



Nepal Doorsanchar Company Limited

Annual Report 2014-15



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Message from the CHAIRMAN



On behalf of the Board of Directors' of the company, I am delighted to present 8th Annual Report of the company for the financial year 2014/15 with overview on company's business and operations, together with audited financial statements ended on 16 July 2015. I am delighted to share that the company has been able to maintain customer centric quality service in the financial year 2014/15 as well. This consistent performance indicates our ability to drive our strategy through right set of leadership for delivering value for our shareholders. Our focuses are mainly on delivering quality and latest technology based services to the valued customer. We know our strength and we are always trying to take advantages of the opportunities that are present in front of us. Where we are standing today is all because of the untiring efforts from dedicated team of staffs, continued guidance from regulatory authority, shareholders and trust of our valuable customers.

Economic Environment

The Global Scenario

The global economy is not so favourable in the current year as well. Global economy is expected to grow by 3.1 percent in the current year against 3.4 percent in previous year. Global production could not expand as expected as a result of unsatisfactory growth rate of emerging and developing economies, which contributes by 75 percent on the global economic growth. The economy of emerging and developing countries that was estimated to have grown by 4.6 percent in 2014 is projected to decline marginally and rest at 4.0 percent in 2015. A marginal decrease in economic growth rate of emerging and developing countries is expected due to weak performances of larger emerging economies and oil exporting countries. Among the largest Asian countries, economies that of India and China estimated to

have grown by 7.3 percent and 7.3 percent respectively in 2014 are projected to grow by 7.3 percent and 6.8 percent respectively in 2015. According to IMF projection, economic growth rate of developed countries that grew by 1.8 percent in 2014 will grow by 2.0 percent in 2015.

The Domestic Scenario

Due to unfavorable climate for agriculture sector, political instability and adverse impact on non-agriculture sector's activities due to earthquake of April 25, 2015, Nepal's real GDP was estimated to grow by 3.0 percent in financial year 2014/15 at basic prices against the growth rate of 5.1 percent in the financial year 2013/14. Unprecedented disaster in the beginning of last quarter of the financial year has affected the whole economy of the country forcing downward trend of all sector of Nepal. As per Economic Survey of Ministry of Finance for financial year 2014/15, inflation rate, which was 8.9 percent in first eight months of financial year 2013/14, has rested at 7.0 percent during the same period of financial year 2014/15. However, considering the successful holding of second constituent assembly elections and formation of elected government, improving political stability, growth of remittance inflows and the timely introduction of a full budget, the economy is expected to grow by 4.4 percent by 2016.

Our Priorities

Our large network and infrastructure provides competitive advantages to us. Nepal Telecom is well positioned to provide highest quality of innovative services. The company remains focus on the interest of valued customer and our priority is to maintain customer trust and excellent services. Nepal Telecom is the only licensee that has been consistently maintaining its huge portfolio

of services ranging from traditional landline (or, PSTN) services, highly popular GSM-mobile and CDMA-mobile services, CDMA-FWT services, and the VSAT services to VSAT-based PSTN/GSM/CDMA services as per suitability of technology in a particular terrain.

During the year under review, the company continued to provide various voice and data services based upon latest technology throughout country meeting diversified needs of customer at competitive prices. Nepal Telecom is always in the process of developing and improving its services. Considering the fact that quality improvement is a continuous process, the company has been continuously working towards enhancing the quality of services. For this, all the quality of services are thoroughly checked by quality aspects. Key Performance Indicators (KPIs) relating to operations are constantly reviewed and improved.

Although penetration rate of voice services is 106.08 percent, customer need for VAS (Value Added Services) and tailored services are increasing day by day, so that there is still space to grow, expand and multiply. Riding on accelerated smartphone penetration and new generation network roll-outs exponential growth of data services remained the defining feature of incremental telecom growth in the financial year 2014/15. Internet is fast becoming an all pervasive element in our lives, impacting every area of activity like commerce, banking, entertainment, education, health and governance. We have good strength to take advantages of the opportunities that are present in front of us. Considering the need and demand of customer, Nepal Telecom is continuously expanding its Internet foot-print throughout the country by providing highly popular ADSL and FTTH service that provides High Speed Internet (HSI) through fixed lines, EVDO service on CDMA network, 3G service on GSM network and 4G WiMAX service. Data/internet penetration is 43.67 percent which shows that there is still more opportunity to grow, expand and multiply in data/Internet business.

To compete with the competitors and gain opportunity of the market, company has prepared three year strategic

plan which shall be implemented after approval from Board of Directors. The company has been using popular social media platforms for getting feedback from customers. Content and quality of website of the company has been enhanced for the information to the public.

Nepal has been undergoing energy crisis for almost a decade, and particularly in dry seasons, the situation goes from bad to worse due to inadequate power generation to meet ever-increasing demand. Due to energy crisis the company has been facing great problem specially to provide unbroken services. Considering the energy crisis, Nepal Telecom has been installing solar cells, generators and increasing the capacity of battery backup as well.

Corporate Governance

Strong corporate governance is integral to our long term success. Knowing this fact, the company has strictly adhered to the transparency, integrity and accountability with full commitment. The company has a well established independent audit system and structure to ensure adequate internal control for safe and sound operations. Internal audit mainly focuses on critical areas identified on the basis of risk based assessment. The company has updated Internal Manual considering change in technologies, complexity of business, company's transaction and services, risk areas in the financial year 2014/15. In addition, company has established separate technical audit wing to conduct Revenue Assurance Audit, Performance Audit and Technical Audit at least once in every two years. Technical Audit wing is headed by Technical Manager under supervision of Deputy Managing Director (Internal Audit) and reports directly to Audit Committee. In order to enhance corporate governance, the company has prepared it's financial statement in accordance with Nepal Financial Reporting Standards (NFRS) for financial year 2014/15. Due to this, financial statement of the company has become an international standard. Similarly, the company has always published its financial statements and reports for the information to the public and regulatory authority within the framed timeline.

Commendable Performance

The country was hit by natural catastrophe during the last quarter of the financial year 2014-15 which has had negative impact on the country's economy. Despite of this and other various business challenges, revenue of the company has increased by 7.48 percent and net profit has increased by 25.75 percent. Similarly, the subscriber bases which were 10.9 million in FY 2013/14, have increased by 19.05 percent to 12.9 million in current financial year. There is increase in the Internet subscriber by 38.34 percent to 6.5 million. In the same tune, other financial indicators are also comfortable. The Earnings-Per-Share (EPS) of the company has increased to NPR 97.04 in the current financial year with respect to NPR 77.12 of the previous year. Similarly, the Book-Value-Per-Share has grown by 8.27 percent from NPR 498.72 in FY 2013/14 to NPR 539.99 in the current financial year.

Shareholders are an integral part of Nepal Telecom's success story. Shareholders' fund has grown to NPR 81 billion in the current financial year from restated amount of NPR 74.81 billion in the previous year. Nepal Telecom feels proud to report that market share of voice telephone is increased from 44.4 percent to 46.19 percent and market share of data/Internet services have increased from 53.51 percent to 56.26 percent in the current financial year.

To provide both high speed reliable internet and voice service, Fiber To The Home (FTTH) service has been launched in the current financial year. FTTH offers both broadband high speed internet service and quality voice service. Keeping customers in its first priority, the company continues to render quality service by using better transmission link. Nepal Telecom has expanded about 151 KM optical fiber network in 13 districts and installed MSAG/VOIP in 79 sites to provide voice and internet services in rural areas. Three repeater stations under Microwave Radio Link project based on satellite technology have been installed in Jumla, Rasuwa and Mugu district.

To overhaul and upgrade the network throughout the country, the company has undertaken 2 Million IP

CDMA and 10 Million GSM project. The sole objective of the project is to improve quality of services delivered to meet desired levels of customer satisfaction. During the current financial year, 209 2G BTS and 303 new 3G BTS have been swapped and installed respectively under 5.2 million GSM project for Central Development Region, Eastern Development Region, Mid-Western Development Region and Far-Western Development Region (Except Kathmandu Valley). Similarly, during the current financial year, 57 new BTS in Kathmandu Valley and 205 3G sites have been installed and brought into the operation respectively under 4.8 million GSM project for Kathmandu Valley and Western Development Region. As a result, more than 2 millions network capacity has been enhanced. The company has successfully migrated GSM Prepaid and WiMAX billing into CRTB & CS (Convergent Real Time Billing and Customer Support) System during the financial year. This has not only helped to reduce customer complains but also has been instrumental in providing data package and various features.

In geographically difficult area, VSAT network are further augmented to meet increasing requirements of residential and corporate customers. To support the bandwidth requirements, countrywide transmission network is continuously upgraded.

