,501**
Impairment for FY 2079-80	(29,888,859)	554,164,518	524,275,659
Accumulated Impairment as at Ashadh 31, 2080	**24,698,202**	**1,223,159,958**	**1,247,858,160**
Net Balance as at Ashadh 31, 2080	**454,383,918**	**4,983,255,461**	**5,437,639,379**
Net Balance as at Ashadh 32, 2079	**325,303,371**	**5,668,530,040**	**5,993,833,411**

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.

NPR

	Ashadh 31, 2080	Ashadh 32, 2079
Investment in Trishuli Jal Vidhyut Company Ltd		
At cost	741,000,000	741,000,000
Equity adjustment	(83,606,843)	(78,725,533)
Investment in Upper Tamakoshi Hydropower Ltd.		
At cost	635,400,000	635,400,000
Equity adjustment	(445,166,276)	(164,832,323)
Investment in Nagarik Stock Dealer Company Ltd.		
At cost	451,541,250	450,000,000
Equity adjustment	(82,546,106)	(33,675,764)
	-	-
TOTAL	1,216,622,026	1,549,166,381

Associates share Income/(Expense)	**(334,085,605)**	**(189,506,011)**
Associates share Income/(Expense) to OCI	(342,661,132)	(180,894,309)
Associates share Income/(Expense) to PL	8,575,527	(8,611,702)

The Group 's share in changes in the Other Comprehensive Income of Nagarik Stock Dealer amounting to NPR 8,575,527 has been adjusted in Other Comprehensive Income.

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 capitalisation.

NPR

Inventory	Ashadh 31, 2080	Ashadh 32, 2079
Gross Inventory		
Telephone sets, Drop Wire & Accessories	282,002,297	179,276,526
Cash Cards and Top up Balance for resale purpose	116,051,208	72,363,490
Spares and other Inventories	553,412,425	294,848,313
	951,465,930	**546,488,329**
Allowance Adjustments		
Telephone sets, Drop Wire & Accessories	52,833,094	92,762,150
Cash Cards and Top up Balance for resale purpose	2,326,958	25,330,868
Spares and other Inventories	188,389,885	256,953,186
	243,549,937	**375,046,203**
Inventory net of allowances		
Telephone sets, Drop Wire & Accessories	229,169,203	86,514,376
Cash Cards and Top up Balance for resale purpose	113,724,250	47,032,622
Spares and other Inventories	365,022,540	37,895,127
Total	**707,915,993**	**171,442,125**

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 has determined the incremental borrowing rates of 8% for lease whose inception period is from the date of initial application and 10% for the lease that starts after the inception date based on considerations specific to the leases by taking into account the risk free borrowing rates as adjusted for country / Group specific risk premiums.

NPR

Right of Use Assets	Land and Building	Network Infrastructure	Other	Total
As on Shrawan 1, 2079	2,713,476,384			2,713,476,384
Adjustments	(316,085,193)			-
Addition during the period	28,024,019			28,024,019
Total Value of Assets as on 31 Ashadh 2080	**2,425,415,210**	-	-	**2,425,415,210**
Opening Amortisation As on 1 Shrawan 2079	362,604,758			362,604,758
Amortisation Charged for the year	283,883,667			283,883,667
Transfer to assets held for sale				-
Other Movement				-
Total Amortisation as on 31st Ashadh 2080	**646,488,425**			**646,488,425**
Net Balance as on 31 Ashadh, 2080	**1,778,926,785**	-	-	**1,778,926,785**

Lease Liability	Ashadh 31, 2080	Ashadh 32, 2079
Current	441,760,875	260,613,435
Non-Current	1,506,399,014	2,228,248,150
Closing Balance As at 31 Ashadh, 2080	**1,948,159,888**	**2,488,861,585**

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

NPR

Prepayments, Non-Financial Assets	Ashadh 31, 2080	Ashadh 32, 2079
Prepaid expenses	72,689,938	70,950,555
Less: Provision for possible losses	(1,355,994)	(1,355,994)
Other Non-Financial Assets	345,888,859	164,324,389
Less: Provision for possible losses	(38,837,876)	(38,837,876)
Deferred Employee Expenses	1,741,942,786	1,969,763,785
Total	**2,120,327,713**	**2,164,844,859**

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 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

NPR

Other Non-Financial Liabilities		
	Ashadh 31, 2080	Ashadh 32, 2079
VAT Payable	45,776,917	138,745,184
TDS payable	8,598,619	6,483,651
Other Fee Collection Payable	290,033,182	482,565,294
Royalty and Contribution to RTDF Payable	2,158,060,109	2,249,791,180
Advance from Subscribers	1,338,165,565	1,075,079,899
Unearned Cash Card Sales	934,012,181	897,858,528
Telecom Allowance Payable	990,643,689	1,264,028,657
Employee Bonus Payable	1,310,901,176	1,401,086,386
Total	**7,076,191,438**	**7,515,638,779**

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
  - i. through other comprehensive income, or
  - ii. 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 it's entirely, 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 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 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:

NPR

Financial Assets (FY 2079-80)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments			190,000,000		190,000,000
Employee Loan	3,793,981,202				3,793,981,202
Accruals, Advance & Others Receivables	782,416,484				782,416,484
Trade & Other Receivable				2,088,865,056	2,088,865,056
Investments in Term Deposits , Debenture and mutual fund				56,920,949,000	56,920,949,000
Loan Investments				13,787,131,386	13,934,401,507
Cash & Cash Equivalents	5,423,157,591				5,423,157,591
Total	**9,999,555,277**	**-**	**190,000,000**	**72,796,945,442**	**83,133,770,840**

Financial Assets (FY 2078-79)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments			130,000,000		130,000,000
Employee Loan	3,612,505,030				3,612,505,030
Accruals, Advance & Others Receivables	312,302,999				312,302,999
Trade & Other Receivable				**2,321,071,949**	**2,321,071,949**
Term Deposits and Investments in Debenture				55,463,912,000	55,463,912,000
Loan Investments				13,934,401,507	13,934,401,507
Cash & Cash Equivalents	5,679,805,614				5,679,805,614
Total	**9,604,613,643**	**-**	**130,000,000**	**71,719,385,456**	**81,453,999,099**

9.1.1 Equity Investments:

Accounting Policies

Equity investments are accounted for at fair value in accordance with NFRS 9 '*Financial Instruments.*' These investments are measured at fair value through other comprehensive income as the Group does not intend to hold these instruments for trading purpose.

NPR

Equity Investments	Ashadh 31, 2080	Ashadh 32, 2079
Vidhyut Utpadan Company Ltd.	130,000,000	130,000,000
Total	**130,000,000**	**130,000,000**

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 19 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. 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
	Ashadh 31, 2080	Ashadh 32, 2079
Gross Disbursement and Outstanding	5,530,200,019	5,559,989,995
Fair Value adjustment	(1,736,218,817)	(1,947,484,965)
Total Employee Loan at Fair Value	**3,793,981,202**	**3,612,505,030**
Employee Loan - Current Portion	75,948,918	48,929,431
Employee Loan - Non-Current Portion	3,718,032,284	3,563,575,599
Total Employee Loan at Fair Value	**3,793,981,202**	**3,612,505,030**

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		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Interest Accrued	704,553,098	210,574,697
Less: Provision of possible losses	-	-
Advance to and Claims Against Others	129,478,783	131,264,531
Less: Provision for possible losses	(59,183,104)	(59,183,104)
Advance to and Claims Against Employees	7,666,423	29,745,591
Less: Provision for possible losses	(98,716)	(98,716)
Total	**782,416,484**	**312,302,999**

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

	Ashadh 31, 2080	Ashadh 32, 2079
Opening Balance	1,277,055,722	2,063,103,388
Prior Year Adjustment	-	-
	1,277,055,722	2,063,103,388
Net Addition / (Net Transfer) for 2078-79	(198,361,727)	(786,047,666)
Closing Balance	**1,078,693,995**	**1,277,055,722**
	-	-
Opening Accumulated Impairment	93,384,684	93,384,684
Impairment for FY 2078-79	-	-
Closing Accumulated Impairment	**93,384,684**	**93,384,684**
	-	-
Net Balance	**985,309,311**	**1,183,671,038**

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 market recession, 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 economic market activity,. Should the macroeconomic assumptions change in the future, it could have a material impact on our allowance for Expected Credit Loss in the subsequent years.

Trade Receivables		**NPR**
	Ashadh 31, 2080	**Ashadh 32, 2079**
Gross Trade & Other Receivable		
Wireless	551,995,253	905,086,160

Fixed Line	1,154,998,731	1,606,456,673
International Inter- connection	1,479,613,000	1,283,826,859
Domestic Inter- connection	419,671,108	315,275,337
Contract Assets	156,228,780	158,810,318
	3,762,506,873	**4,269,455,346**
Expected Credit Loss		
Wireless	340,653,844	473,373,991
Fixed Line	784,744,724	891,452,232
International Inter- connection	193,096,295	198,490,632
Domestic Inter- connection	269,221,125	315,128,116
Contract Assets	85,925,829	69,938,426
Total	**1,673,641,817**	**1,948,383,397**
Trade Receivables net of impairment		
Wireless	211,341,409.43	431,712,168.34
Fixed Line	370,254,006.98	715,004,441.30
International Inter- connection	1,286,516,705.10	1,085,336,226.63
Domestic Inter- connection	150,449,983.32	147,220.77
Contract Assets	70,302,951.00	88,871,891.51
Total	**2,088,865,056**	**2,321,071,949**

9.1.5 Investments in Term Deposits, Debenture and Mutual Fund

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

NPR

Term Deposits and Investments in Debenture:		
	Ashadh 31, 2080	**Ashadh 32, 2079**
Government and Corporate Debenture		
Investment in Debentures of class 'A' Bank	**3,754,239,000**	3,178,212,000
Investment in Mutual Fund	130,000,000	-
Change in Fair Value of Investment	(2,010,000)	-
Net investment in Mutual Fund	**127,990,000**	-
Term Deposits with Commercial Banks		
in Foreign Currency (US$)	9,050,730,000	8,925,700,000
in Nepalese Currency	43,860,000,000	43,360,000,000
	56,920,949,000	**55,463,912,000**
Current	53,180,730,000	52,609,700,000
Non-Current	3,612,229,000	2,854,212,000
Total	**56,920,949,000**	**55,463,912,000**

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

Loan Investments	Ashadh 31, 2080	*NPR* Ashadh 32, 2079
Loan Investments in Upper Tamakoshi Hydropower Ltd.	14,520,520,939	14,667,791,060
Less: Expected Credit Loss	(733,389,553)	(733,389,553)
Net Investment	**13,787,131,386**	**13,934,401,507**

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	Ashadh 31, 2080	Ashadh 32, 2079
Bank Balances		
Interest Bearing	5,423,153,363	5,679,723,784
Non Interest Bearing	-	-
Cash Balance	4,228	81,830
	5,423,157,591	**5,679,805,614**
Effect of Exchange rate changes	-	-
Total	**5,423,157,591**	**5,679,805,614**

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 grou 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 and 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.

NPR

Financial Liabilities (FY 2079-80)	FVtPL	Amortised cost	Total
Subscriber Deposits		58,727,124	58,727,124
GSM License Renewal Fee Liability		-	-
Current Liabilities		13,054,728,886	13,054,728,886
Trade Payable		2,665,500,864	2,665,500,864
Total	-	**15,778,956,874**	**15,778,956,874**

NPR

Financial Liabilities (FY 2078-79)	FVtPL	Amortised cost	Total
Subscriber Deposits		62,588,773	62,588,773
GSM License Renewal Fee Liability		3,668,703,704	3,668,703,704
Current Liabilities		14,396,576,453	14,396,576,453
Trade Payable		1,957,828,024	1,957,828,024
Total	-	**20,085,696,954**	**20,085,696,954**

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.

NPR

Subscriber Deposits	Ashadh 31, 2080	Ashadh 32, 2079
Deposit and Credit Limit from Subscriber	58,727,124	62,588,773
Total	**58,727,124**	**62,588,773**

Subscriber Deposits Amounting to NPR 1,987,129,670 was transferred to Advances- Income Related NPR 1,973,054,750 and other payables NPR 14,074,921 in FY 2079/80 but before the authorisation of Financial Statements for issue for FY 2078/79. Therefore, the Group considering these transactions as adjusting events as per NAS 10 "Events after the Reporting Period" impact of these transactions have been given in the financial statements of FY 2078/79.

9.2.2. GSM License Fee Renewal Liability

Explanatory Notes

GSM License Second Renewal Liability

The Group was obligated to pay NPR 20 billion (less already paid amount of NPR 192 million) as the Second renewal for its GSM License. However, the Government of Nepal rescheduled the payment of the remaining second renewal fee to be paid over the next five years by equal annual instalments of NPR 3,962,200 thousand. The liability is accounted for at amortised cost using effective interest rate. The Group has considered 8% as the discount rate for the future payments and computation of amortised cost. The effective interest is recognised in the statement of profit or loss.