Institutional and Managerial Development:

The selection of strategic partner is on top priority of Nepal Telecom. In order to keep the company young in its thoughts and actions, a radical decision on time-bound retirement provision and voluntary retirement scheme has been introduced and restructuring has been adapted for smooth operation and enhance efficiencies. Number of staff required for the job has been benchmarked and staffs are placed accordingly. Job descriptions are made available to all employees which obviously helps them to perform better through increased understanding of their responsibilities as well as those of their subordinates. To improve performance of its human resource and increase competition among its employees, company has continued best employee awards scheme.

Corporate Social Responsibility

To uphold the high standards of corporate ethics and values of social responsibility, the company's CSR policy focuses on areas of environment, sports, sanitation, health, agriculture, social services etc. In accordance with CSR policies, numerous projects have been undertaken during the year. To provide help to victims of earthquake and floods a donation of NPR 270 Million was made to Prime Minister's Disaster Relief Fund. In addition, company had provided free International and national call, SMS and Internet services amounting about NPR 1.5 billion from the day of earthquake took place to 30 April 2015. Nepal Telecom remains committed for the support and reconstruction to the public and nation in all circumstances.

Contribution to Economy

The company has contributed more than NPR 20 billion (5.27 percent of the total government revenue) in government treasury in financial year 2014/15. The company's contribution in GDP (Service) remains 11.46 percent in the national economy which is more than 2.69 percent as compared to previous year. Similarly, the company has contributed more than 46.66 percent of its revenue to government treasury.

Our focus is on building sustainable, long-term relationships with our stakeholders and supporting their different needs. We have been increasing our share of business by placing customers at the centre of everything we do. We are grateful to the valued shareholders, regulatory authority, employee and public for their support, co-operation, guidance and appreciate the continuous affection and belief shown by our valued customers.

We would like to acknowledge the contribution of our team for their hard work and ongoing commitment to the company.

Finally, we remain focused on delivering better services, sustainable growth and maximize the shareholders wealth in the coming year.

Thank You!

Dinesh Kumar Thapaliya
Chairman

2 May, 2016

From the Desk of
MANAGING DIRECTOR



The existing Information and Communication Technology (ICT) scenario in the country clearly shows that the Nepalese telecom market possesses room for significant growth. In Nepal Telecom, we pride ourselves on the timely forecast of the scale of business opportunities and subsequently embarking upon the vision of having big-sized telecom infrastructure projects catering both urban and rural markets. We believe strongly that growth in telecom infrastructure will greatly contribute in the economic progress of the country. Hence, with a new vigour and with “value-driven” broader corporate purpose, Nepal Telecom family has decided to play an important role in the nation building endeavour by rapidly deploying all kinds of telecom services throughout the country.

As the incumbent telecommunication service provider, Nepal Telecom has the largest portfolio of services that suit convenience and demand of the general public. The selection of technology to provide types of services that are most appropriate to a particular terrain is not an easy task. Nepal Telecom has been focusing on providing voice and data services based on wired (copper) network in urban, densely populated areas; GSM-based services mostly for urban and sub-urban areas and CDMA-based services for rural areas. Similarly, VSAT based services are available in remote, extremely difficult terrains even beyond the Himalayan range where other technologies like Optical Fibre and Microwave transmissions are practically infeasible.

In the present competitive scenario, Nepal Telecom is the only service provider that has been providing rich and quality network services at affordable price throughout the country. Nepal Telecom feels proud to serve over 46 percent of voice customers and over 57 percent of

the total data users across the country. This growth in market share has been possible even in the presence of stiff competition with other telecom operators and the ISPs. The services provided by Nepal Telecom - especially related to the voice and data - provide abundant options to the subscribers to select services and schemes that suit their usage pattern, mobility, bandwidth demand and budget. Further, as the incumbent operator, Nepal Telecom is still concentrating its efforts to expand service and reduce the digital divide.

In the FY 2013/14, the customer-base had grown by 18.33 percent than that in the year earlier to reach 10.9 million. In comparison to this, customer base has grown by 19.05 percent to reach 12.9 million in the FY 2014/15. Similarly, the Internet customer-base has grown by 38.34 percent than that of the previous year and has exceeded 6.5 million in the FY 2014/15.

To overhaul and upgrade the network throughout the country, the company has undertaken 2 Million IP CDMA and 10 Million GSM project. The sole objective of the project is to improve quality of service delivered to meet desired levels of customer satisfaction. To increase the subscribers and quality of the data services Nepal Telecom has installed 209 2G BTS and 303 3G BTS were brought into the operation under 5.2 million GSM project for Central Development Region, Eastern Development Region, Mid-Western Development Region and Far-Western Development Region (Except Kathmandu Valley) in FY 2014/15. In total, more than 2 million networks capacity has been enhanced. The company has successfully migrated GSM Prepaid and WiMAX billing into CRTB & CS (Convergent Real Time Billing and Customer Support) System during the financial year. With CRTB & CS, customer will have one window access

to all telecom services which will be helpful in saving precise time of our valued customer.

Regarding infrastructures, most of them are developed and owned by the company itself. To enhance quality of its network, Nepal Telecom is deploying optical fiber based transport network in technically feasible areas. In some cases, as developing its own infrastructures are extremely expensive, time consuming and technically infeasible, Nepal Telecom is leasing OPGW network from NEA (Nepal Electricity Authority). These OPGWs are expected to provide transmission network link redundancy in different sectors. In addition to these arrangements, Nepal Telecom has ADSS (All-Dielectric-Self-Supporting) network expansion plan to interconnect rural and peri-urban areas. As connectivity through fiber is not possible in all the districts due to extremely challenging topography, Nepal Telecom is also extending the transmission network and services via wireless systems like microwave terrestrial radio and VSAT. In the remote districts, namely, Mugu, Dolpa and Humla of Karnali Zone and Manang district of Gandaki Zone, Nepal Telecom is providing PSTN, GSM, CDMA and ADSL services by using KU-band VSAT.

Nepal Telecom has commercially launched the UCS (Unified Communication System). This platform acts like a local social networking solution and provides integrated voice, data, and video services apart from social networking services. Nepal Telecom has established Customer Contact Center (CCC) to handle customer queries through integrated single platform. ITMS (Internet Traffic Management System) is under deployment process and expected to provide capability to monitor unwanted or malicious contents in the network enabling Nepal Telecom's customers to have enhanced user experience.

The aforesaid projects are expected to provide value to our existing huge portfolio of services ranging from traditional landline (PSTN), GSM, CDMA, VSAT and VSAT-based PSTN/GSM/CDMA services throughout the country. Moreover, completion of the projects in hand will ensure that Nepal Telecom, one of the most successful government owned enterprises, is determined to evolve

and provide the best telecommunications network infrastructure and services to our valued customers.

Financially, in this FY 2014/15, Nepal Telecom has achieved 7.48 percent growth in total revenue to record NPR 42.64 billion. We are putting our best effort to control expenses and undertake cost effective investments. For convenience of our customers, Nepal Telecom has been providing multiple options to recharge and pay bills like recharge cards, MPOS and e-recharge. The popularity of these options is exhibited by the fact that the volume and number of customer using such services has increase significantly in the FY 2014/15.

On the occasion of 4th Tax Day 2015, Nepal Telecom received the award of 'The Best Tax Payer' from Nepal Government in VAT collection category for being the highest tax paying company in such category for the FY 2014/15. Nepal Telecom believes that, the prime source for such success is the loyalty and trust of its valued customers. Such honors will enable the company to work even harder in future and serve its customers with even more of quality and reliable services.

In addition to this, Nepal Telecom has contributed NPR 6.45 billion as dividend, NPR 4.85 billion as Income Tax, NPR 2.36 billion as TSC, NPR 2.25 billion under Royalty & RTDF, NPR 636 million as Ownership Tax, NPR 123.4 million as customs and NPR 47.5 million as Property & Vehicle Tax to the GoN's treasury in the FY 2014/15.

Nepal Telecom is a socially responsible institution, and it has been gradually increasing its participation under CSR. Nepal Telecom has signed agreements to sponsored various games like cricket, football etc. with Nepal Police and Cricket Association of Nepal (CAN). Similarly, it has been actively spreading SMS messages free of cost to its subscribers for voluntary participation in the Bagmati Cleaning Campaign on Saturdays and other public awareness messages. In addition, Nepal Telecom has taken responsibility to maintain greenery in Maitighar-Baneshwor section of Arniko Highway and on both sides of the Tinkune-Manahara confluence of Bagmati River.

Massive earthquake that shook Nepal, particularly Kathmandu and its vicinity, on 25 April 2015 and 12 May 2015, and the numerous aftershocks have resulted into huge loss of life and extensive damage to the property. This has, as well, changed the skyline by destroying historic landmarks and temples in less than a minute! Human beings have made so much of progress in science and technology, and have even begun to dig the surface of the Moon and the Mars, but in front of the Mother Nature, humans are simply helpless. Nevertheless, the need to fulfill family and social responsibilities, get status updates of the near and dear ones via SMS, social media posts and even listening to their voices can hardly be underestimated.