NPR

GSM License Fee Renewal Liability	Ashadh 31, 2080	Ashadh 32, 2079
Gross Amount	-	3,962,200,000
Discount	-	(293,496,296)
Total GSM License Fee Renewal Liability	-	**3,668,703,704**

Current Portion	-	3,668,703,704
Non-Current Portion	-	-
Total GSM License Fee Renewal Liability	-	**3,668,703,704**

9.2.3. 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	Ashadh 31, 2080	Ashadh 32, 2079
Payable for Bandwidth Service	2,358,092,522	1,540,452,838
Payable for Interconnection Service	307,408,342	417,375,186
Total	**2,665,500,864**	**1,957,828,024**

9.2.4. 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	Ashadh 31, 2080	Ashadh 32, 2079
Sundry Creditors - Suppliers	11,404,439,226	10,753,300,564
Advances Work/Income related	1,236,250,428	3,387,777,310
Others Liabilities	414,039,232	255,498,579
Total	**13,054,728,886**	**14,396,576,453**

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's 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 taken.

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

NPR

Provisions		
	Ashadh 31, 2080	Ashadh 32, 2079
Provision for GSM License Renewal Fee	16,723,287,671	12,723,287,671
Provision for Expenses	41,129,519	
Total	16,764,417,190	12,723,287,671

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 employees 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

NPR

Employee Benefit Expenses	Ashadh 31, 2080	Ashadh 32, 2079
Short term employee benefits		
Salaries & Wages	2,168,398,900	1,907,327,393
Allowances	1,291,204,215	1,264,004,419
Uniform Allowances	39,392,000	41,066,000
Overtime Allowances	35,073,779	29,630,202
Medical Expenses	524,816,066	460,594,804
Telecom Allowances	383,159,003	396,093,001
Employee Statutory Bonus	623,292,720	687,559,328
Other monetary Benefits	35,101,792	26,715,841
Leave Encashment	130,553,617	110,122,070
Finance cost under NFRS	164,536,652	161,582,660
Defined Contribution Plan		
Contribution to Provident Fund	210,451,092	184,846,055
Contributory Pension Fund	36,127,436	27,567,930
Life Insurance	76,845,223	80,371,497
Defined Benefit Plan		
Leave Encashment	91,923,306	97,365,312
Pension and Gratuity	2,150,344,260	1,893,523,090
Other Long term employee benefits	7,046,781	10,865,528
Total	**7,968,266,841**	**7,379,235,131**

12.2. Post-Employment Benefits

The Group has both defined contribution plans and defined benefit plans as 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. Contributory pension fund, which is in lieu of pension and gratuity whereby Group pays fixed amount to the individual pension fund account that will be available to the employees on retirement
3. 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. The employees are also entitled for compensatory leave payments at the time of retirement.

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.

NPR

Defined Benefit Plan Obligation		
	Ashadh 31, 2080	**Ashadh 32, 2079**
Opening DBP Obligations	26,933,719,748	22,765,942,346
Current Service Costs	874,282,780	779,862,200
Finance Cost	2,002,537,880	1,694,926,310
Benefits Paid	(1,009,339,752)	(775,429,328)
Actuarial Remeasurements	2,920,679,600	2,468,418,220
Closing DBP Obligation	**31,721,880,257**	**26,933,719,748**

Defined Benefit Plan Assets		**NPR**
	Ashadh 31, 2080	**Ashadh 32, 2079**
Fair Value of Plan Assets at beginning	7,059,874,776	5,263,167,363
Employers Contribution	1,500,000,000	1,507,854,000
Return on Plan assets	504,179,540	373,963,240
(-) Benefits Paid	(248,539,653)	(143,161,574)
(-) Actuarial Remeasurements	95,720,240	58,051,747
Closing DBP Assets	**8,911,234,903**	**7,059,874,776**

Net Defined Benefit Plan Obligation	**22,810,645,353**	**19,873,844,972**
Charged / (credited) to P&L	2,372,641,120	2,100,825,270
Charged / (credited) to OCI	2,824,959,360	2,410,366,473

Defined Benefit Plan Obligation – Pension and Gratuity		
	Ashadh 31, 2080	**Ashadh 32, 2079**
Opening DBP Obligation	25,207,626,590	21,191,614,654
Current Service Costs	778,845,810	688,472,490
Finance Cost	1,875,677,990	1,579,013,840
Benefits Paid from Plan Assets	(248,539,650)	(143,161,574)
Benefits Paid directly by employers	(534,703,201)	(444,481,270)
Actuarial Remeasurements	2,655,253,320	2,336,168,450
Closing DBP Obligation	**29,734,160,859**	**25,207,626,590**

Defined Benefit Plan Obligation – Leave		
	Ashadh 31, 2080	**Ashadh 32, 2079**
Opening DBP Obligation	1,726,093,158	1,574,327,692
Current Service Costs	95,436,970	91,389,710
Finance Cost	126,859,890	115,912,470
Benefits Paid by the company	(226,096,901)	(187,786,484)
Actuarial Remeasurements	265,426,280	132,249,770
Closing DBP Obligation	**1,987,719,397**	**1,726,093,158**

12.3. Plan Assets:

The Group has invested in Gratuity Fund Scheme (deposit scheme) of Citizen Investment Trust as plan assets. The company has made discretionary contribution of NPR 1.5 billion during the year. The principal investment objectives are to ensure the availability of funds to pay Gratuity and Lump Sum pension from the plan assets.

The Group has done the actuarial funding valuation and as per the current practice, the Group will annually make the discretionary contribution in Plan Assets to meet 100% funding of retirement benefit obligations (Gratuity and Lump sum pension) based on estimated future payment.

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 16, 2023, 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.

	Pension and Gratuity Benefits Amount in '000
2024	895,801.42
2025	1,304,381.24
2026	1,335,121.42
2027	1,430,977.29
2028	1,563,052.22
Year 2029 to 2032	8,905,804.14

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		*NPR*
		Ashadh 31, 2080
No of Shares		
Authorised		250,000,000
Issued		180,000,000
Paid Up		180,000,000
Face Value		100
Share Capital		
Authorised		25,000,000,000
Issued		18,000,000,000
Paid Up		**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		
	Ashadh 31, 2080	Ashadh 32, 2079
Retained Earning	42,592,506,534	45,377,329,077
Revaluation Reserve	23,509,660,706	23,558,954,134
Deferred Tax Reserve	9,788,903,858	8,310,934,189
Fair Value through OCI Reserve	-	-
Total	**75,891,071,098**	**77,247,217,400**

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

NPR

Revenue from contract with customers	Ashadh 31, 2080	Ashadh 32, 2079
Revenue from rendering services		
Voice	22,555,435,019	25,262,989,709
Data	11,626,639,024	10,623,954,600
SMS	1,576,729,276	1,426,784,408
Others	220,846,690	245,726,961
	35,979,650,009	**37,559,455,679**
Equipment sales	303,781,427	366,781,197
Total	**36,283,431,436**	**37,926,236,876**

NPR

Revenue from rendering services	Ashadh 31, 2080	Ashadh 32, 2079
Fixed Line		
Local/ Domestic	579,739,788	1,016,449,891
International Trunk	4,039,573	9,012,645
Leased Circuits	289,245,969	347,067,660
IN Service	-	-
ADSL	182,512,346	433,656,390
SIP	477,473	34,970
FTTH - Voice	1,180,476,320	895,253,935
FTTH - Data	390,580,523	263,066,580
IPTV	33,253,832	33,159,606
Others	21,317,497	72,179,079
Fixed Line Total	**2,681,643,322**	**3,069,880,755**
CDMA		
Local/ Domestic	18,279,085	69,977,326
International Trunk	1,058,560	5,264,681
Data	23,329	1,638,579
SMS	101,426	575,219
Others	2,385,475	3,900,491
CDMA Total	**21,847,874**	**81,356,296**
GSM		
Voice	16,610,607,716	18,144,388,156
Data	10,520,221,571	9,308,517,766
SMS	429,215,539	478,264,339
International Trunk	529,022,209	618,765,279
Roaming	12,312,302	8,222,667
Others	189,194,527	161,222,684
GSM Total	**28,290,573,865**	**28,719,380,890**
Interconnection Services		
Inter-connection - International	3,107,178,349	3,865,890,400
Inter-connection - Domestic	191,715,398	537,808,625
International Roaming (Sharing)	320,528,246	91,537,298
SMS	804,472,808	607,596,446
Others	7,949,192	8,424,707
Interconnection Services Total	**4,431,843,991**	**5,111,257,477**
Value Added Services (VAS)	553,727,131	574,277,280

Wimax Revenue	13,826	3,302,979
Total - Revenue from rendering services	**35,979,650,009**	**37,559,455,679**

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
	Ashadh 31, 2080	Ashadh 32, 2079
Interest Income on Loan Investment	1,424,715,880	1,414,665,290
Interest on Debentures	324,223,761	215,185,825
Interest on Term Deposits	5,911,898,127	4,111,645,491
Interest on Employee Loan	149,976,639	193,248,861
Change in Fair Value of Investment	(2,010,000)	-
Total	**7,808,804,407**	**5,934,745,468**

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 27).

Explanatory Notes

Other Income		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
LQD and other income	241,961,467	490,193,328
Government Grant Income	127,460,789	52,528,872
Total	**369,422,256**	**542,722,200**

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
	Ashadh 31, 2080	Ashadh 32, 2079
Maintenance - Office Equipment	63,175,953	74,298,562
Maintenance - Buildings	134,895,741	128,012,654
Maintenance - Plants/ Machinery	2,173,730,747	1,784,867,268
Power, Heating & Lighting	1,463,033,358	1,422,899,213
Fuel for Vehicles	116,248,715	91,674,091
Maintenance vehicles	71,497,076	68,715,452
Freight & Carriages	14,084,465	15,428,784
International IP Lease & Transit Cost	2,006,426,919	1,752,994,602
Cost of Telephone Sets and Other Materials	407,259,514	300,996,912
Cost of Cash Card	243,529,201	231,622,591
Inquiry Service Expenses	39,333,505	39,677,845
Value Added Services Expenses	105,222,160	115,319,486
Data Entry Expenses	1,906,326	2,189,857

Interconnection Expenses- Domestic	248,956,763	572,064,783
Interconnection Expenses-Foreign	435,248,952	425,104,993
Training Expenditure (Contract)	99,952,278	25,023,992
Research Expenses	130,181	
Rent Expense (For Service Operation)	19,139,680	14,487,385
Total	**7,643,771,534**	**7,065,378,470**

19 Sales Channel, Marketing and Promotion Costs

Explanatory Notes

Sales Channel, Marketing and Promotion Costs		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Commission on Sales	96,068,071	107,024,021
Advertisement and Trade Promotion	196,698,778	162,791,042
Total	**292,766,849**	**269,815,063**

20 Office Operation Expenses

Explanatory Notes

Office Operation Expenses		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Travelling Expenses	159,082,356	125,313,435
Rates and Local Taxes	116,984,375	105,586,918
Rent and Leasehold Cost of Land and Buildings	176,882,932	203,002,686
Board Meeting Allowance	2,023,500	1,606,900
Other Meeting Allowances and Expenses	53,390,012	45,130,401
Printing and Stationery	37,651,261	37,131,679
Bank Charges	15,000,740	19,651,489
Training Expenses	202,205,152	50,138,902
Hospitality Expenses	25,135,602	20,928,672
Office Furnishing	11,046,017	12,735,952
Insurance	32,635,680	30,138,584
Statutory Audit Fee	2,639,867	2,406,239
Tax Audit Fee	900,000	700,000
Audit Expenses	4,782,376	3,341,764
Postage	1,071,139	948,812
Books and Periodicals	2,528,146	2,535,571
Professional fees	9,652,540	5,628,907
Security Expenses	220,700,541	219,328,259
Outsourcing Service expenses	12,315,017	13,382,129
Membership Fee	15,186,706	12,102,475
Business support Expense	67,390,633	67,542,789
Communication Expenses	16,258,742	20,987,120
Anniversary Expenses	7,056,926	7,506,196
Annual General Meeting Expenses	1,886,824	1,563,033
Miscellaneous Expenses	130,554,128	121,682,182
Donation	-	-
Total	**1,324,961,213**	**1,131,021,094**

21 Regulatory Fees, Charges and Renewals

Explanatory Notes

Regulatory Fees, Charges and Renewals		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Royalty	1,438,706,739	1,502,120,326
Rural Telecommunication Development Fund Contribution	719,353,370	751,060,163
Frequency Fee	1,618,158,406	1,652,064,283
License Fee Expenses	4,000,000,000	4,000,000,000
Total	**7,776,218,515**	**7,905,244,772**

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 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*
	Ashadh 31, 2080	Ashadh 32, 2079
Unwinding Interest of GSM License Renewal Fee Liability	293,496,296	565,252,126
Interest of Subscriber deposits	-	11,692,103
Finance Costs on lease Liability	179,826,326	193,994,095
Total	**473,322,622**	**770,938,324**

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:
a) Obsolescence or physical damage;
b) Significant changes in technology and regulatory environments;
c) Significant changes under performance relative to expected historical or projected future operating results;
d) 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:

1. **Stage 1**: Credit risk has not increased significantly since initial recognition – recognise 12 months ECL, and recognise interest on a gross basis.

2. **Stage 2**: Credit risk has increased significantly since initial recognition – recognise lifetime ECL, and recognise interest on a gross basis.