Telecommunications and ICT have proved a blessing to the Nepalese inside and outside of the country and the global fraternity in general during and after disasters. Nepal Telecom is proud to be a visible and worthy contributor to its fellow citizens and the nation as a whole on these hardship.

To share the sorrow of the victims, Nepal Telecom has provided NPR 250 million from its fund, NPR 20.07 million that is collected from Nepal Telecom employees and NPR 81.6 thousand from the three meeting allowances of Nepal Telecom board members to the Prime Minister's Disaster Relief Fund. In addition, Nepal Telecom has committed to provide more than NPR one billion for the reconstruction of historical monuments damaged by the massive earthquake within the next three years.

Let me take this opportunity to gratefully acknowledge trust and confidence extended to Nepal Telecom by its subscribers, shareholders and well-wishers; and assure you all with our service and dedication for company's market leadership and national prosperity on coming days.

Thanking You,

Buddhi Prasad Acharya
Managing Director



VISION

of Nepal Telecom is to remain a dominant player in telecommunication sector in the country while also extending reliable and cost effective services to all.

1x1 SFR 1x2 SFR

MISSION

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





GOAL

Goal of Nepal Telecom is to provide cost effective telecommunication services to every nook and corner of the country.

Board of Directors



Chairman
Dinesh Kumar Thapaliya
Secretary
Ministry of Information & Communication



Member
Buddhi Prasad Acharya
Managing Director
NEPAL TELECOM



Member
Krishna Prasad Devkota
Joint Secretary
Ministry of Finance



Member
Rajiv Gautam
Joint Secretary
Ministry of Law, Justice &
Parliamentary Affairs



Member
Suresh Adhikari
Joint Secretary
Ministry of Information &
Communication



Member
Binaya Kumar Chalise
Representative
Public Share Holder



Company Secretary
Gokarna Prasad Sitaula
Deputy Managing Director
NEPAL TELECOM

Management Team



Buddhi Prasad Acharya
Managing Director



Surya Bhakta Pokharel
Chief Financial Officer



Kamini Rajbhandari
Chief Technical Officer



Shyam Prasad Shukla Adhikari
Deputy Managing Director
Change Management



Rabindra Jha
Chief Human Resource Officer



Pradeep Raj Upadhayay
Chief Commercial Officer



Madan Sharma
Deputy Managing Director



Shailaja Rai
Deputy Managing Director
Internal Audit & Inspection



Gokarna Prasad Sitaula
Deputy Managing Director
Company Secretariat

Service Directorate / Directors



Deo Narayan Yadav
Director
Wire line & Customer Service Directorate



Lochan Lal Amatya
Director
Wireless Telephone Directorate



Ashok Kumar Thapa
Director
International Service Directorate



Pramod Kumar Parmar
Director
Backbone Transmission Directorate



Guna Keshari Pradhan
Director
Information System Support Directorate

Regional Directorate / Directors



Arun Prasad Puri
Director
Kathmandu Region Directorate



Khadga Bahadur Basnet
Director
Eastern Region Directorate



Bibhas Kumar Gupta
Director
Birgunj Region Directorate



Siddha Pratap Bharati
Director
Western Region Directorate



Indal Yadav
Director
Mid Western Region Directorate



Ramananda Lal Karn
Director
Far Western Region Directorate

A Glance at NEPAL TELECOM

Current Status of Nepal Telecom (As of July, 2015)

Total Working Manpower	5,276
Manpower per Thousand Telephone Lines	0.44
Total Telephone Distribution (PSTN/GSM/CDMA)	12,982,843
Overall Telephone Penetration	48.77
Telephone Coverage	All the VDCs & Municipalities are covered.
Total GSM Mobile Subscribers	10,920,752
NAMASTE Prepaid Mobile Subscribers	10,527,605
Postpaid Mobile Subscribers	393,147
Penetration of GSM Mobile Phones (%)	41.02
Total CDMA Subscribers	1,395,530
CDMA Fixed C-Phone Prepaid Subscribers	113,997
CDMA Fixed C-Phone Postpaid Subscribers	9,111
CDMA Mobile Sky-Phone Prepaid Subscribers	1,259,114
CDMA Mobile Sky-Phone Postpaid Subscribers	13,308
Penetration of CDMA Mobile Phones (%)	5.24
Total PSTN Landline Phone Subscribers	665,660
Penetration of PSTN Phones (%)	2.50
Total Internet Subscribers	6,514,536
GSM Internet Subscribers	6,220,390
CDMA Internet Subscribers	136,573
PSTN/ISDN Dialup Internet Subscribers	4,585
ADSL Subscribers	134,729
Wi-MAX Subscribers	13,306

KEY HIGHLIGHTS

NPR 42.64 Billion

Sales Revenue

NPR 14.55 Billion

Net Profit

NPR 7.50 Billion

In Dividends

NPR 43.52 Billion

Cash & Cash Equivalents

NPR 97.04

Earnings Per Share (EPS)

1.90 Million

New Mobile Customers

46%

Market share in Voice Services

1.80 Million

New Data/Internet Customers

56%

Market share in Data Services

11.46%

Contribution on Nation's
GDP (Service)



Board of Directors' Report

It's our pleasure to report that revenue of the company has increased by 7.48 percent and net profit has increased by 25.75 percent. The Subscriber bases which were 10.9 million have increased by 19.05 percent to 12.9 million in current financial year. There is increase in the Internet subscriber by 38.34 percent to 6.5 million. We feel proud to report that Nepal Telecom is the first public entity of Nepal which has prepared International Financial Reporting Standards (IFRS) based financial statements.

Dear Shareholders,

Board of Directors of Nepal Telecom is pleased to present 8th Annual Report with highlights on the company's business and operations, together with audited financial statements ended on 16 July 2015. Nepal Telecom would like to thank all for their kind support, trust and expect their affection in future also. Nepal Telecom, where it is today is all because of the untiring efforts from dedicated team of staffs, continued guidance from regulatory authority, shareholders and trust of our valuable customers. During the year the company continues to perform well and remains good shape despite the slow growth in the country's economy and challenging business environment.

During the current financial year, the country experienced two powerful earthquakes. The nation lost over 8800 lives with the damages and losses estimated at US\$ 7 billion, nearly one third of Nepal's GDP. We express deep condolence and grief for loss of lives, personal assets, historical monuments and national heritage in the earthquake. Services of the company have been reassumed in short time by mobilizing its human resource to repair and operate damaged optical link and microwave, which received honour and appreciation from Government of Nepal, public, local and International media. Besides, company had made contribution of NPR 270 million to the Prime Minister's Disaster Relief Fund for the relief and rehabilitation of the quake victims. In addition, company had provided free International and national call, SMS and Internet services amounting about NPR 1.5 billion from the day of earthquake took place to 30 April 2015. Nepal Telecom remains committed for the

support and reconstruction to the public and nation in all circumstances.

We are delighted to share that company is able to able to maintain customer trust and excellent services in the current financial year 2014/15. We are committed to launch new schemes and services based on customer expectation. The performance of the company is improved in financial year 2014/15 compared to the previous year from the view point of gross revenue and profit after tax despite such challenging times of internal as well as external environment like rapid development in information technology, competition in internal market, weak economy, open and liberal economic policy and borderless market. It's our pleasure to report that revenue of the company has increased by 7.48 percent and net profit has increased by 25.75 percent. The Subscriber bases which were 10.9 million have increased by 19.05 percent to 12.9 million in current financial year. There is increase in the Internet subscriber by 38.34 percent to 6.5 million.

The company has conducted physical verification and valuation of all its fixed assets and inventories and prepared its financial statement in accordance with Nepal Financial Reporting Standards (NFRS). We feel proud to report that Nepal Telecom is the first public entity of Nepal which has prepared International Financial Reporting Standards (IFRS) based financial statements.

The company has been focusing more on infrastructure development and capacity enhancement considering strategy of competitors in competitive markets in the current financial year as well. Globalization and rapid development

of technology has provided alternatives to the consumers. Customers are free to select the product as per service provider's merits and demerits. So, in current scenario it is challenging for the company to create new customers and retain them. Further, there has been decrease in revenue from international calls due to availability of free calls through internet. Inter-connection revenue is affected due to grey call through illegal VOIP. Moreover, there is a possibility of decrease in profit of the company in coming days due to price competition in internal market, decrease in share of inter-connection revenue, increase in operational and administrative costs etc.

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

An Overview of the Financial Year 2014/15

1. Technologies Adopted

We always cater to customer expectation and demands. We are always dedicated to bringing in new and modern technologies and serving our customers with quality and reliable services accompanied by the use of such technology. Nepal Telecom has been focusing on providing voice and data services based on wired (copper) network in urban, densely populated areas; GSM-based services mostly for urban and sub-urban areas and CDMA-based services for rural areas. Similarly, VSAT based services are available in remote, extremely difficult terrains even beyond the Himalayan range where other technologies like Optical Fiber and Microwave transmissions are practically infeasible. On the back-haul side, Nepal Telecom has the largest network in the country on both optical fibers and radios; and uses VSAT-based satellite backhaul technology to provide GSM, CDMA and fixed line services in extremely remote areas. These are just some of the examples that Nepal Telecom has been using to reap benefit

of combining different technologies for expansion of dependable and affordable telecommunications service throughout the country.

To provide both high speed reliable and quality internet and voice services, Fiber To The Home (FTTH) service have been launched in the current financial year. FTTH offers both broadband high speed internet service and quality voice service. In the current financial year, company has migrated GSM Prepaid Mobile and WiMAX billing system in to CRTB & CS (Convergent Real Time Billing System and Customer Support) System. This has enabled Nepal Telecom customers to enjoy benefits of multiple discount offers, attractive bundling schemes and Value Added Services. The data migration in Convergent Real Time Billing (CRTB) System of Post Paid services is in process and after its completion; it will facilitate its customers with one window billing system for all services.

IP based Next Generation Network (NGN) Soft switch and Access Network Equipment (Access Gateway) has been in use to provide reliable and quality Broadband service. EVDO (Evolution Data Optimized) service based on IP-CDMA technology has been used by customers both for business as well as entertainment purpose. The customers are able to make international calls at minimum tariff rates by using the IP based Call (1424).

The company has been providing its customers with various value added services in PSTN such as Voice Mail, Notice Board, IVR, Toll-Free, Prepaid Calling Card, PSTN Credit Limit etc. MSAN (Multi Service Access Network) has been used in businesses to transmit live data, held video conferences and with 3G service, customers are able to enjoy high speed internet.

2. Infrastructure and Capacity Expansion

Keeping customers in its first priority, the company continues to render quality service by using better transmission link. Having considered the necessity to provide reliable services and enhance the revenue

of the company, Nepal Telecom has installed Optical Fiber Cable in district headquarters and cities. During the current financial year the company has expanded about 151 KM optical fiber network in 13 districts and installed MSAG/VOIP in 79 sites to provide voice and internet services in rural areas. Three repeater stations under Microwave Radio Link project based on satellite technology have been installed in Jumla, Rasuwa and Mugu district.

Considering the telecom market for last few years, the growth of Wire-line subscribers have slowed down, but the growth of mobile subscribers have boomed and an exponential growth of data/internet subscribers have taken place - in line with the global trend. So that, company has focused on network expansion and improvement of service quality of GSM mobile. During the current financial year, 209 2G BTS and new 303 3G BTS has been swapped and installed respectively under 5.2 million GSM project for Central Development Region, Eastern Development Region, Mid-Western Development Region and Far-Western Development Region (Except Kathmandu Valley). Similarly, during the current financial year, 57 new BTS in Kathmandu Valley and 205 3G sites have been installed and brought into the operation respectively under 4.8 million GSM project for Kathmandu Valley and Western Development Region.

Providing utmost attention to the needs of new generation as well as considering the increasing attraction of customers towards ADSL service and other internet services, Nepal Telecom has been increasing Internet Bandwidth on regular basis. 3G services have been already launched in all districts of Nepal. The migration of older CDMA equipment to IP-CDMA project with line capacity of 2 million has been completed. This project will provide Broadband Internet service along with voice service in the rural and semi-urban areas throughout the country. More than 376 Wi-Fi hotspots based on WiMAX technology has been in operation. Similarly, VSAT based services are available in remote, extremely difficult terrains even beyond the Himalayan range

where other technologies like Optical Fiber and Microwave transmissions are practically infeasible.

3. Quality of Service

Nepal telecom is always in the process of developing and improving its service. Considering the quality improvement is continuous process the company has been continuously working towards enhancing quality of services. To improve quality of services, Data Resource Board, IP Transmission Restructuring, Regular and Complain based optimization have been carried out regularly and Micro BTS, Repeater have been installed in the current financial year. In addition, BSC Audit and carrier expansion have been introduced. Considering the necessity of adequate power backups for smooth and reliable services, company has been installing solar cells, generators and increasing the capacity of battery backup as well. During the current financial year, 100 sites in western region, 8 sites in mid western region and 10 sites in Kathmandu Valley, batteries backup have been installed and solar power and generator have been installed on requirement basis.

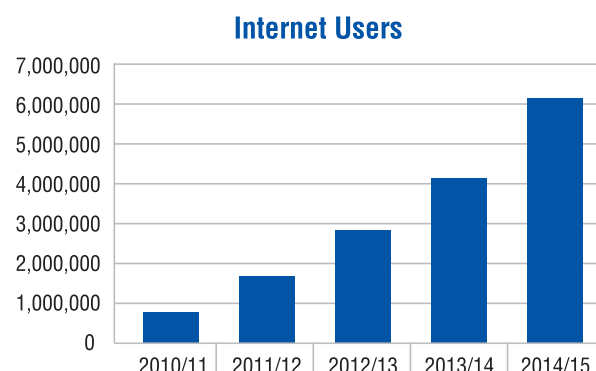
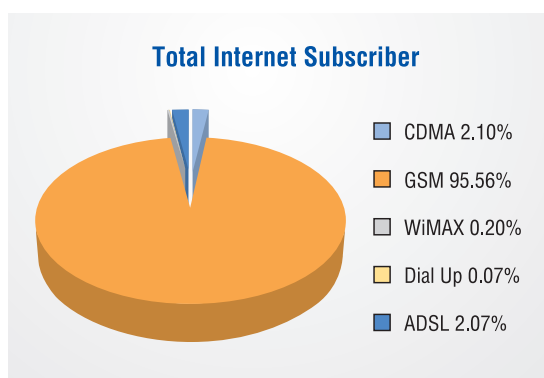
4. Market Share

The subscriber base of the company at the end of previous financial year was 10.9 million but in the current financial year 2014/15 it has increased by 19.05 percent to 12.9 million. Similarly, internet subscriber base at the end of previous financial year was 4.7 million but in the current financial year 2014/15, this has increased by 38.34 percent to 6.5 million. Company has considered this increment commendable and committed to provide effective services in future. It is also noteworthy to mention that the market shares of the company in voice telephone have increased from 44.4 percent to 46.19 percent and Internet/Data market from 53.51 percent to 56.26 percent in financial year 2014/15. This reflects the improvement in quality and reliability of services provided by the company.

Various technologies based internet subscriber of the company at the end of the financial year 2014/15

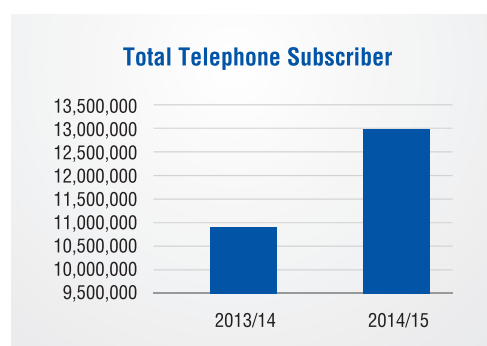
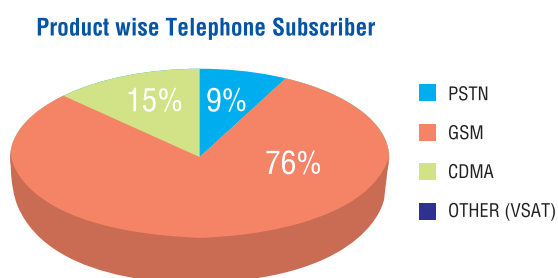
are as follows:

Total internet users of the company of last five years are as follows:



The telephone lines based on various technologies of the company for the last five years are as follows:

S. No.	Services	2010/11	2011/12	2012/13	2013/14	2014/15
1.	PSTN	603,291	627,639	640,459	653,202	665,660
2.	GSM	5,121,518	6,166,814	7,469,327	9,019,809	10,920,752
3.	CDMA	1,019,167	960,929	1,065,156	1,230,333	1,395,530
4.	Other (VSAT)		936	1,118	1,118	901
Total Subscriber		6,743,976	7,756,318	9,176,060	10,904,462	12,982,843
Market Share (%)		23.95	29.14	34.47	44.4	46.19



5. Effects of National and International Environment on Company's Business:

The increase in use of smart phones and booming data/internet market has allowed customers to use various tech savvy applications such as Skype and Viber to communicate both verbally as well as in written at really cheap price. The use of such applications has hampered the revenue of the company to some extent. However, the company has taken this as an opportunity to recover the revenue lost in voice service from the even promising data service revenue by focusing in aggressive marketing of data services provided by the company.