3. **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
	Ashadh 31, 2080	Ashadh 32, 2079
Property Plant and Equipment	(102,429)	-
Buildings	-	284,437,037
Capital Work In Progress	524,275,659	40,785,321
Prepaid Expenses	-	-
Non-Financial Assets	-	-
Financial Instruments	-	-
Trade Receivables	(274,741,580)	-
Inventory	(131,496,266)	-
Accruals, Advances and Other Receivables	-	(134,182,626)
Loan Investment	-	32,382,628
Total	**117,935,384**	**223,422,359**

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

NPR

Effects of Changes in Foreign Currency Exchange Rates		
	Ashadh 31, 2080	Ashadh 32, 2079
Transaction Gain / (Loss)	601,780,664	508,811,245
Translation Gain / (Loss)	(396,964,258)	(171,497,174)
Total	**204,816,406**	**337,314,071**

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 2075/76 (2018-19). For the remaining financial years, the assets and liabilities have been recognised and carried as under:

				NPR
Fiscal Year	**Tax Liability**	**Advance Tax Paid**	**Net Tax Asset/(Liability)**	**Cumulative**
2075/76	5,660,634,683	4,804,513,428	(856,121,255)	706,497,276
2076/77	6,271,148,664	6,962,104,678	690,956,014	1,397,453,290
2077/78	4,295,753,360	5,175,225,403	879,472,043	2,276,925,333
2078/79	5380142722	4769843413	(610,299,309)	1,666,626,024
2079/80	4,555,461,469	4,650,440,569	87,797,364	1,754,423,389

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**
	Ashadh 31, 2080	**Ashadh 32, 2079**
Provision for Tax		

For current year	4,555,461,469	5,046,471,559
For prior years	-	333,671,163
Deferred Tax	(649,742,286)	(796,679,736)
Total	**3,905,719,183**	**4,583,462,986**

25.3. Deferred Taxes

NPR

Particulars	Carrying Amount	Tax Base	Temporary Diff
Assets			
Property, Plant & Equipment	27,839,851,613	36,551,759,590	(8,711,907,977)
Land	23,085,052,066	586,900,300	22,498,151,766
Intagible Assets	1,863,360,917	1,574,145,433	289,215,484
Carriy Forward of Deductable losses	-	101,438,551.00	101,438,551
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)
Change in fair value of Assets	127,990,000	130,000,000	(2,010,000)
Liability and Provisions			
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)
Translation gain/(loss)	-	-	(393,078,278)
Total			**(32,489,639,315)**
	Tax Rate @	25% & 30%	**(9,814,392,961)**
		Deferred Tax Liability / (Asset) - FY 2078-79	**(8,319,735,525)**
		GSM license fee DTA Adjustment	-
		Deferred Tax Expense / (Income) -Normal FY 2079-80	**(1,494,657,435)**
		Deferred Tax liability / (Asset) Ashadh 31, 2080	**(9,814,392,961)**
		Deferred Tax Expense / (Income) - FY 2079-80 P&L	**(649,742,286)**
		Deferred Tax Expense / (Income) - FY 2079-80 OCI	**(844,915,150)**

25.4. Reconciliation of Profit Reported in The Financial Statements and as Reported to the Tax Return

NPR

Particulars	FY 2079-80	FY 2078-79
Profit before tax as per Financial Statement	11,799,873,792	13,062,555,980
Net Adjustments under Income Tax Act	3,347,702,889	3,757,315,632
Profit for Tax Purpose	15,147,576,681	16,819,871,613
Income Tax rate		
Total For current year	**4,555,461,469**	**5,046,471,559**
For prior years		333,671,163
Total		**5,380,142,722**

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		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Opening Balances	861,019,990	484,685,100
Addition during the year	799,825,093	428,863,762
Transfer to Equity during the year	(127,460,789)	(52,528,872)
Closing Balances	**1,533,384,294**	**861,019,990**

During the year, Contract with Nepal Telecommunications Authority (NTA) to build "Broadband Network and Provide Internet Access Connectivity Services in Earthquake affected 4 Districts" namely: Nuwakot, Rasuwa, Kavrepalanchok and Sindhupalchowk under Rural Telecommunications Development Fund (RTDF) was amended after recognition of the grants . Reduced Recurrence Cost NRs. 8,069,361.57 and Overhead Cost 1,496,817.00 due to contract amendment previously booked as other Income under Grant related to Income is adjusted by giving impact in Retained Earnings and reversing Government Grant receivable.

27 Assets Held for Sale

Explanatory Notes

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		
	FY 2078-79	FY 2077-78
Nepal Digital Payments Company Limited	62.22%	62.22%
Trishuli Jalvidhyut Company Limited	48.78%	48.78%
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%
	Treatment	**Treatment**
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

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 . 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*
Tax Audit	**Deposited Date**	**Amount**
2071/72	5/23/2076	83,662,881
2072/73	5/23/2077	155,613,123
2073/74	5/16/2078	35,610,870
2074/75	4/26/2079	15,462,584
2075/76	5/6/2080	23,064,641
Total		**313,414,100**

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would have existed against the Group for Income Year 2073/74 , 2074/75 and 2075/76 respectively , if the appeal goes against the Group .

		NPR
Tax Audit	**Income Tax**	**TDS**
2073/74	379,849,276.87	-
2074/75	164,934,227.22	-
2075/76	142,240,240.53	18,239,108.58
Total	**687,023,744.62**	**18,239,108.58**

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 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.

Revenue Tribunal		NPR
Tax Audit	Deposited Date	Amount
2071/72	23/08/2077	143,097,864
2072/73	23/02/2079	155,614,000
Total		298,711,864

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would have existed against the Group for the income year 2071/72 and 2072/73. if the appeal goes against the Group .

		NPR
Tax Audit	Income Tax	TDS
2071/72	766,132,229.12	25,768,640.15
2072/73	1,367,938,168.85	6,253,413
Total	**2,134,070,397.97**	**32,022,053.15**

29.1.2 Legal cases

There were 23 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 31.1.1.2 about Tax related dispute.

29.1.3 Dispute with Nepal Telecommunication Authority (NTA)

There is a dispute with NTA regarding the payment of frequency fee from fiscal Year 2063/64 in Frequency Band 2100MHz and 2300MHz. 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 1.65 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 .

29.3 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:

Capital Commitments		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Commitment for Civil Works	574,167,205.11	241,098,158
Commitment for Procurement of Plant & Equipment	5,013,535,133.28	12,591,721,616
	5,587,702,338.39	**12,350,623,458**

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

30.3 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 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)
6. Nepal Telecom employee retirement Fund earmarked with Nepal Bank Limited, Rastriya Banijya Bank Limited and Agricultural Development Bank Limited.
7. Trishuli Jal Vidhyut Company Limited
8. Upper Tamakoshi Hydropower Limited.
9. Nagarik Stock Dealer Company Limited.
10. Nepal Digital Payments Company Limited
11. Rastriya Banijya Bank Limited (RBB)

30.3 Transactions with Related Parties

30.2.1. Transaction with Government of Nepal

The parent company has contributed NPR 28,455,697,385 on account of tax and non-tax revenue to government treasury. It also paid NPR 7,169,607,279 dividend on equity share investment.

		NPR
	Ashadh 31, 2080	**Ashadh 32, 2079**
Advance Tax including withholding tax	4,623,350,367	**4,684,365,146**
Value Added Tax-Collection Deposited	3,460,937,588	3,811,684,541
Telecom Service Charge- Collection Deposited	3,486,508,597	4,426,162,742
Ownership Fee- Collection Deposited	698,446,608	700,949,431
Custom duty –Paid on import	289,907,695	465,079,693
Royalty and RTDF –Liability Paid	2,249,791,180	2,132,836,487
Frequency Fee	1,621,499,980	1,640,772,140
Dividend	7,169,607,279	2,744,886,000
Property Tax	69,005,516	60,720,025
License Fee	3,367,870,000	3,962,200,000
Tax Deducted at Source (TDS)	1,418,772,575	1,782,733,714
Total	**28,455,697,385**	**26,412,389,920**

Service charges collection for providing telecommunication services to the Government of Nepal has been charged on commercial terms.

Regulatory charges provided to the Nepal Telecommunication 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, 2080, 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.

31 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 2078-79 as per the provision of NAS 8. Net prior period amount of NPR 413,358 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	Expenditure	Income
			NPR
1	Operating Income		329,989
2	Operating Expenses	743,347	
	Total	743,347	329,989
	Net Effect		**413,358**

Exceptional items wherever they occur are disclosed separately.

During the year, Advance Taxes amounting to NPR 60,348,513 has been corrected and the result has been charged to Retained earnings.

32 Other Disclosures

32.3 Exchange rates used

Exchange Rates	Ashadh 31, 2080	Ashadh 32, 2079
USD: NPR	131.17	127.51
EURO: NPR	147.19	128.19
GBP: NPR	171.95	150.86

32.2 During the reporting period, stock amounting to NPR 4,796,333 was found and listed as inventory which was previously adjusted after the physical verification of inventory in FY 2071/72. Thus, NPR 4,796,333 has been adjusted in the Consolidated Statement of Changes in Equity.

32.3 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

Krishna Bahadur Raut
Chairperson

Sangita Pahadee (Aryal)
Officiating Managing Director

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

CA.Peeyush Anand
P.Anand & Associates
Chartered Accountants

Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA. Nirjal Shrestha
Manager

Date: Mangsir 28, 2080
Place: Kathmandu

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Standalone Statement of Financial Position

As at Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Notes	Current Year Ashadh 31, 2080	Previous Year Ashadh 32, 2079
Assets			
Non- Current Assets			
Intangible Assets	1	1,857,588,603	1,924,802,802
Property, Plant and Equipment	3	50,859,360,902	51,577,200,923
Right of Use(ROU) Assets	8	1,778,926,785	2,350,871,626
Capital Work-in-Progress	4	5,433,441,621	5,992,992,703
Long Term Loan and Advances	10.1.3.1	985,309,311	1,183,671,038
Investment in Associates	5	1,216,622,026	1,549,166,381
Investment in Subsidiary	6	248,888,900	248,888,900
Financial Assets	10		
Equity Investments	10.1.1	190,000,000	130,000,000
Term Deposits and Investments in Debenture	10.1.5	3,612,229,000	2,854,212,000
Loan Investments	10.1.6	13,787,131,386	13,934,401,507
Employee Loan	10.1.2	3,718,032,284	3,563,575,599
Deferred Tax Asset	26.3	9,788,903,858	8,310,934,189
Contract Cost Assets	2	390,558,232	413,762,897
Total Non-Current Assets		**93,866,992,909**	**94,034,480,566**
Current Assets			
Inventory	7	707,568,287	170,863,497
Prepayments & Non-Financial Assets	9.1	2,111,854,261	2,161,681,444
Current Tax Assets (Net)	26.1	1,742,778,373	1,659,444,288
Financial Assets			
Employee Loan	10.1.2	75,948,918	48,929,431
Accruals, Advance & Others Receivables	10.1.3	780,997,568	310,966,431
Trade & Other Receivable	10.1.4	2,087,247,188	2,320,933,080
Investment in Term Deposits, Debenture and Mutual Fund	10.1.5	52,910,730,000	52,285,700,000
Cash & Cash Equivalents	10.1.7	5,410,127,330	5,671,274,409
Total Current Assets		**65,827,251,925**	**64,629,792,581**
Total Assets		**159,694,244,834**	**158,664,273,147**
Equity and Liabilities			
Equity			
Share Capital	14	18,000,000,000	18,000,000,000
Reserve and Surplus	15	75,945,038,211	77,268,042,053
Total Equity attributable to Equityholders		**93,945,038,211**	**95,268,042,053**
Non Controlling Interest			
Total Equity		**93,945,038,211**	**95,268,042,053**
Non-Current Liabilities			
Post Employment Benefits	13.2	22,810,645,353	19,873,844,972
Deferred Government Grant	27	1,533,384,294	861,019,990
Financial Liabilities			
Subscriber Deposits	10.2.1	58,727,124	62,588,773
Lease Liability	8	1,506,399,014	2,228,248,150
GSM License Renewal Fee Liability	10.2.2	-	-
Total Non-Current Liabilities		**25,909,155,785**	**23,025,701,885**
Current Liabilities and Provisions			
Current Tax Liabilities (Net)		-	-
Financial Liabilities			
Lease Liability	8	441,760,875	260,613,435
Current Liabilities	10.2.4	12,892,423,384	14,244,862,146
Trade Payable	10.2.3	2,665,500,864	1,957,828,024
GSM License Renewal Fee Liability	10.2.2	-	3,668,703,704
Provisions	11	16,764,417,190	12,723,287,671
Non-Financial Liabilities	9.2	7,075,948,526	7,515,234,227
Total Current Liabilities and Provisions		**39,840,050,839**	**40,370,529,208**
Total Equity and Liabilities		**159,694,244,834**	**158,664,273,147**

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

As per our report of even date

Krishna Bahadur Raut
Chairman

Sangita Pahadee (Aryal)
Officiating Managing Director

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

CA. Peeyush Anand
P. Anand & Associates
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Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane

Rajendra Shrestha

CA.Nirjal Shrestha
Manager

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Standalone Statement of Profit or Loss

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Notes	Current Year FY 2079-80	Previous Year FY 2078-79
Revenue from contract with customers	16	**36,271,449,904**	**37,919,789,343**
Finance Income	17	7,779,246,237	5,907,401,115
Other Income	18	372,921,419	547,466,437
Total Income		**44,423,617,561**	**44,374,656,895**
Employee Benefit Expenses	13.1	(7,950,807,839)	(7,369,713,268)
Service Operation and Maintenance Costs	19	(7,630,562,220)	(7,058,328,493)
Sales Channel, Marketing and Promotion Costs	20	(261,306,135)	(260,691,197)
Office Operation Expenses	21	(1,312,104,229)	(1,121,695,385)
Regulatory Fees, Charges and Renewals	22	(7,776,218,515)	(7,905,244,772)
Foreign Exchange (Loss)/Gain	25	208,702,386	345,940,922
Shares of results of Associates	5	(342,661,132)	(180,894,309)
Earning Before Interest ,Tax, Depreciation, Amortisation (EBITDA)		**19,358,659,877**	**20,824,030,393**
Finance Cost	23	(473,322,622)	(770,938,324)
Depreciation	3	(5,970,305,009)	(5,614,593,104)
Amortisation	2	(954,563,907)	(1,151,449,373)
Impairments - net of reversals	24	(117,906,656)	(223,422,359)
Profit Before Tax		**11,842,561,684**	**13,063,627,232**
Income Tax Expenses			
Current Income Tax	26.2	(4,555,461,469)	(5,380,142,722)
Deferred Taxes	26.3	633,054,519	787,249,402
Profit For the Period		**7,920,154,734**	**8,470,733,912**
Earnings Per Share (Basic)		44.00	47.06
Earnings Per Share (Diluted)		44.00	47.06
Net Profit attributable to:			
Equity holders of the company		7,920,154,734	8,470,733,912
Non-controlling interest		-	-
Profit For the Period		**7,920,154,734**	**8,470,733,912**

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

As per our report of even date

Krishna Bahadur Raut
Chairman

Sangita Pahadee (Aryal)
Officiating Managing Director

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Chartered Accountants

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P. Anand & Associates
Chartered Accountants

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Director

Dr. Tokraj Pandey
Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA.Nirjal Shrestha
Manager

Date : 28th Mangsir, 2080
Place :Kathmandu

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Standalone Statement of Cash Flows

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Current Year FY 2079-80	Previous Year FY 2078-79
Cash Flow from Operating Activities		
Net Profit for the Year	7,920,154,734	8,470,733,912
Adjustments		
Income Tax expense recognised in profit or loss	4,555,461,469	5,380,142,722
Deferred Tax expense recognised in profit or loss	(633,054,519)	(787,249,402)
Depreciation	5,970,305,009	5,614,593,104
Finance Income	(7,629,269,598)	(5,714,152,254)
Impairment Loss/(Reversal of Impairment Loss)	117,906,656	223,422,359
Finance Costs	653,148,948	953,240,316
Actuarial (Gain)/Loss	(2,824,959,360)	(2,410,366,473)
Amortization	954,563,907	1,151,449,373
Equity loss on Associates	342,661,132	180,894,309
Unrealised (Gain)/Loss on Cash and Cash equivalents	-	-
Movements in Working Capital		
Decrease/(Increase) in Inventory	(405,208,523)	387,595,458
(Increase)/Decrease in Prepayments & Other Non-Financial Assets	49,827,184	(424,017,358)
(Increase)/Decrease in Employee Loan	(181,476,173)	430,801,433
(Increase)/Decrease in Accruals, Advance & Others Receivables	(470,031,137)	100,629,428
(Increase)/Decrease in Trade Receivables	508,427,473	(16,618,847)
(Increase)/Decrease in Deferred Taxes	-	-
(Increase)/Decrease in Contract cost assets	(176,178,215)	(203,399,427)
Increase /(Decrease) in Non-Current Liability	3,605,303,036	(2,442,750,189)
Increase /(Decrease) in Provisions	4,041,129,519	4,000,000,000
Increase /(Decrease) in Current Liability	(5,708,180,841)	(214,273,110)
Increase /(Decrease) in Trade Payable	707,672,840.04	356,270,204
Increase /(Decrease) in Lease Liability	(540,701,696.76)	2,488,861,585
Increase /(Decrease) in Other Non-Financial Liabilities	(439,285,701)	(124,577,706)
NFRS Adjustments	8,575,527	(8,611,702)
Previous Year Adjustments	(71,689,892)	4,452,862
Income Taxes Paid	(4,638,795,554)	(4,762,661,673)
Total Adjustments	**(2,203,848,512)**	**4,163,675,012**
Net Cash flow from Operating Activities (A)	**5,716,306,222**	**12,634,408,924**
Cash Flow from Investing Activities		
Internet License Fee Renewal	-	-
Acquisition of Intangible Assets	(404,083,160)	(86,429,440)
Acquisition of Property, Plant and Equipment	(5,252,333,831)	(6,945,543,048)
Decrease/ (Increase) in ROU Assets	288,061,174.09	(2,713,476,384)
Decrease/ (Increase) in Capital Work in Progress	35,275,422	2,307,632,516
Decrease/ (Increase) in long term loan and Advances	198,361,727	786,047,666
Decrease/ (Increase) in Investment	(1,305,893,656)	(13,740,431,850)
Income from Investment & Bank Deposit	7,629,269,598	5,714,152,254
Adjustment in Retained Earning		
Investment in Subsidiary company	-	-
Net Cash Flow from Investing Activities (B)	**1,188,657,274**	**(14,678,048,285)**
Cash Flow from Financing Activities		
Proceeds from issuance of shares from non-controlling interest		
Increase in Capital		
Dividend Paid	(7,166,110,575)	(2,999,548,898)
Net Cash Flow from Financing Activities (C)	**(7,166,110,575)**	**(2,999,548,898)**
Net Increase in Cash & Cash Equivalents (A+B+C)	**(261,147,079)**	**(5,043,188,259)**
Effect of exchange rate fluctuations on Cash and Cash equivalents	-	
Cash & Cash Equivalents at Beginning of the Period	**5,671,274,409**	**10,714,462,668**
Cash & Cash Equivalents at the End of the Period	**5,410,127,330**	**5,671,274,409**

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

As per our report of even date

Krishna Bahadur Raut
Chairman

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Officiating Managing

CA. Mahesh Kumar Guragain
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Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Standalone Statement of Other Comprehensive Income

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars	Notes	Current Year FY 2079-80	Previous Year FY 2078-79
Profit for the Period		7,920,154,734	8,470,733,912
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	-	2,332,373,532
Investments in Equity Instruments (FV changes)			
Remeasurements of defined retirement benefit plans of employees	13.2	(2,824,959,360)	(2,410,366,473)
Shares of Other Comprehensive Income of Associates		8,575,527	(8,611,702)
Income Taxes relating to items that will not be reclassified	26.3	844,915,150	25,981,393
Total Comprehensive Income for the Period		5,948,686,051	8,410,110,662
Total Comprehensive Income attributable to:			
Equity holders of the company		5,948,686,051	8,410,110,662
Non-controlling interest		-	-
Total Comprehensive Income for the Period		5,948,686,051	8,410,110,662

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

As per our report of even date

Krishna Bahadur Raut
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Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA.Nirjal Shrestha
Manager

Date : 28th Mangsir, 2080
Place :Kathmandu

Nepal Doorsanchar Company Limited
Bhadrakali Plaza, Kathmandu

Statement of Changes in Equity

For the Year ended Ashadh 31, 2080 (16 July, 2023)

Figures in NPR

Particulars (FY 2078-79)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Total
Balance as on Shrawan 1, 2078	15,000,000,000	46,102,971,047	7,497,703,394	-	21,252,804,087	89,853,478,528
Previous Period Adjustment						-
Prior Period Income		329,989				329,989
Prior Period Expenses		(743,347)				(743,347)
Prior Period Accounting Adjustment						-
Adjustment of Stock		4,866,220				4,866,220
			-			-
Restated Opening Balance	15,000,000,000	46,107,423,909	7,497,703,394	-	21,252,804,087	89,857,931,390
Profit for the year		8,410,110,662				8,410,110,662
Bonus Share issued	3,000,000,000	(3,000,000,000)				
Cash Dividend paid		(3,000,000,000)				(3,000,000,000)
Transfer from Revaluation Reserve		26,223,485			(26,223,485)	-
Transfer to Revaluation Reserve		(2,332,373,532)			2,332,373,532	-
Transfer To Deferred Tax Reserve		(813,230,795)	813,230,795			-
Balance as on Ashadh 32, 2079	18,000,000,000	45,398,153,730	8,310,934,189	-	23,558,954,134	95,268,042,052

NPR

Particulars (FY 2079-80)	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		(8,437,674)				(8,437,674)
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
Restated Opening Balance	18,000,000,000	45,326,463,838	8,310,934,189	-	23,558,954,134	95,196,352,161
Profit for the year		5,948,686,051				5,948,686,051
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		(1,477,969,669)	1,477,969,669			-
						-
Balance as on Ashadh 31 2080	18,000,000,000	42,646,473,647	9,788,903,858	-	23,509,660,706	93,945,038,211

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

As per our report of even date

Krishna Bahadur Raut
Chairman

Sangita Pahadee (Aryal)
Officiating Managing Director

Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

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

CA. Peeyush Anand
P. Anand & Associates
Chartered Accountants

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA.Nirjal Shrestha
Manager

Date : 28th Mangsir, 2080
Place :Kathmandu

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 general public and are also published on the company's website 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 and Physical Structure, fair value measurement of financial assets and liabilities.

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 28th Mangsir, 2080 (14th December, 2023).

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 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 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 for consolidation of financial statements. 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 at the reporting date. The Company has presented Consolidated Financial Statements separately as "Group" Financial Statements.
Investments in equity shares made by the company 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. NFRS 16 is implemented from the Financial year 2078-79, therefore the date of initial application for this purpose is 1st Shrawan,2078 (16 July 2021).

xii. Reporting Dates

Particulars	Nepalese Calendar Date / Period	Gregorian Calendar Date / Period
Comparative SoFP* Date	32 Ashadh 2079	16 July 2022
Comparative reporting period	1 Shrawan 2078 - 32 Ashadh 2079	16 July 2021 - 16 July 2022
NFRS SoFP* Date	31 Ashadh 2080	16 July 2023
NFRS reporting period	1 Shrawan 2079 - 31 Ashadh 2080	17 July 2022 - 16 July 2023

** 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

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 acquisition 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.

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 capitalised 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 like 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

NPR

Software		
Particulars	Ashadh 31, 2080	Ashadh 32, 2079
Opening Balance	4,359,781,803	4,273,352,363
Additions during the year	404,083,160	86,429,440
Total Cost As on 31 Ashadh, 2080(A)	**4,763,864,963**	**4,359,781,803**
Amortisation Upto Last year	(2,530,213,968)	(1,932,453,589)
Amortisation During the Year	(444,360,359)	(597,760,379)
Total Amortisation(B)	**(2,974,574,327)**	**(2,530,213,968)**
Net Value (A-B)	**1,789,290,636**	**1,829,567,835**

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. 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:

	PSTN	Internet	Total
Valid from	2077.10.13	2077.01.15	

Valid to	2082.10.12	2082.01.16	
Life (in years)	5	5	
			NPR
Total License Fee	134,415,000	270,000	
Balance as Ashadh 32, 2079	95,084,803	150,164	95,234,967
Payment during 2079.80			
Amortisation for 2079.80	(26,883,000)	(54,000)	(26,937,000)
Balance as Ashadh 31, 2080	**68,201,803**	**96,164**	**68,297,967**

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.

Contract Cost Assets		NPR
	Ashadh 31, 2080	**Ashadh 32, 2079**
Opening Balance	413,762,897	374,510,707
Additions during the year	176,178,215	203,399,427
Amortisation during the year	(199,382,880)	(164,147,237)
Closing Balance	**390,558,232**	**413,762,897**

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

Accounting Policies

Property, plant and equipment are stated 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. 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.

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.

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.

Plant and Machinery 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.

Assets with the value up to NPR 5,000 are charged to Profit or Loss irrespective of their 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
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 fiber	10
	Billing System (Billing, WIN, AAA Server, VoMS etc.)	7
	RAN Equipment (BSC, BTS, BTS VAN, NodeB, eNodeB, RRU, BBU etc.)	7
	Core Equipment (MSC, HLR, OMC, VLR, IN, RSN, MGW, SMSC, USSD, PS, CS, WGW, IP Clock etc.)	7
	Transmission Equipment (Satellite, Microwave etc.)	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.

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**	**238**	**482,549.61**	
	a. Land under Forest for tower structure	97	132,295.36	
	b. Land under GoN ownership	103	219,018.38	
	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**			**155,088,214.91**

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.

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 52,426,677 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 31 Ashadh, 2080 are as below:

NPR

	Land	Building	Total
Balance as on Ashadh 32,2079	22,433,646,056	1,125,308,079	23,558,954,134
Upward Revaluation During the Period			
Downward Revaluation During the Period			
Transfer from Revaluation reserve to Retained Earning		(49,293,428)	(49,293,427.94)
Balance As on Ashadh 31, 2080	22,433,646,056	1,076,014,651	23,509,660,706

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.