The devastating earthquake of 25 April, 2015 and aftershocks have resulted loss of life and caused widespread damage of property and civil infrastructure. Nepal Telecom also suffered from the impact of the earthquake but we succeeded to resume services on time with our best effort. Strike in the southern parts and border blockage at the major entry points had made shortage of fuel and created unfavourable circumstances in the nation. The effects of

the same had seen in the expansion, distribution and quality of the service. Despite these circumstances Nepal Telecom had been continuously providing service by mobilizing its resources effectively.

There is significant contribution of migration of a large Nepalese youth population to various countries for employment, academic and other purposes on international revenue. At present, there are other telecom service providers in the country as well. As most of them hold license for international gateway business, the competition between them has resulted into lowering of termination rates, thereby negatively impacting company's revenue. To counter this situation, it is necessary for the company to enhance expansion, availability and quality of its services throughout the country. Nepal Telecom has been investing heavily to develop dependable optical fiber network and microwave radio infrastructure throughout the country. This effort has helped to provide telecommunication service all over the country - even in remote regions and extremely difficult terrains. On the other hand, Nepal Telecom has been adding new interconnect partners to exchange high quality international traffic on its direct routes at highly competitive rates.

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

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

Despite earthquake, blockade of major entry points, shortage of fuel, the progress of the company in the first two quarters of the current financial year

remained satisfactory. The company is able to increase the subscriber by 6.97 percent, there by reaching 13.8 million till mid January 2016. Similarly, overall market share of the company is increased from 48.77 percent to 49.62 percent.

6.1 PSTN Service

As of mid January 2016, 23 new exchanges have been added and now there are total 587 exchanges in operation with 668 thousand active lines and 850 thousand installed capacity. Similarly, the subscribers base of ADSL service has increased by 19.04 percent and reached more than 160 thousand.

6.2 GSM Service

Total number of GSM mobile subscriber has increased by 7.34 percent to around 11.7 million till mid January 2016. Due to this, penetration of mobile services has increased to 42.01 percent.

6.3 CDMA Service

Total number of CDMA subscriber has increased by 4.44 percent to around 1.4 million till mid January 2016.

6.4 Internet Service

The subscriber of internet service has increased by 8.43 percent to around 7 million. Penetration of data service has increased from 24.47 percent to 25.27 percent. WiMAX subscribers have also reached to 14 thousand.

6.5 Financial Achievements

The Company has expected NPR 45.45 billion revenue in financial year 2015/16. During the period of six month, the company is able to earn NPR 21.29 billion, which is 46.85 percent of expected revenue. Net profit after tax of the company for the six months is NPR 7.25 billion. Revenue and net profit of the company for the six months have increased by 6.95 percent and 9.15 percent respectively compared to same period of last financial year 2014/15. Since various projects initiated by the company are in full swing for its completion, the company is confident enough that the target will be achieved above par.

7. Future Programs:

We have set an important goal of preserving our shareholders' long term interest by making our company trustworthy and credible institution. The company has planned to fulfill requirement of customers by providing new technology based telecom service at affordable cost. Considering the fact that the big share of population of rural areas is outside the purview of the telecom system, the company has planned to expand its network in rural areas. The company shall work rigorously to improve its service quality and shall focus on wireless/wire line broadband data service. Nepal Telecom is further dedicated to provide best services to every nook and corner of the nation at affordable rates for which the company has an excellent man power to form and implement necessary plans and programs.

The company has planned to distribute around 2.26 million telephone lines in the financial year 2015/16. Considering the need of the customer, new and modern value added services will be provided and network will be expanded by installing new BTS. In the financial year 2015/16, the company has targeted to increase its wireless mobile subscriber by around 2.23 million. In order to facilitate the rural areas of Nepal from the internet services, the company plans to expand its WiMAX system based on wireless technology in dense area as well as increase the bandwidth of ADSL service.

In the Wire-line system, the project of replacing its existing Switching Systems by IP-Based Wire-line (NGN based) systems and providing Triple Play (Voice, Data & Video) Services to its customers has been put into operation. The company further plans to add MSAG exchanges in new market and sub rural areas. The company has targeted to distribute around 29,000 PSTN lines through ONU (Optical Network Unit) and Access Node in financial year 2015/16. Similarly, to provide quality data service, the company has planned to increase the capacity of ADSL and also outsourced the repair and maintenance service of ADSL.

Convergent Real Time Billing and Customer Support (CRTB & CS) System was procured to facilitate its customers with one window billing system for all services. Integration of billing system of its new IP-CDMA system, GSM Prepaid, WiMAX have been completed, and company targets to integrate billing systems of the new IP-based GSM (Postpaid) in the financial year 2015/16.

Nepal Telecom has already procured equipment for Next Generation Customer Contact Center (CCC) to centralize and manage queries and complaints of its customers efficiently and in simplified manner. Moreover, to address the demand of data service, the company has planned to expand FTTH (Fiber To The Home) service in Kathmandu Valley and major cities. In line to our plan we have already expanded FTTH services in Kathmandu, Pokhara and Butwal.

Considering the investment portfolio, risk areas and liquidity, the company shall update and implement its investment policy.

8. Human Resource Management and Capacity Enhancement:

The company has considered its human resource as the important resource. We understand that for the company to be successful in its mission and vision, the support of the staff is essential. We believe that skilled and qualified manpower can not only improve the works but can generate new ideas and technologies at workplace. Knowing this, special attention is given to efficient management of human resources. Long term development and capacity enhancement of human capital is always given top priority in the company. We are committed to providing regular trainings and development of our staff. Good performance is being recognized and awarded.

The company has developed Human Resource Policy and also updated regularly to appoint efficient, professional and dedicated staff. Employees are provided with sufficient opportunities to participate in advanced level abroad trainings and workshops to

enhance their knowledge, skills required for the operation of installed equipment based on the type of service. In addition with the changing scenario, change in technology the company provides various opportunities for national and International trainings, seminars, conferences etc. It is anticipated that such trainings and seminars enable the employees to be aware of global industrial practices and implement the same in the company. In-house as well as external trainings are organized to increase skills and capacity of employees. Employees' representative participates in every decision making process so as to involve every employees in such decisions.



S. No.	Particulars	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	Change increase/ (Decrease)
1.	Approved Post	7,074	7,186	7,180	6,293	6,101	(192)
2.	Working manpower	5,712	5,530	5,471	5,448	5,276	(172)
3.	Total Transaction per Manpower (NPR in '000')	5,590	6,653	7,103	7,286	8,081	10.91
4.	Net profit per Manpower (NPR in '000')	2,122	2,098	2,066	2,120	2,759	30.14
5.	Overall Manpower per 1000 line	0.85	0.74	0.60	0.50	0.41	0.09
6.	Cost per Manpower (NPR in '000')	789	624	643	808	931	15.22

9. Institutional and Managerial Development:

a) Voluntary Retirement Scheme:

Considering the fact that both over staffing as well as under staffing hamper the efficiency of the organisation, the company has introduced Voluntary Retirement Scheme. In the first phase, 796 staffs are retired under this scheme and company is planning to introduce second phase in the financial year 2015/16.

The company believes that it helps to reduce administrative expenses, increase employee productivity and long term stability of the company. In order to be competitive and provide quality service as per the need of customer, the company is planning to outsource it's noncore function.

b) Restructuring of the Company

The company which cannot adopt change cannot race with the competitors. Considering the fact and management with change in technology, the company has started restructuring. It is believed that it will help to improve efficiency, effectiveness and easy to implement the new strategy of company.

In the new structure, major units have been divided into corporate unit, business unit and support unit. Additionally, it is expected that it helps to utilise resources effectively, simplify decision making process, enhance human resource management, avoid duplication of works and make staff more accountable.

c) Provision of Cap in Managerial Post

The company has introduced 5 year and 8 year provision of cap in level 11 and level 10 respectively. Due to this no staff can work more than prescribed period in the same level. The company expects that due to this provision, staff of lower post get chance to work in managerial position promptly. In addition company gets new ideas, working culture in the managerial position and it obviously helps to drive company in strategic manner. Moreover staff will be motivated, disciplined, dedicated, responsible and accountable to the company's work which helps to enhance competitive capacity of the company.

Similarly, considering dominance factor of ex Managing Director while re working in the company as normal employee, provision of automatic retirement when released from the post of Managing Director has been introduced. We believe that it helps to improve internal working environment of the company.