PPE adjustment

The company has made an adjustment in Property, Plant and Equipment as while accounting for the revaluation amount of FY 2078/79, comparison of Revaluation amount of Buildings was done with Net Book value of Buildings as on 32nd Ashadh 2079 instead of historical cost value of same assets and revaluation reserve was adjusted accordingly in respective financial year. It is considered as prior period error and is presented as revaluation adjustment with effect of NPR 8,437,675 charged to Retained Earning.

NPR

iption	LAND	BUILDINGS	PLANT & MACHINERY	HEATING, LIGHTING & AIR-CONDITION	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	TOTAL
al Cost (NPR)								
Ashadh 32, 2079	23,080,103,001	4,278,652,701	74,365,713,824	519,338,573	427,387,897	1,881,172,939	979,801,080	**105,532,170,015**
tment of prior period Capitalization	-	-	-	-	-	-	-	-
uation Adjustment								-
Ashadh 32, 2079	**23,080,103,001**	**4,278,652,701**	**74,365,713,824**	**519,338,573**	**427,387,897**	**1,881,172,939**	**979,801,080**	**105,532,170,015**
ions During the Year	4,949,065	98,399,597	4,808,003,567.06	56,948,164	25,557,701	141,785,705.76	125,767,106	**5,261,410,906**
sal during the year			-			(4,488,953.03)	-	**(4,488,953)**
sfer Adjustment	-	(762,829,507)		-	-	-		**(762,829,507)**
luation Adjustment								
Ashadh 31, 2080	**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**
reciation and Impairment (NPR)								
Ashadh 32, 2079	-	766,920,946	49,169,157,639	387,552,390	374,227,288	1,694,714,352	820,217,565	**53,212,790,180**
stment of depreciation up to previous year		(1,588,290)	1,549,065	40,036	(10,627)	52,735	(34,990)	**7,930**
stment of prior period Capitalization			742,178,913					742,178,913
stment of Impairment loss (write back) up to previous			-					-
ng the Year depreciation	-	128,343,218	5,663,243,033	51,887,642	19,975,290	67,915,555	38,940,271	5,970,305,009
sfer Adjiustment						(3,988,640)		(3,988,640)
ng the Year Impairment loss/ (write back)		-	-					-
tten back on disposals			-	-	-	-	-	-
aluation adjustment		(754,391,833)						**(754,391,833)**
at Ashadh 31, 2080	-	**139,284,041**	**55,576,128,650**	**439,480,068**	**394,191,951**	**1,758,694,002**	**859,122,846**	**59,166,901,557**
Block								
at Ashadh 31, 2080	**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**
at Ashadh 32, 2079	23,080,103,001	2,769,552,842	25,196,556,185	131,786,183	53,160,609	186,458,587	159,583,515	51,577,200,923

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. The value of capital work in progress includes stock of equipment lying in store or in transit or in custody/warehouse of vendors in case of turnkey project imported in the name of Company as per contract 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 are capitalised upon commissioning and civil works are capitalised upon handing over after being capable of use.

Capital Inventories under installation are presented net of allowance for obsolete items. The allowances for obsolescence 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 turnkey project (4G/LTE), the management has identified them as regular though their last usage is more than 1 year amounting to NPR 739,052,124.

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 ***NPR***

Capital Work in Progress	Capital Works	Capital Inventory under installation	Total
CWIP Balance as Ashadh 32,2079	379,049,724	6,337,525,480	6,716,575,204
Prior Year Adjustment	-	-	-
Net Addition / (Net Transfer) for 2079-80	95,834,638	(131,110,061)	(35,275,423)
CWIP Balance as at Ashadh 31, 2080	**474,884,362**	**6,206,415,419**	**6,681,299,781**
Accumulated Impairment as at Ashadh 32, 2079	54,587,061	668,995,440	723,582,501
Impairment for FY 2079-80	(29,888,859)	554,164,518	524,275,659
Accumulated Impairment as at Ashadh 31, 2080	**24,698,202**	**1,223,159,958**	**1,247,858,160**
Net Balance as at Ashadh 31, 2080	**450,186,160**	**4,983,255,461**	**5,433,441,621**
Net Balance as at Ashadh 32, 2079	**324,462,663**	**5,668,530,040**	**5,992,992,703**

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 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.

NPR

	Ashadh 31, 2080	Ashadh 32, 2079
Investment in Trishuli Jal Vidhyut Company Ltd		
At cost	741,000,000	741,000,000
Equity adjustment	(83,606,843)	(78,725,533)
		-
Investment in Upper Tamakoshi Hydropower Ltd.		-
At cost	635,400,000	635,400,000
Equity adjustment	(445,166,276	(164,832,323)
		-
Investment in Nagarik Stock Dealer Company Ltd.		-
At cost	451,541,250	450,000,000
Equity adjustment	(82,546,106)	(33,675,764)
TOTAL	**1,216,622,026**	**1,549,166,381**
Associates share Income/(Expense)	**(334,085,605)**	**(189,506,011)**
Associates share Income/(Expense) to PL	(342,661,132)	(180,894,309)
Associates share Income/(Expense) to OCI	8,575,527	(8,611,702)

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.

The company's share in changes in the Other Comprehensive Income of Nagarik Stock Dealer amounting to NPR 8,575,527 has been adjusted in Other Comprehensive Income as reversal of previous year figure charged to OCI for the year.

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 90 m, length of headrace tunnel is 3805.48 m and the average annual energy generation is estimated to be 292.58 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 m3/sec and the average annual energy generation is estimated to be 2280 GWh.

Nagarik Stock Dealer Company Limited:

The company has promoter shareholding of 9% in Nagarik Stock Dealer Company Limited which has been established with the objective of dealing in securities in the capital market with the stipulated regulation and guidelines of Securities Board of Nepal (SEBON).

6. Investment in Subsidiary

Accounting Policies

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 losses control of the subsidiary.

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

Explanatory Notes

NPR

Investment in Subsidiaries	Ashadh 31, 2080	Ashadh 32, 2079
Investment in Nepal Digital Payments Company Ltd	248,888,900	248,888,900
	248,888,900	**248,888,900**

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.

NPR

Inventory	Ashadh 31, 2080	Ashadh 32, 2079
Gross Inventory		
Telephone sets, Drop Wire & Accessories	282,002,297	179,276,526
Cash Cards	115,703,502	71,784,862
Spares and other Inventories	553,412,425	294,848,313
	951,118,224	**545,909,701**
Allowance Adjustments		
Telephone sets, Drop Wire & Accessories	52,833,094	92,762,150
Cash Cards	2,326,958	25,330,868
Spares and other Inventories	188,389,885	256,953,186
	243,549,937	**375,046,203**
Inventory net of allowances		
Telephone sets, Drop Wire & Accessories	229,169,203	86,514,376
Cash Cards	113,376,544	46,453,994
Spares and other Inventories	365,022,540	37,895,127
Total	**707,568,287**	**170,863,497**

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 whose inception period is from the date of initial application and 10% for the lease that starts after the inception date based on considerations specific to the leases by taking into account the risk free borrowing rates as adjusted for country / company specific risk premiums

NPR

Right of Use Assets	Land and Building	Network Infrastructure	Other	Total
As on Shrawan 1, 2079	2,713,476,384			2,713,476,384
Adjustments	(316,085,193)			-
Addition during the period	28,024,019			28,024,019

Total Value of Assets as on 31 Ashadh 2080	**2,425,415,210**	-	-	**2,425,415,210**
Opening Amortisation As on 1 Shrawan 2079	362,604,758			362,604,758
Amortisation Charged for the year	283,883,667			283,883,667
Transfer to assets held for sale				-
Other Movement				-
Total Amortisation as on 31st Ashadh 2080	**646,488,425**			**646,488,425**
Net Balance as on 31 Ashadh, 2080	**1,778,926,785**	-	-	**1,778,926,785**

NPR

Lease Liability	Ashadh 31, 2080	Ashadh 32, 2079
Current	441,760,875	260,613,435
Non-Current	1,506,399,014	2,228,248,150
Closing Balance As at 31 Ashadh, 2080	1,948,159,888	**2,488,861,585**

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*
	Ashadh 31, 2080	Ashadh 32, 2079
Prepaid expenses	72,103,575	70,801,294
Less: Provision for possible losses	(1,355,994)	(1,355,994)
Other Non-Financial Assets	338,001,770	161,310,235
Less: Provision for possible losses	(38,837,876)	(38,837,876)
Deferred Employee Expenses	1,741,942,786	1,969,763,785
Total	**2,111,854,261**	**2,161,681,444**

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 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*
	Ashadh 31, 2080	Ashadh 32, 2079
VAT Payable	45,776,917	138,745,184

TDS payable	8,355,707	6,252,055
Other Fee Collection Payable	290,033,182	482,565,294
Royalty and Contribution to RTDF Payable	2,158,060,109	2,249,791,180
Advance from Subscribers	1,338,165,565	1,074,906,943
Unearned Cash Card Sales	934,012,181	897,858,528
Telecom Allowance Payable	990,643,689	1,264,028,657
Employee Bonus Payable	1,310,901,176	1,401,086,386
Total	**7,075,948,526**	**7,515,234,227**

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 cost.
- amortised

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 (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 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 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 it's entirely, 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:

NPR

Financial Assets (FY 2079-80)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments			190,000,000		190,000,000
Employee Loan	3,793,981,202				3,793,981,202
Accruals, Advance & Others Receivables	780,997,568				780,997,568
Trade & Other Receivable				1,949,876,398	1,949,876,398
Term Deposits and Investments in Debenture				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
Total	**9,985,106,100**		**190,000,000**	**72,259,966,784**	**82,435,072,884**

NPR

Financial Assets (FY 2078-79)	FVtPL	FVtOCI		At Amortised cost	Total
		Debt	Equity		
Equity Investments			130,000,000		130,000,000
Employee Loan	3,612,505,030				3,612,505,030
Accruals, Advance & Others Receivables	310,966,431				310,966,431
Trade & Other Receivable				2,320,933,080	2,320,933,080
Term Deposits and Investments in Debenture				55,139,912,000	55,139,912,000
Loan Investments				13,934,401,507	13,934,401,507
Cash & Cash Equivalents	5,671,274,409				5,671,274,409
Total	**9,594,745,870**	-	**130,000,000**	**71,395,246,587**	**81,119,992,457**

10.1.1 Equity Investments:

Accounting Policies

Equity investments are accounted for at fair value in accordance with NFRS 9 '*Financial Instruments*.' These investments are measured at fair value through other comprehensive income as the company does not intend to hold these instruments for trading purpose.

NPR

Equity Investments	Ashadh 31, 2080	Ashadh 32, 2079
Vidhyut Utpadan Company Ltd.	130,000,000	130000000
National Fund Management Ltd	60,000,000	
	190,000,000	**130,000,000**

The company has made this investment under a long term investment strategy. The company has promoter shareholding in this company. This company 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 cost value currently represents the fair value of these investments.

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 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 19 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. 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*
	Ashadh 31, 2080	Ashadh 32, 2079
Gross Disbursement and Outstanding	5,530,200,019	5,559,989,995
Fair Value adjustment	(1,736,218,817)	(1,947,484,965)
Total Employee Loan at Fair Value	**3,793,981,202**	**3,612,505,030**
Employee Loan - Current Portion	75,948,918	48,929,431
Employee Loan - Non-Current Portion	3,718,032,284	3,563,575,599
Total Employee Loan at Fair Value	**3,793,981,202**	**3,612,505,030**

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 FY as per Repayment Schedule.

Claims against suppliers and others:

These comprise claims 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*
	Ashadh 31, 2080	Ashadh 32, 2079
Interest Accrued	704,553,098	210,574,191
Less: Provision of possible losses	-	-
Advance to and Claims Against Others	129,813,304	129,966,150
Less: Provision for possible losses	(59,183,104)	(59,183,104)
Advance to and Claims Against Employees	5,912,986	29,707,910
Less: Provision for possible losses	(98,716)	(98,716)
Total	**780,997,568**	**310,966,431**

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. 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

	Ashadh 31, 2080	Ashadh 32, 2079
Opening Balance	1,277,055,722	2,063,103,388
Prior Year Adjustment	-	-
Restated Opening Balance	**1,277,055,722**	**2,063,103,388**
Net Addition / (Net Transfer) for 2079-80	(198,361,727)	(786,047,666)
Closing Balance as on 31 Ashadh, 2080	**1,078,693,995**	**1,277,055,722**
Opening Accumulated Impairment	93,384,684	93,384,684
Impairment for FY 2079-80	-	-
Closing Accumulated Impairment	93,384,684	93,384,684
Net Balance as on 31 Ashadh, 2080	**985,309,311**	**1,183,671,038**

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 days 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 sub groups 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*
	Ashadh 31, 2080	Ashadh 32, 2079
Gross Trade & Other Receivable		
Wireless	550,377,386	904,947,291
Fixed Line	1,154,998,731	1,606,456,673
International Inter- connection	1,479,613,000	1,283,826,859
Domestic Inter- connection	419,671,108	315,275,337
Contract Assets	156,228,780	158,810,318
	3,760,889,005	**4,269,316,478**
Expected Credit Loss		
Wireless	340,653,844	473,373,991
Fixed Line	784,744,724	891,452,232
International Inter- connection	193,096,295	198,490,632
Domestic Inter- connection	269,221,125	315,128,116
Contract Assets	85,925,829	69,938,426
Total	**1,673,641,817**	**1,948,383,397**
Trade Receivables net of impairment		

Wireless	209,723,542	431,573,300
Fixed Line	370,254,007	715,004,441
International Inter- connection	1,286,516,705	1,085,336,227
Domestic Inter- connection	150,449,983	147,221
Contract Assets	70,302,951	88,871,892
Total	**2,087,247,188**	**2,320,933,080**

10.1.5 Investments in Term Deposits, Debenture and Mutual Funds:

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.

Investments in Term Deposits , Debenture and mutual funds		*NPR*
	Ashadh 31, 2080	**Ashadh 32, 2079**
Government and Corporate Debenture		
Investment in Debentures of class 'A' Bank	3,484,239,000	2,854,212,000
Investment in Mutual Fund	130,000,000	
Change in Fair Value of Investment	(2,010,000)	
Net investment in Mutual Fund	**127,990,000**	
Term Deposits with Banks		
in Foreign Currency (US$)	9,050,730,000	8,925,700,000
in Nepalese Currency	43,860,000,000	43,360,000,000
	56,522,959,000	**55,139,912,000**
Current	52,910,730,000	52,285,700,000
Non-Current	3,612,229,000	2,854,212,000
Total	**56,522,959,000**	**55,139,912,000**

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 and had positive operating cash flows during the interim financial report of first quarter of Fiscal Year of 2078-79.

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 5% Expected Credit Losses (ECL) on amortised cost of the debt investment.

NPR

Loan Investments	Ashadh 31, 2080	Ashadh 32, 2079
Loan Investments in Upper Tamakoshi Hydropower Ltd.	14,520,520,939	14,667,791,060
Less: Expected Credit Loss	(733,389,553)	(733,389,553)
Net Investment	**13,787,131,386**	**13,934,401,507**

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.

Cash and Cash Equivalents		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Bank Balances		
Interest Bearing	5,410,123,102	5,671,192,579
Non Interest Bearing	-	-
Cash Balance	4,228	81,830
	5,410,127,330	**5,671,274,409**
Effect of Exchange rate changes	-	
Total	**5,410,127,330**	**5,671,274,409**

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 and 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.

NPR

Financial Liabilities (FY 2079-80)	FVtPL	Amortised cost	Total
Subscriber Deposits		58,727,124	58,727,124
GSM License Renewal Fee Liability		-	-
Current Liabilities		12,892,423,384	12,892,423,384
Trade Payable		2,665,500,864	2,665,500,864
Total	-	**15,616,651,372**	**15,616,651,372**

NPR

Financial Liabilities (FY 2078-79)	FVtPL	Amortised cost	Total
Subscriber Deposits		62,588,773	62,588,773
GSM License Renewal Fee Liability		3,668,703,704	3,668,703,704
Current Liabilities		14,244,862,146	14,244,862,146
Trade Payable		1,957,828,024	1,957,828,024
Total	-	**19,933,982,647**	**19,933,982,647**

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.

		NPR
Subscriber Deposits	**Ashadh 31, 2080**	**Ashadh 32, 2079**
Deposit and Credit Limit from Subscriber	58,727,124	62,588,773
Total	**58,727,124**	**62,588,773**

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.

Subscriber Deposits Amounting to NPR 1,987,129,670 was transferred to Advances- Income Related NPR 1,973,054,750 and other payables NPR 14,074,921 in FY 2079/80 but before the authorisation of Financial Statements for issue for FY 2078/79. Therefore, the Company considering these transactions as adjusting events as per NAS 10 " Events after the Reporting Period" impact of these transactions have been given in the financial statements of FY 2078/79.

10.2.2. GSM License Fee Renewal Liability

Explanatory Notes

GSM License Second Renewal Liability

The company was obligated to pay NPR 20 billion (less already paid amount of NPR 189 million) as the Second renewal for its GSM License. However, the Government of Nepal rescheduled the payment of the remaining second renewal fee to be paid over the next five years by equal annual instalments of NPR 3,962,200 thousand. The liability is accounted for at amortised cost using effective interest rate. The company has considered 8% as the discount rate for the future payments and computation of amortised cost. The effective interest is recognised in the statement of profit or loss.

GSM License Fee Renewal Liability		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Gross Amount	-	**3,962,200,000**
Discount	-	(293,496,296)
	-	**3,668,703,704**
Current Portion	-	3,668,703,704
Non-Current Portion	-	
Total GSM License Fee Renewal Liability	-	**3,668,703,704**

10.2.3. 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

NPR

Trade Payable	Ashadh 31, 2080	Ashadh 32, 2079
Payable for Bandwidth Service	2,358,092,522	1,540,452,838
Payable for Interconnection Service	307,408,342	417,375,186
Total	**2,665,500,864**	**1,957,828,024**

10.2.4. 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

NPR

Current Liabilities	Ashadh 31, 2080	Ashadh 32, 2079
Sundry Creditors - Suppliers	11,400,623,273	10,753,762,494
Advances Work/Income related	1,236,250,428	3,387,777,310
Others Liabilities	255,549,683	103,322,342
Total	**12,892,423,384**	**14,244,862,146**

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		*NPR*
	Ashadh 31, 2080	Ashadh 32, 2079
Provision for GSM License Renewal Fee	16,723,287,671	12,723,287,671
Provision for Expenses	41,129,519	
Total	**16,764,417,190**	**12,723,287,671**

The third renewal of GSM license that fell due on 2076/01/28 is still uncertain and yet to be confirmed. As per the Government of Nepal's decision dated 2076/02/10, the company renewed its licence by paying NPR 189 million during the FY 2075-76. Provision has been made up to the current year end based on past obligations.

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 techniques for Level 2 financial instruments use inputs that are based on observable market data. Level 3 input for assets or liabilities are those where at least one input, which could have a significant effect on the valuation, is not based on observable market data. Determining the appropriate assumptions to be used for Level 3 assets or liabilities require significant management judgement. Further details of the company's Level 3 assets or liabilities and the sensitivity of their valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are set out wherever required.

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

NPR

Assets and Liabilities FY 2079-80	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	
Total	**31,970,118,146**	**4,228**	**31,970,113,918**	-

NPR

Assets and Liabilities FY 2078-79	Carrying Amount	Quoted Market Prices	Observable Inputs	Unobservable Inputs
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
Land	23,080,103,001		21,255,525,331	
Building	2,769,552,842		2,769,552,842	
Cash and Cash Equivalent	5,671,192,579	81,830	5,671,110,749	

Total	31,520,848,422	81,830	29,696,188,922	-

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:

NPR

Assets and Liabilities (FY 2079-80)	Carrying amount	Fair Value	Quoted prices (Level 1)	Observabl e Inputs (Level 2)	Unobservable inputs (Level 3)
Assets					
Trade & Other Receivable	2,087,247,188	2,087,247,188	-	-	2,087,247,188
Term Deposits	52,910,730,000	52,910,730,000	-	-	52,910,730,000
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
Liabilities					
Subscriber Deposits	58,727,124	58,727,124	-	-	58,727,124
GSM License Renewal Fee Liability			-	-	
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

NPR

Assets and Liabilities (FY 2078-79)	Carrying amount	Fair Value	Quoted prices (Level 1)	Observable Inputs (Level 2)	Unobservable inputs (Level 3)
Assets					
Trade & Other Receivable	2,320,933,080	2,320,933,080	-	-	2,320,933,080
Term Deposits	52,285,700,000	52,285,700,000	-	-	52,285,700,000
Investments in Debenture	2,854,212,000	2,843,301,140			2,843,301,1340
Loan Investments	13,934,401,507	13,934,401,507			13,934,401,507
Liabilities					
Subscriber Deposits	62,588,773	62,588,773	-	-	62,588,773
GSM License Renewal Fee Liability	3,668,703,704	3,668,703,704	-	-	3,668,703,704
Current Liabilities	14,244,862,146	14,244,862,146	-	-	14,244,862,146
Trade Payable	1,957,828,024	1,957,828,024			1,957,828,024

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 employees 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 taken from current year calculation 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*
	Ashadh 31, 2080	Ashadh 32, 2079
Short term employee benefits		
Salaries & Wages	2,156,722,858	1,900,242,671
Allowances	1,289,974,919	1,264,004,419
Uniform Allowances	39,392,000	41,066,000
Overtime Allowances	34,710,498	29,381,307
Medical Expenses	524,816,066	460,594,804
Telecom Allowances	383,099,003	396,048,001
Employee Statutory Bonus	623,292,720	687,559,328
Other monetary Benefits	33,519,396	25,995,206
Leave Encashment	130,373,554	109,936,868
Finance cost under NFRS	164,536,652	161,582,660
Defined Contribution Plan		
Contribution to Provident Fund	210,451,092	184,846,055
Contributory Pension Fund	33,759,511	26,330,522
Life Insurance	76,845,223	80,371,497
Defined Benefit Plan		

Leave Encashment	91,923,306	97,365,312
Pension and Gratuity	2,150,344,260	1,893,523,090
Other Long term employee benefits	7,046,781	10,865,528
Total	**7,950,807,839**	**7,369,713,268**

13.2. Post-Employment Benefits

The company has both defined contribution plans and defined benefit plans as post-employment benefits.

i. Defined Contribution Plan

The company operates three 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. Contributory pension fund, 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
3. 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. The employees are also entitled for compensatory leave payments at the time of retirement.

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
	Ashadh 31, 2080	Ashadh 32, 2079
Opening DBP Obligations	26,933,719,748	22,765,942,346
Current Service Costs	874,282,780	779,862,200
Finance Cost	2,002,537,880	1,694,926,310
Benefits Paid	(1,009,339,752)	(775,429,328)
Actuarial Remeasurements	2,920,679,600	2,468,418,220
Closing DBP Obligation	**31,721,880,257**	**26,933,719,748**

Defined Benefit Plan Assets		*NPR*
	Ashadh 31, 2080	**Ashadh 32, 2079**
Fair Value of Plan Assets at beginning	7,059,874,776	5,263,167,363
Employers Contribution	1,500,000,000	1,507,854,000
Return on Plan assets	504,179,540	373,963,240
(-) Benefits Paid	(248,539,653)	(143,161,574)
(-) Actuarial Remeasurements	95,720,240	58,051,747
Closing DBP Assets	**8,911,234,903**	**7,059,874,776**

Net Defined Benefit Plan Obligation	22,810,645,353	19,873,844,972
Charged / (credited) to P&L	2,372,641,120	2,100,825,270

Charged / (credited) to OCI	2,824,959,360	2,410,366,473

Defined Benefit Plan Obligation – Pension and Gratuity		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Opening DBP Obligation	25,207,626,590	21,191,614,654
Current Service Costs	778,845,810	688,472,490
Finance Cost	1,875,677,990	1,579,013,840
Benefits Paid from Plan Assets	(248,539,650)	(143,161,574)
Benefits Paid directly by employers	(534,703,201)	(444,481,270)
Actuarial Remeasurements	2,655,253,320	2,336,168,450
Closing DBP Obligation	**29,734,160,859**	**25,207,626,590**

Defined Benefit Plan Obligation – Leave		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Opening DBP Obligation	1,726,093,158	1,574,327,692
Current Service Costs	95,436,970	91,389,710
Finance Cost	126,859,890	115,912,470
Benefits Paid by the company	(226,096,901)	(187,786,484)
Actuarial Remeasurements	265,426,280	132,249,770
Closing DBP Obligation	**1,987,719,397**	**1,726,093,158**

Actuarial Assumptions

Actuarial valuation of defined benefit plan obligation is done on the basis of the following assumptions.

	FY 2079-80	FY 2078-79
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 -> 5% Age>=45 -> 0%	Age<45 -> 5% Age>=45 -> 0%

Sensitivity Analysis (Pension & Gratuity)

	FY 2078-79	FY 2078-79
Discount Rate		
Effect on DBO – increase of discount rate by 1%	-13.2%	-13.5%
Effect on DBO – decrease of discount rate by 1%	16.7%	17.1%
Salary Escalation Rate		
Effect on DBO – increase of salary rate by 1%	4.2%	4.6%
Effect on DBO – decrease of salary rate by 1%	-3.9%	-4.2%
Pension Inflation Rate		
Effect on DBO – increase of pension inflation rate by 1%	11.9%	11.9%
Effect on DBO – decrease of pension inflation rate by 1%	-9.9%	-9.9%

Sensitivity Analysis (Leave Obligation)

	FY 2079-80	FY 2078-79
Discount Rate		
Effect on DBO – increase of discount rate by 1%	-6.7%	-7.0%
Effect on DBO – decrease of discount rate by 1%	7.5%	7.9%
Salary Escalation Rate		
Effect on DBO – increase of salary rate by 1%	7.5%	7.8%
Effect on DBO – decrease of salary rate by 1%	-6.8%	-7.1%

13.3 Plan Assets:

The company has invested in the Gratuity Fund Scheme (deposit scheme) of Citizen Investment Trust and earmarked Fixed Deposits as plan assets. The company made a discretionary contribution of NPR 1.5 billion during the FY 2079-80 in the earmarked Fixed Deposits maintained at government commercial banks. The principal investment objectives are to ensure the availability of funds to pay Gratuity and Lumpsum pension from the plan assets.