10. Corporate Governance:

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

The company has always considered corporate governance as the major factor for its transparency, integrity and accountability. We believe good governance provides clear accountabilities, ensuring strong controls, instills the right behaviors and reinforce good performance.

The company has put the code of ethics in place

for strict adherence by all its employees. In addition at Nepal Telecom, Corporate governance practices are based on the following broad principles with the objective of adhering to the highest standard of governance through continuous evaluation and benchmarking:

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

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

The Company has formed an Audit Committee which has a formal charter approved by the Board of Directors. The Committee comprises of Non-Executive Directors of the Company and Member Secretary of the committee is the Deputy Managing Director (Internal Audit). The Audit Committee reviews governance system and recommends to the Board of Directors for strengthen and improvement.

Moreover, in order to cater to the grievances of customers effectively, the company has also been

providing the necessary solutions to their grievances via a help desk named “Hello Sarkar” meaning “Hello Government” in Prime Minister’s Office. In order to maintain transparency in purchasing process and make it even more managed, the company has been continuously practicing E-bidding process. The company has also been adhering to various Laws, Circulars and Directives given from regulatory authority.

In order to enhance corporate governance, the company has prepared first time in Nepal International Financial Report Standards (IFRS) based financial statement of financial year 2014/15.

11. Industrial and Professional Relationship of the Company:

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

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

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

Although the satellite technology had contributed a lot to introduce direct international call service in

Nepal since long time, the availability of better and economic options, like the optical fiber network, have helped to provide international telecommunication service at comparatively lower cost.

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

12. Effect of internal and external factors on company’s business:

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

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

12.1 External reasons:

a) Competition:

‘Customer Attraction’ and ‘Customer Retention’ are both important for sustainability in any competitive environment, and to realize this, effective and reliable customer service is vital. In order to improve customer service, Nepal Telecom has undertaken new project called ‘Customer Contact Center (CCC)’ where customers can contact via telephone, email, SMS, fax and even social networks; and conversely,

customers benefit from information provided to them via this platform. Moreover, Nepal Telecom has also tied up with various banks to provide facilities such as MPOS from which customers can make payment of their billed amount of their prepaid & postpaid mobile, fixed lines, ADSL via recharge cards.

The completion of CRTB&CS (Convergent Real Time Billing & Customer Support) project will establish a new milestone as this will provide unified billing of all the services that Nepal Telecom has been providing. This project will also support marketing and other promotional activities of the company.



b) Modernization of Technology:

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

c) Customers' Interest and Choice:

Nepal Telecom, being the incumbent service provider, has quite an extensive experience in understanding customers' interest and choice, and has been responsive to meet them. Thorough study on newer technology is part of the procedure for the company to realize them, and thereby, provide

different options to the customers to choose from. The company is proactive in establishing necessary Customer Care Center, Complain Desk etc. to provide better service.

d) Market Monitoring:

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

e) Rules and Regulations:

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

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

12.2 Internal Reasons:

a) Employee Working Style:

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

b) Geographic Diversity and Infrastructure:

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

For the last couple of years, the country has been facing severe energy crisis, and this has resulted into heavy load shedding ranging from a few hours to even 14 hours in a day. As the telecommunication systems, generally are not designed for such heavy load shedding, quality degradation is always expected. However, Nepal Telecom has been seriously taking initiatives to minimize the impact of load shedding and to provide better quality of service by installing solar backups, generators and even procuring equipment that consume less energy.

13. Internal Control System of the company:

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

Employee regulation and financial regulation are enacted with motive to maintain financial, business and managerial discipline in the company. Employee designated with concerned responsibilities will be held liable for punishment upon any misconduct or

misuse of the authority provided to him as per the provision of Employee Regulation of the company. Revenue monitoring and inspection committee is active to control revenue leakages. Similarly, company's interest is on managerial audit and technical audit. Internal audit monitors policy, objective, standard, compliance of regulation and internal check system through audit program.

The company has put in place a well established independent audit system and structure to ensure adequate internal control for safe and sound operations. Internal audit mainly focuses on critical areas identified on the basis of risk based assessment. The company has updated Internal Manual considering change in technologies, complexity of business, company's transaction and services, risk areas in the financial year 2014/15. In addition company has established separate technical audit wing to conduct Revenue Assurance Audit, Performance Audit and Technical Audit at least once in every two years. Technical Audit wing is headed by Technical Manager under supervision of Deputy Managing Director (Internal Audit) and reports directly to Audit Committee.

Audit Committee:

The Company has formed an Audit Committee which has a formal charter approved by the Board of Directors. The Committee comprises of Non-Executive Directors of the Company and Member Secretary of the committee is the Deputy Managing Director (Internal Audit). The Audit Committee reviews financial statements, audit reports, adequacy of control system, risk management system and issues appropriate guidelines based on the feedback received from the internal as well as external audit reports.

Main Activities carried out by Audit Committee in F.Y. 2014/15

- Review of the issues, recommendation and progress of the audit reports.
- Issuance of direction to management to update internal audit manual considering company's

new structure, service, transaction, risk and change in technologies.

- Approval of Audit plan submitted by Statutory Auditor for financial year 2013/14.
- Review of Company's financial position, performance for the financial year 2013/14.
- Review of ERP (Enterprises Resource Planning) performance report and issue direction to management to implement the recommendation given in the report.
- Issue directives to concerned authorities for preparation of financial statements as per International Financial Reporting Standard (IFRS) and accounting for the same in Enterprises Resource Planning (ERP).
- Recommendation of remuneration and Terms of Reference for statutory auditor for F.Y. 2014/15.

14. Dividend

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

S. No.	Financial year	Cash Dividend Per Share	Total Dividend Amount	Paid Dividend		Outstanding Dividend	
				Amount	Percent	Amount	Percent
1	2007/08	25	3,750,000,000	3,745,283,882	99.87	4,716,119	0.13
2	2008/09	35	5,250,000,000	5,241,928,757	99.85	8,071,243	0.15
3	2009/10	40	6,000,000,000	5,982,170,210	99.70	17,829,790	0.30
4	2010/11	45	6,750,000,000	6,729,090,310	99.69	20,909,690	0.31
5	2011/12	48	7,200,000,000	7,173,838,596	99.64	26,161,404	0.36
6	2012/13	46	6,900,000,000	6,856,486,162	99.37	43,513,838	0.63
7	2013/14	47	7,050,000,000	6,967,584,671	98.83	82,415,329	1.17

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

We believe shareholders are our partners in each endeavor we take. We need your suggestions for the overall progress of the company. The Board of Director is grateful to the valued customers, shareholders, employees, regulatory authorities for their support and guidance and would like to thanks to them. We promise to be more committed to increase our strong relationship with our stakeholders and deliver better service in future.

Thank you

Dinesh Kumar Thapaliya
Chairman

Buddhi Prasad Acharya
Managing Director

Krishna Pd. Devkota
Director

Rajiv Gautam
Director

Suresh Adhikari
Director

Binay Kumar Chalise
Director

Date: 2 May, 2016

Management Discussion and Analysis

Nepal's real GDP was estimated to grow by 3.0 percent in financial year 2014/15 at basic prices against the growth rate of 5.1 percent in the financial year 2013/14. Unfavorable climate for agriculture sector and adverse impact on non-agriculture sector's activities due to earthquake of April 25, 2015 are attributable for such low economic growth rate in financial year 2014/15.

Economic Overview

World Economy

According to the World Economic Outlook published by International Monetary Fund (IMF) in October, 2015, global production that rose by 3.4 percent in 2014 is projected to grow by 3.1 percent in 2015. Global production could not expand as expected as a result of unsatisfactory growth rate of emerging and developing economies that make three fourth contributions to the global economic growth. Growth in advanced economies is expected to pick up slightly, while it is projected to decline in emerging market and developing economies. With declining commodity prices, depreciating emerging market currencies, and increasing financial market volatility, downside risks to the outlook have risen, particularly for emerging market and developing economies

The economy of emerging and developing countries that was estimated to have grown by 4.6 percent in 2014 is projected to decline marginally and rest at 4.0 percent in 2015. A marginal decrease in economic growth rate of emerging and developing countries is expected due to weak performances of larger emerging economies and oil exporting countries. Among the largest Asian countries, economies that of India and China estimated to have grown by 7.3 percent and 7.3 percent respectively in 2014 are projected to grow by 7.3 percent and 6.8 percent respectively in 2015.

According to IMF projection, economic growth rate of developed countries that grew by 1.8 percent in 2014 will grow by 2.0 percent in 2015. The Fund has also projected that among the developed countries, the American economy, which grew by 2.4 percent in 2014 is expected to improve little and grow by 2.6 percent in 2015. American economy has been gradually improving as a result of expansion in employment opportunities, accommodative monetary policy, decreased oil price and enhanced consumers' confidence. Likewise, Euro zone is projected to grow by 1.5 percent in 2015 against the growth of 0.9 percent in 2014. Japan, which recorded a negative growth rate of 0.1 percent in 2014 due to weak consumption and decreased real estate investment, is expected to improve and grow by 0.6 percent in 2015.