The company has done the actuarial funding valuation and as per the current practice, the company will annually make the discretionary contribution in Plan Assets with in five years to meet 100% funding of retirement benefit obligations (Gratuity and Lumpsum pension) based on estimated future payment.

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 16, 2023, 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.

	Pension and Gratuity Benefits Amount in '000
2024	895,801.42
2025	1,304,381.24
2026	1,335,121.42
2027	1,430,977.29
2028	1,563,052.22
Year 2029 to 2032	8,905,804.14

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		*NPR*
	Ashadh 31, 2080	Ashadh 32, 2079
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
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		*NPR*
	Ashadh 31, 2080	**Ashadh 32, 2079**
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*
	Ashadh 31, 2080	**Ashadh 32, 2079**
Retained Earning	42,646,473,647	45,398,153,730
Revaluation Reserve	23,509,660,708	23,558,954,134
Deferred Tax Reserve	9,788,903,857	8,310,934,189
Fair Value through OCI Reserve	-	-
	75,945,038,211	**77,268,042,053**

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

		NPR
Revenue from contract with customers	**Ashadh 31, 2080**	**Ashadh 32, 2079**
Revenue from rendering services		
Voice	22,555,493,245	25,264,179,117
Data	11,630,039,024	10,624,838,436
SMS	1,576,729,276	1,426,784,408
Others	205,406,932	237,206,185
	35,967,668,477	**37,553,008,146**
Equipment sales	303,781,427	366,781,197
Total	**36,271,449,904**	**37,919,789,343**

		NPR
	Ashadh 31, 2080	**Ashadh 32, 2079**
Fixed Line		
Local/ Domestic	579,798,014	1,017,639,299
International Trunk	4,039,573	9,012,645
Leased Circuits	289,245,969	347,067,660
ADSL	182,512,346	433,656,390
SIP	477,473	34,970
FTTH - Voice	1,180,476,320	895,253,935
FTTH - Data	390,580,523	263,066,580
IPTV	33,253,832	33,159,606
Others	21,317,497	72,179,079
Fixed Line Total	**2,681,701,548**	**3,071,070,163**
CDMA		
Local/ Domestic	18,279,085	69,977,326
International Trunk	1,058,560	5,264,681
Data	23,329	1,638,579

SMS	101,426	575,219
Others	2,385,475	3,900,491
CDMA Total	**21,847,874**	**81,356,296**
GSM		
Voice	16,610,607,716	18,144,771,992
Data	10,520,221,571	9,308,517,766
SMS	429,215,539	478,264,339
International Trunk	529,022,209	618,765,279
Roaming	12,312,302	8,222,667
Others	173,754,769	152,701,908
GSM Total	**28,275,134,107**	**28,711,243,950**
Interconnection Services		
Inter-connection - International	3,107,178,349	3,865,890,400
Inter-connection - Domestic	191,715,398	537,808,625
International Roaming (Sharing)	320,528,246	91,537,298
SMS	804,472,808	607,596,446
Others	7,949,192	8,424,707
Interconnection Services Total	**4,431,843,991**	**5,111,257,477**
Value Added Services (VAS)	557,127,131	574,777,280
Wimax Revenue	13,826	3,302,979
Total - Revenue from rendering services	**35,967,668,477**	**37,553,008,146**

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 are recognised as per effective interest method in accordance with NFRS 9.

Explanatory Notes

Finance Income		NPR
	Ashadh 31, 2080	**Ashadh 32, 2079**
Interest Income on Loan Investment	1,424,715,880	1,414,665,290
Interest on Debentures	324,223,761	215,185,825
Interest on Term Deposits	5,882,339,957	4,084,301,139
Interest on Employee Loan	149,976,639	193,248,861
Change in Fair Value of Investment	(2,010,000)	-
Total	**7,779,246,237**	**5,907,401,115**

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*
	Ashadh 31, 2080	Ashadh 32, 2079
LQD and other income	245,460,630	494,937,565
Government Grant Income	127,460,789	52,528,872
Total	**372,921,419**	**547,466,437**

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*
	Ashadh 31, 2080	Ashadh 32, 2079
Maintenance - Office Equipment	63,062,300	74,008,043
Maintenance - Buildings	134,895,741	128,012,654
Maintenance - Plants/ Machinery	2,173,730,747	1,784,867,268
Power, Heating & Lighting	1,463,033,358	1,422,899,213
Fuel for Vehicles	116,248,715	91,674,091
Maintenance vehicles	71,497,076	68,715,452
Freight & Carriages	14,084,465	15,428,784
International IP Lease & Transit Cost	2,006,426,919	1,752,994,602
Cost of Telephone Sets and Other Materials	407,259,514	300,996,912
Cost of Cash Card	229,094,622	223,525,368
Inquiry Service Expenses	39,333,505	39,677,845
Value Added Services Expenses	105,222,160	115,319,486
Data Entry Expenses	1,906,326	2,189,857
Interconnection Expenses- Domestic	248,956,763	572,064,783
Interconnection Expenses-Foreign	435,248,952	425,104,993
Training Expenditure (Contract)	99,952,278	25,023,992
Research Expenses	130,181	-
Rent Expense (For Service Operation)	20,478,597	15,825,150
Total	**7,630,562,220**	**7,058,328,493**

20 Sales Channel, Marketing and Promotion Costs

Explanatory Notes

Sales Channel, Marketing and Promotion Costs		*NPR*
	Ashadh 31, 2080	Ashadh 32, 2079
Commission on Sales	95,823,185	106,564,800
Advertisement and Trade Promotion	165,482,950	154,126,397
Total	**261,306,135**	**260,691,197**

21 Office Operation Expenses

Explanatory Notes

Office Operation Expenses		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Travelling Expenses	158,684,896	125,046,845
Rates and Local Taxes	116,943,325	105,585,538
Rent and Leasehold Cost of Land and Buildings	175,544,015	201,885,656
Board Meeting Allowance	1,777,500	1,372,900
Other Meeting Allowances and Expenses	53,351,856	44,995,769
Printing and Stationery	37,456,564	36,943,732
Bank Charges	14,395,509	18,942,789
Training Expenses	202,205,152	50,138,902
Hospitality Expenses	24,763,885	20,558,617
Office Furnishing	10,674,253	12,439,146
Insurance	32,113,176	30,087,183
Statutory Audit Fee	2,400,000	2,200,000
Tax Audit Fee	900,000	700,000
Audit Expenses	4,397,004	3,340,760
Postage	1,042,199	948,462
Books and Periodicals	2,528,146	2,535,571
Professional fees	9,348,540	5,378,907
Security Expenses	220,366,941	219,328,259
Outsourcing Service expenses	11,675,404	11,845,565
Membership Fee	15,186,706	12,102,475
Business support Expense	67,284,772	67,449,217
Communication Expenses	19,716,968	22,676,528
Anniversary Expenses	6,924,558	7,372,079
Annual General Meeting Expenses	1,840,924	1,553,633
Miscellaneous Expenses	120,581,936	116,266,853
Donation	-	-
Total	**1,312,104,229**	**1,121,695,385**

22 Regulatory Fees, Charges and Renewals

Explanatory Notes

Regulatory Fees, Charges and Renewals		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Royalty	1,438,706,739	1,502,120,326
Rural Telecommunication Development Fund Contribution	719,353,370	751,060,163
Frequency Fee	1,618,158,406	1,652,064,283
License Fee Expenses	4,000,000,000	4,000,000,000
Total	**7,776,218,515**	**7,905,244,772**

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 License 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 license renewal fee payable.

Finance Costs		NPR
	Ashadh 31, 2080	Ashadh 32, 2079

Unwinding Interest of GSM License Renewal Fee Liability	293,496,296	565,252,126
Interest of Subscriber deposits	-	11,692,103
Finance Costs on lease Liability	179,826,326	193,994,095
Total	**473,322,622**	**770,938,324**

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:
a) Obsolescence or physical damage;
b) Significant changes in technology and regulatory environments;
c) Significant changes under performance relative to expected historical or projected future operating results;
d) 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:

1. **Stage 1**: Credit risk has not increased significantly since initial recognition – recognise 12 months ECL, and recognise interest on a gross basis.

2. **Stage 2**: Credit risk has increased significantly since initial recognition – recognise lifetime ECL, and recognise interest on a gross basis.

3. **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
	Ashadh 31, 2080	Ashadh 32, 2079
Property Plant and Equipment	(131,157)	-
Buildings	-	284,437,037
Capital Work In Progress	524,275,659	40,785,321
Prepaid Expenses		
Non-Financial Assets		

Financial Instruments		
Trade Receivables	(274,741,580)	-
Inventory	(131,496,266)	
Accruals, Advances and Other Receivables	-	(134,182,626)
Loan Investment	-	32,382,628
Total	**117,906,656**	**223,422,359**

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 in to 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*
	Ashadh 31, 2080	Ashadh 32, 2079
Transaction Gain / (Loss)	601,780,664	508,445,132
Translation Gain / (Loss)	(393,078,278)	(162,504,210)
Total	208,702,386	345,940,922

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 2075/76 (2018-19). For the remaining financial years, the assets and liabilities have been recognised and carried as under:

NPR

Fiscal Year	Tax Liability	Advance Tax Paid	Net Tax Asset/(Liability)	Cumulative
2075/76	5,660,634,683	4,804,513,428	(856,121,255)	706,497,276
2076/77	6,271,148,664	6,962,104,678	690,956,014	1,397,453,290
2077/78	4,295,753,360	5,175,225,403	879,472,043	2,276,925,333
2078/79	5,380,142,722	4,762,661,677	(617,481,045)	1,659,444,288
2079/80	4,555,461,469	4,638,795,554	83,334,085	1,742,778,373

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.

NPR

Income Taxes expense	Ashadh 31, 2080	Ashadh 32, 2079
Provision for Tax		
For current year	4,555,461,469	5,046,471,559
For prior years	-	333,671,163
Deferred Tax	(633,054,519)	(787,249,402)
Total	**3,922,406,950**	**4,592,893,320**

The provision has been made for the third renewal fees of GSM License (period from 2076.01.29 to 2081.01.28) amounting NPR 4 Billion as per the past obligation. The amount and timing of payment is yet to be confirmed. As per the provision of Income Tax Act, 2058 u/s 24(2)(Kha), the expenses deduction shall be claimed as and when the license fee liability will be confirmed and the payment will be made. Deferred Tax effect has been given for the timing difference arises thereon.

26.3. Deferred Taxes

NPR

Particulars (FY 2079-80)	Carrying Amount	Tax Base	Temporary Difference
Assets			
Property, Plant & Equipment	27,774,308,838	36,488,529,323	(8,714,220,485)
Land	23,085,052,066	586,900,300	22,498,151,766
Intangible assets	1,789,290,636	1,497,244,782	292,045,853
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 Assets	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)
Liability and Provisions			
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	990,641,432	-	(990,643,689)
Provision for Staff Bonus	1,310,901,176	-	(1,310,901,176)
Translation gain/(loss)			(393,078,278)
Provision for expenses	41,129,519	-	(41,129,519)
GSM license fee renewal liability	-		
Total			**(32,629,679,526)**
	Tax Rate @	30%	**(9,788,903,858)**
Deferred Tax Liability / (Asset) - FY 2078-79			**(8,310,934,189)**
GSM license fee DTA Adjustment			-
Deferred Tax Expense / (Income) FY 2079-80			**(1,477,969,669)**
Deferred Tax liability / (Asset) Ashadh 31, 2080			**(9,788,903,858)**

NPR

Particulars (FY 2078-79)	Carrying Amount	Tax Base	Temporary Difference
Assets			
Property, Plant & Equipment	28,497,097,922	35,624,830,132	(7,127,732,210)
Land	23,080,103,001	586,900,300	22,493,202,701
Intangible assets	1,829,567,835	1,650,540,351	179,027,484
Loan Investment	13,934,401,507	14,667,791,060	(733,389,553)
Trade Receivable	2,320,933,080	4,269,316,478	(1,948,383,397)
Accruals, Advances and Other Receivables	310,966,431	370,248,251	(59,281,820)
Inventory	170,863,497	545,909,701	(375,046,203)
Capital WIP	5,992,992,703	6,716,575,204	(723,582,501)
Prepayments and Other Non-Financial Assets	191,917,659	232,111,529	(40,193,870)
Investment in Associates	1,645,505,691	1,826,400,000	(180,894,309)
Long Term Loan and Advances	1,183,671,038	1,277,055,722	(93,384,684)
Liability and Provisions			
Provision for License Fee	12,723,287,671	-	(12,723,287,671)
Defined Benefit Plan Provision	19,873,844,972	-	(19,873,844,972)
Provision for Telecom Allowance	1,264,028,657	-	(1,264,028,657)
Provision for Staff Bonus	1,401,086,386	-	(1,401,086,386)
Translation gain/(loss)			(162,504,210)
Provision for expenses	-	-	-
GSM license fee renewal liability	3,668,703,704		(3,668,703,704)
Total			(27,703,113,962)
	Tax Rate @	30%	(8,310,934,189)
Deferred Tax Liability / (Asset) - FY 2077-78			(7,497,703,394)
GSM license fee DTA Adjustment			-
Deferred Tax Expense / (Income) FY 2078-79			(813,230,795)
Deferred Tax liability / (Asset) Ashadh 32, 2079			(8,310,934,189)

26.4. Reconciliation of Profit Reported in The Financial Statements and as Reported to the Tax Return

NPR

Particulars	Ashadh 31, 2080	Ashadh 32, 2079
Profit before tax as per Financial Statement	11,842,561,684	13,063,627,232
Net Adjustments under Income Tax Act	3,342,309,880	3,757,944,631
Profit for Tax Purpose	15,184,871,563	16,821,571,863
Income Tax rate	30%	30%
Total	**4,555,461,469**	**5,046,471,559**

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

		NPR
Deferred Government Grant	**Ashadh 31, 2080**	**Ashadh 32, 2079**
Opening Balances	861,019,990	484,685,100
Addition during the year	799,825,093	428,863,762
Transfer to Equity during the year	(127,460,789)	(52,528,872)
Closing Balances	**1,533,384,294**	**861,019,990**

During the year, Contract with Nepal Telecommunications Authority (NTA) to build "Broadband Network and Provide Internet Access Connectivity Services in Earthquake affected 4 Districts" namely: Nuwakot, Rasuwa, Kavrepalanchok and Sindhupalchowk under Rural Telecommunications Development Fund (RTDF) was amended after recognition of the grants . Reduced Recurrence Cost NRs. 8,069,361.57 and Overhead Cost 1,496,817.00 due to contract amendment previously booked as other Income under Grant related to Income is adjusted by giving impact in Retained Earnings and reversing Government Grant receivable.

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 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 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		
	FY 2079-80	FY 2078-79
Nepal Digital Payments Company Limited	62.22%	62.22%
Trishuli Jalvidhyut Company Limited	41.42%	48.78%
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%
	Treatment	**Treatment**
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

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		*NPR*
	Ashadh 31, 2080	Ashadh 32, 2079
Profit Attributable to shareholders	**7,920,154,733**	**8,470,733,912**
Number of Shares (weighted average)	180,000,000	180,000,000
EPS (Basic)	44.00	**47.06**
EPS (Diluted)	44.00	**47.06**

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 and 2075/76 . 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.

Administrative Review		*NPR*
Year	Deposited Date	Amount
2071/72	5/23/2076	83,662,881
2072/73	5/23/2077	155,613,123
2073/74	5/16/2078	35,610,870
2074/75	4/26/2079	15,462,584
2075/76	5/6/2080	23,064,641
Total		**313,414,100**

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would have existed against the company for Income Year 2073/74 , 2074/75 and 2075/76 respectively , if the appeal goes against the company.

		NPR
Year	Income Tax	TDS
2073/74	379,849,276.87	-
2074/75	164,934,227.22	-
2075/76	142,240,240.53	18,239,108.58
Total	**687,023,744.62**	**18,239,108.58**

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 and 2075/76 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.

Revenue Tribunal		*NPR*
Year	Deposited Date	Amount
2071/72	23/08/2077	143,097,864
2072/73	23/02/2079	155,614,000
Total		**298,711,864**

The contingent liability for Tax Deduction at Source (TDS) and Income Tax and the fine amount up to the date of settlement would have existed against the company for the income year 2071-72 and 2072/73. if the appeal goes against the company.

		NPR
Year	Income Tax	TDS
2071/72	766,132,229.12	25,768,640.15
2072/73	1,367,938,168.85	6,253,413
Total	**2,134,070,397.97**	**32,022,053.15**

31.1.2 Legal cases

There were 23 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.

31.1.3 Dispute with Nepal Telecommunication Authority (NTA)

There is a dispute with NTA regarding the payment of frequency fee from fiscal Year 2063/64 in Frequency Band 2100MHz and 2300MHz. 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 1.65 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		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Commitment for Civil Works	574,167,205.11	241,098,158
Commitment for Procurement of Plant & Equipment	5,013,535,133.28	12,591,721,616
	5,587,702,338.39	**12,350,623,458**

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)
6. Nepal Telecom employee retirement Fund earmarked with Nepal Bank Limited, Rastriya Banijya Bank Limited and Agricultural Development Bank Limited.

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 28,455,697,385 on account of tax and non-tax revenue to government treasury. It also paid NPR 7,169,607,279 dividend on equity share investment.

		NPR
	Ashadh 31, 2080	Ashadh 32, 2079
Advance Tax including withholding tax	4,623,350,367	**4,684,365,146**
Value Added Tax-Collection Deposited	3,460,937,588	3,811,684,541
Telecom Service Charge- Collection Deposited	3,486,508,597	4,426,162,742
Ownership Fee- Collection Deposited	698,446,608	700,949,431
Custom duty –Paid on import	289,907,695	465,079,693
Royalty and RTDF –Liability Paid	2,249,791,180	2,132,836,487
Frequency Fee	1,621,499,980	1,640,772,140
Dividend	7,169,607,279	2,744,886,000
Property Tax	69,005,516	60,720,025
License Fee	3,367,870,000	3,962,200,000
Tax Deducted at Source (TDS)	1,418,772,575	1,782,733,714
Total	**28,455,697,385**	**26,412,389,920**

Service charges collection for providing telecommunication services to the Government of Nepal has been charged on commercial terms.

Regulatory charges provided to the Nepal Telecommunication 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, 2080, 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 1,890,000 during this financial year. There were 36 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 FY 2079-80	
		Designation	Number of Meetings Attended
1	Mr. Krishna Bahadur Raut	Chairperson	18
2	Mr. Baikuntha Aryal	Chairperson	18
3	Mr. Sunil Paudel	Member	35
4	Mr. Baburam Bhandari	Member	15
5	Mr. Jhakka Prashad Acharya	Member	3
6	Mr. Uttar Kumar Khatri	Member	19
7	Mr. Sushil Koirala	Member	29
8	Mr. Phanindra Gautam	Member	5
9	Mr. Bhupal Baral	Member	13
10	Mr. Ambika Prasad Paudel	Member	25
11	Mr. Shankar Lamichhane	Member	30
12	Mr. Rajendra Aryal	Company Secretary	36

Travelling Expenses paid to Board of Directors (BoD) members

S.N	Name	Amount(NPR)
1	Mr. Sunil Paudel	8,99,261
2	Mr. Uttar Khatri	3,40,811
3	Mr. Bhupal Baral	4,00,217
4	Mr.Phanindra Gautam	4,35,175
5	Mr. Ambika Prasad Paudel	4,54,465
6	Mr. Shankar Lamichhane	9,92,371
	Total	**35,22,300**

b. Audit Committee

The members of the Audit Committee have been paid meeting fees of NPR 363,375 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 FY 2079-80
			Number of Meetings Attended
1	Mr Bhupal Baral	Chairperson	7
2	Mr. Sushil Koirala	Chairperson/Member	10
3	Mr. Uttar Kumar Khatri	Member	7
4	Mr. Jhakka Prashad Acharya	Member	2
5	Mr. Phanindra Gautam	Member	3
6	Mr. Baburam Bhandari	Member	6
7	Mr. Ambika Prasad Paudel	Member	9
8	Mr. Prem Gurung	Member Secretary	13

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
	Ashadh 31, 2080	Ashadh 32, 2079
Short term Employee Benefits	3,60,77,655	3,73,22,732,974
Post-Employment Benefits		
Defined Contribution Plan	12,85,190	884,524
Other Long term Benefits		
Termination benefits		
Total	**3,73,62,845**	**23,617,499**

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.

NPR

Nature of transactions	Transaction amount	Outstanding balance
House Rent Expenses	1,963,917	(94,397)
Reimbursement of salary	1,578,374	4,463,958
Telephone Expenses	58,226	61,746
Other Expenses	19,651,732	5215
Total	**23,252,249**	**4,436,521**

32.4 Balances with / by related parties:

- Balances with Nepal Telecom employment retirement fund maintained with Citizen Investment Trust(CIT) 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 is 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

egmental Analysis
Note 34)

NPR

iculars	Fixed Network		Wireless		Treasury		Unallocated		Total	
	FY 2079-80	FY 2078-79	FY 2079-80	FY 2078-79	FY 2079-80	FY 2078-79	FY 2079-80	FY 2078-79	FY 2079-80	FY 2078-79
ales	3,348,220,094	3,888,179,633	32,923,229,811	34,031,609,710	7,631,279,598	5,714,152,254	520,888,058	740,715,298	**44,423,617,561**	44,374,656,895
nent Sales									-	-
enue	**3,348,220,094**	**3,888,179,633**	**32,923,229,811**	**34,031,609,710**	**7,631,279,598**	**5,714,152,254**	**520,888,058**	**740,715,298**	**44,423,617,561**	**44,374,656,895**
									-	
Result	(1,459,313,426)	(715,615,922)	7,676,587,191	9,643,497,092	7,324,470,258	5,577,804,974	(4,515,566,171)	(1,528,663,554)	**9,026,177,851**	12,977,022,590
g Profit	**(1,459,313,426)**	**(715,615,922)**	**7,676,587,191**	**8,974,516,697**	**7,324,470,258**	**6,427,611,417**	**(4,515,566,171)**	**(1,528,663,554)**	**9,026,177,851**	**12,977,022,590**
									(3,077,491,801)	(4,566,911,927)
e Income ent+Deferred)									**5,948,686,050**	**8,410,110,663**
t	As at FY 2079-80	FY 2078-79	As at FY 2079-80	FY 2078-79	As at FY 2079-80	FY 2078-79	As at FY 2079-80	FY 2078-79	As at FY 2079-80	FY 2078-79
ormation tion and tion	**1,703,392,043**	**1,721,833,146**	**3,947,080,349**	**4,046,803,622**			**1,274,396,524**	**634,800,952**	**6,924,868,916**	**6,403,437,720**
t Assets	12,239,884,159	12,840,383,159	27,761,951,452	28,223,273,414	78,080,281,740	76,884,217,388			118,082,117,351	117,947,873,961
tax *et)*									9,788,903,857	8,310,934,189
ated Corporate							31,823,223,628	32,405,464,997	31,823,223,626	32,405,465,028
sets	**12,239,884,159**	**12,840,383,159**	**27,761,951,452**	**28,223,273,414**	**78,080,281,740**	**76,884,217,388**	**31,823,223,628**	**32,405,464,997**	**159,694,244,834**	**158,664,273,178**
									-	-
t Liabilities	2,608,633,407	3,081,724,728	39,895,016,028	39,834,594,649	-	-			42,503,649,437	42,916,319,377
ated Corporate *es*							23,245,557,187	20,479,911,716	23,245,557,187	20,479,911,716
abilities	**2,608,633,407**	**3,081,724,728**	**39,895,016,028**	**39,834,594,649**	**-**	**-**	**23,245,557,187**	**20,479,911,716**	**65,749,206,624**	**63,396,231,093**

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 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.

35 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, 2080 till the signing of this financial statements on Mangsir 28 2080.

5.1 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	Mr. Krishna Bahadur Raut	Chairperson	Ministry of Communications & Information Technology	2079/12/14	Mr. Baikuntha Aryal	Decision of Transfer from the GoN
2	Ms. Sangita Pahadee (Aryal)	Member	Nepal Telecom	2080/06/17	Mr. Sunil Paudel	Position Vacant and Decision of Nepal Government
3	Mr. Koshal Chandra Subedi	Member	Ministry of Law, Justice and Parliamentary Affairs	2080/06/08	Mr. Sushil Koirala	Decision of Transfer from the GoN
4	Dr. Tok Raj Pandey	Member	Ministry of Finance	2080/04/01	Mr. Uttar Kumar Khatri	Decision of Transfer from the GoN
5	Mr. Baburam Bhandari	Member	Ministry of Communications & Information Technology	2079/11/05		Decision of Promotion from the GoN

36 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 2079-80 as per the provision of NAS 8. Net prior period amount of NPR 36,877 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		375,251
2	Operating Expenses	338,374	
	Total	338,374	375,251
	Net Effect		**36,877**

Exceptional items wherever they occur are disclosed separately.

During the year, Advance Taxes amounting to NPR 60,348,513 has been corrected and the result has been charged to Retained earnings.

37 Other Disclosures

37.1 Exchange rates used

Exchange Rates	Ashadh 31, 2080	Ashadh 32, 2079
USD: NPR	131.17	127.51
EURO: NPR	147.19	128.19
GBP: NPR	171.95	150.86

37.2 During the reporting period, stock amounting to NPR 4,796,333 was found and listed as inventory which was previously adjusted after the physical verification of inventory in FY 2071/72. Thus, NPR 4,796,333 has been adjusted in the Statement of Changes in Equity.

37.3 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

Krishna Bahadur Raut
Chairperson

Sangita Pahadee (Aryal)
Officiating Managing Director

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

CA.Peeyush Anand
P.Anand & Associates
Chartered Accountants

Koshal Chandra Subedi
Director

Dr. Tokraj Pandey
Director

Baburam Bhandari
Director

Ambika Prasad Paudel
Director

Shankar Lamichhane
Director

Rajendra Shrestha
Chief Financial Officer

CA. Nirjal Shrestha
Manager

Date: Mangsir 28, 2080
Place: Kathmandu