According to the projections made by the IMF in October 2015, the advanced economies are expected to experience 0.3 percent inflation in 2015 owing to the fall in oil price and weak domestic demand. Inflation rate in such countries was 1.4 percent in 2014. The inflation in emerging and developing countries is projected to be 5.6 percent in 2015 compared to 5.1 percent in 2014. Inflation rate of two major Asian countries India and China is expected to remain at 5.4 percent and 1.8 percent respectively in 2015. Inflation rate of India and China in 2014 was 5.3 percent and 1.5 respectively.

The global trend of economic growth is presented in the Table below:

Global Economic Growth Rate

(Annual Percentage Change)

Particulars	Actual		Projections	
	2013	2014	2015	2016
World Output	3.3	3.4	3.1	3.6
Advanced Economies	1.1	1.8	2.0	2.2
Emerging Market and Developing Economies	5.0	4.6	4.0	4.5
China	7.7	7.3	6.8	6.3
India	6.9	7.3	7.3	7.5
Nepal	4.1	5.4	3.4	4.4

Source: International Monetary Fund, October 2015,

Nepalese Economy

Economic environment of Nepal was found less favorable in financial year 2014/15 compared to that of previous fiscal year due to low agriculture output, volatile political situation, earthquake etc. There has been a gradual change in the structure of Nepalese economy. Contribution of agriculture and industries sectors to GDP has a declining trend while that of services sector is on rise. Contributions of secondary and tertiary sectors to GDP were 17.0 and 45.1 percent in financial year 2001/2002 at prevailing prices however contribution of secondary sector has come down to 14.5 percent while contribution of tertiary sector has gone up to 53.2 percent in the financial year 2014/15. Similarly, Contribution of agriculture sector to real GDP which was 36.6 percent in financial year 2000/01, has dropped to 33.1 percent in financial year 2014/15 while that of non-agriculture sector has gone up from 63.4 percent to 66.9 percent.

Nepal's real GDP was estimated to grow by 3.0 percent in financial year 2014/15 at basic prices against the growth rate of 5.1 percent in the financial year 2013/14. Unfavorable climate for agriculture sector and adverse impact on non-agriculture sector's activities due to earthquake of April 25, 2015 are attributable for such low economic growth rate in financial year 2014/15.

Inflation rate, which was 8.9 percent in first eight months of financial year 2013/14, has rested at 7.0 percent during the same period of financial year 2014/15. During the first eight months of the financial year 2014/15, the growth rate of price index under food and beverage group has stood at 9.5 percent while that of non-food and service group has been 4.9 percent. Price indices of these groups in the first eight months of the previous financial year stood at 10.8 percent and 7.1 percent respectively.

The economic growth trend is presented in the Table below:

Economic Growth Rate of Nepal

(Annual Percent Change)

Particulars/Fiscal year	2010/11	2011/12	2012/13	2013/14	2014/15
Per Capita GDP (US\$, in current price)	516	569	623	704	750
GDP Growth (% at basic price)	3.9	4.6	3.8	5.1	3.0
Agriculture	4.5	4.6	1.1	2.9	1.9
Industry	4.3	3.0	2.7	6.2	2.6
Service	3.4	5.0	5.7	6.3	3.9

Source: Economic Survey, 2014/15, Ministry of Finance/Nepal

Industry Overview

Global Telecommunication Trends:

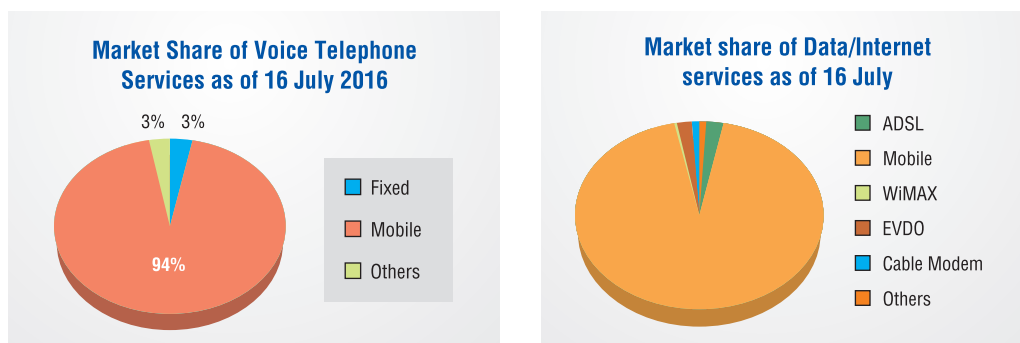
We are entering into new era of Telecommunications. The telecommunication sector has continued its remarkable transformation. The growing adoption of broadband enabled mobile device has made access to the digital world more pervasive. Technology is moving fast, transforming lifestyles and rendering old business model obsolete. This new dimensions has opened massive opportunities and telecommunication has become a fundamental enabler for progress of the economy.

In 2015 there are more than 7 billion mobile subscribers worldwide and reaching mobile penetration 97 percent. Mobile broadband is the dynamic market segment, globally; mobile broadband penetration reached 47 percent in 2015 a value that increased 12 times since 2007. Fixed broadband uptake is growing at slower pace, with a 7 percent annual increase over the past three years and reaching 11 percent penetration by the end of 2015. Mobile broadband penetration levels are highest in Europe and the America with 78 active subscribers per 100 inhabitants while Africa is with lowest penetration remains below 20 percent.

Globally 3.2 billion people are using the internet of which 2 billion are from developing countries. Within 15 years global penetration grew from 7 fold from 6.5 percent to 43 percent by the end 2015. However 4 billion people from developing countries are remain offline, representing 2/3 of the population residing in developing countries. Out of 940 million people leaving in the least developed countries, only 89 million (9.5 percent of total population) people use internets. Internet penetration rate in developing countries stands at 35 percent and least developed countries lag behind with only 10 percent.

Overview of the Telecommunication Industry in Nepal:

History of Telecommunication in Nepal dates back to 1913 when the first telephone line was introduced in Kathmandu. Currently, Nepal has become progressive and competitive telecommunication market. Nepal's telecommunications industry too has reflected many of these global trends, with rapid growth observed in both fixed and mobile broadband penetration levels leading to a considerable growth in the volume of internet subscriptions across the country. Telecommunications service has seen both quantitative and qualitative growths together with rise in the number of telecommunication service providers and service users along with access to ultramodern and sophisticated technological telecommunication facilities. There are six Telecom operators in Nepal providing various technologies based (GSM, CDMA, PSTN, WiMAX, ADSL, EVDO, WCDMA etc) services. By the end of 16 July 2015 there were more than 28 million voice subscribers and reaching voice telephone penetration 106.08 percent. Mobile broadband is the dynamic market segment, mobile penetration reaching 99.72 percent. Similarly penetration rate of fixed telephone and other services were 3.19 percent and 3.17 percent respectively. Penetration rate of data services was reached 43.67 percent during the same period.



Source: Nepal Telecommunication Authority, MIS July 2015

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



Financial Analysis

Despite the challenging business environment in terms of increase in competition and operating expenses, Nepal Telecom managed to record a noteworthy growth in performance during F.Y. 2014/15. The performance of the company has improved substantially in last 5 years. The financial progress highlights for F.Y. 2014/15 along with that of last 4 years is given in the table below:

S. No.	Particulars Corresponding English Calendar	Base	F/Y 2067/68 2010/11	F/Y 2068/69 2011/12	F/Y 2069/70 2012/13	F/Y 2070/71 2013/14	F/Y 2071/72 2014/15
Related to Profit & Loss Account		'000(NPR)					
1	Total Income		31,932,177	37,283,776	38,858,260	39,671,121	42,638,371
2	Personnel Cost (including bonus & telecom allowance)		4,507,205	4,296,509	4,363,388	4,401,418	4,911,379
3	Maintenance & Operation Cost		4,274,450	5,771,246	6,738,316	7,209,590	7,978,259
4	Depreciation		3,285,512	3,336,096	3,492,247	3,311,333	3,664,367
5	Other Cost		3,475,371	8,209,154	9,133,277	9,319,791	6,074,471
6	Total Cost		15,542,538	21,613,005	23,727,228	24,242,132	22,628,476
7	Profit Before Tax		16,389,639	15,670,770	15,131,032	15,428,989	20,009,895
8	Profit After Tax		12,120,299	11,658,851	11,299,175	11,568,495	14,556,338
Related to Balance Sheet		'000(NPR)					
1	Total Shareholders' Equity		45,296,456	49,528,141	53,635,694	74,808,616	80,998,443
2	Total Capital Employed		72,293,471	75,126,699	77,655,897	90,552,491	95,772,562
Key Financial Indicators							
1	Net Profit Ratio		37.95	31.27	29.08	29.16	34.14
2	EBITDA Margin		61.8	61.92	58.42	56.49	56.98
3	Return on Capital Employed (Post Tax)		16.77	15.52	14.55	12.78	15.20
4	Return on Shareholders' Equity (Post Tax)		26.76	23.54	21.07	15.46	17.97
5	Current Ratio	Times	2.54	2.70	2.54	3.55	3.94
6	Book Value Per Share	Rs.	301.97	330.19	357.57	498.72	539.99
7	No. of Shares	'000	150000	150000	150000	150000	150000
8	EPS	Rs.	80.8	77.73	75.33	77.12	97.04
9	Contribution to Govt. from Gross Revenue	%	54.53	48.82	48.48	51.31	48.68
Other Key Performance Indicators		'000(NPR)					
1	Average Revenue per Employee		5,590	6,800	7,129	7,282	8,082
2	Average Subscriber per Employee		1,163	1,387	1,678	2,002	2,461

From the above analytical table, it can be seen that,

Liquidity ratio has increased from 3.55 times in F.Y. 2013/14 to 3.94 times in F.Y. 2014/15. This indicates that the company is comfortable with its present liquidity position and foreseeable liquidity needs. It has adequate facilities in place and robust cash flows to meet its liquidity requirements for executing its business plans and meeting with any evolving requirements.

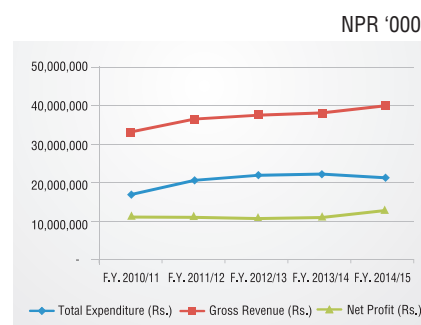
The book value per share of the company has increased by 8.27 percent. This indicates that the safety associated with each individual share after all debts are paid accordingly have been cushioned further.

The Earning per Share has also increased from 77.12 in F.Y. 2013/14 to 97.04 in F.Y. 2014/15. This indicates that the shareholders of the company are earning more money from the company.

Revenue and Net Profit after Tax

In F.Y. 2014/15, company has been successful in earning revenue of NPR 42.64 billion with a net profit of NPR 14.56 billion. In comparison with previous financial year, F.Y. 2013/14, the operating revenue for F.Y. 2014/15 has increased by 10.40 percent. The net profit ratio in F.Y. 2013/14 was 29.16 percent and in F.Y. 2014/15 is 34.14 percent.

Financial Year	Total Revenue	Total Expenditure	Net Profit
2010/11	31,932,177	15,542,538	12,120,298
2011/12	36,791,820	21,174,631	11,605,269
2012/13	38,858,260	23,727,228	11,299,175
2013/14	39,671,121	24,242,132	11,568,495
2014/15	42,638,371	22,628,476	14,556,338



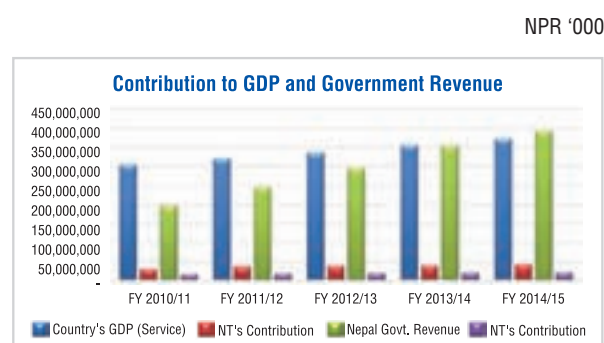
Contribution to GDP and Government Revenue

NPR '000

S.No	Particulars/Year	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
1	Country's GDP (Service)***	303,300,000	318,500,000	335,100,000	355,600,000	371,982,000
	NT Revenue	31,932,177	37,283,776	38,858,261	39,671,121	42,638,371
	% Contribution on GDP (Service)	10.53%	11.71%	11.60%	11.16%	11.46%
2	Nepal Government					
	Tax Revenue	177,227,164	211,722,611	259,572,967	314,639,998	353,505,772
	Non Tax Revenue	21,149,156	32,651,488	36,156,058	39,860,002	40,000,892
	Total Government Revenue **	198,376,320	244,374,099	295,729,025	354,500,000	393,506,664
3	Nepal Telecom					
	Tax Revenue Contribution	6,879,148	7,889,887	7,761,277	9,174,307	9,172,543
	Non Tax Revenue Contribution	9,398,523	10,312,259	11,076,879	11,181,056	11,585,138
	Total Revenue Contribution	16,277,671	18,202,146	18,838,156	20,355,363	20,757,681
	% Contribution on Govt. Revenue	8.21%	7.45%	6.37%	5.74%	5.27%

***Economic Survey, 2014-15/Ministry of Finance

**Budget Speech, 2014-15/ www.mof.gov.np



The company has been a major contributor to Country's GDP in Service Sector as shown by the table above. The company has contributed 11.46 percent to Country's GDP in Service Sector in current financial year. This indicates that the company has been playing a vital role in GDP growth of the country.

The company has also made an important contribution to Government Revenue in current year as well as in previous years. The company has made a contribution of 5.27 percent to Government Revenue in current year.

Expenditure Analysis:

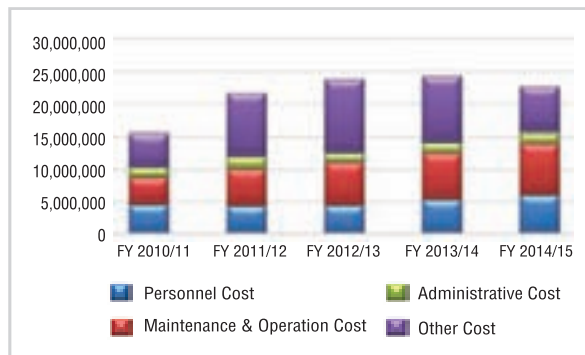
The devastating earthquake of April 25, 2015 and its frequent aftershocks along with other natural calamities caused an inconceivable loss of lives and properties. Many physical infrastructures of the company were severely damaged which had to be repaired and replaced wherever necessary, thereby increasing the operation and maintenance expenses in comparison to previous year. Moreover, public infrastructures development project initiated by government such as expansion of roads in Kathmandu valley, construction of appropriate drinking water and sewage management system has resulted in relocation and maintenance of company's various networking equipment, office buildings and other plant and machineries. Also, the regular maintenance of installed equipment and replacement of old with new ones, increase in inflation rates resulting in price hikes in fuels, rents, electricity etc., all these factors have resulted into increment in company's operation and maintenance expenses by 10.66 percent in comparison to the previous year. Regarding the renewal of GSM license fee, the issue is legally disputed and amount and modality of payment is yet to be decided. Due to such reason, the expenditure to be incurred for renewal of GSM license fee hasn't been accounted for and as a result of this, the GSM license fee expense has decreased by 98.07 percent in current financial year in comparison to the previous financial year.

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

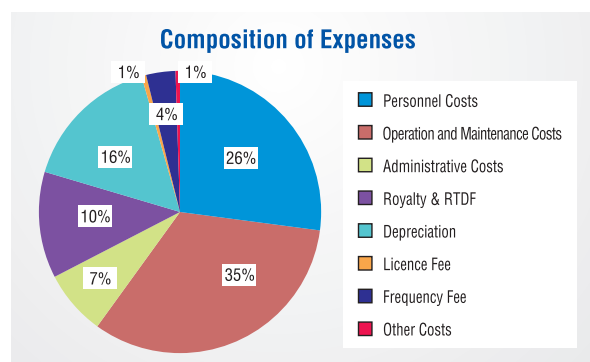
funds in obtaining best consultancy services. Due to all these reasons, administrative expenses have also increased comparatively.

The total expenditure for F.Y. 2014/15 is Rs. 22.62 billion which is 6.66 percent less than that of previous financial year. The Personnel Cost (including bonus and telecom allowance) has increased by 11.59 percent with respect to previous year, due to various employees being promoted and increment in grades as well. The Administrative Expenses have increased by 7.19 percent with respect to previous year. The increment in administrative expenses is mainly due to the donation given by the company to the government of Nepal as a part of its Corporate Social Responsibility to help rebuild the country crippled by the devastating natural calamities that occurred in this financial year. Had such expenses been not considered, the administrative expenses would have only decreased by 10.17 percent. Personnel Expenditure (including

NPR '000



The composition of total expenses (% to total expenses) is as follows:

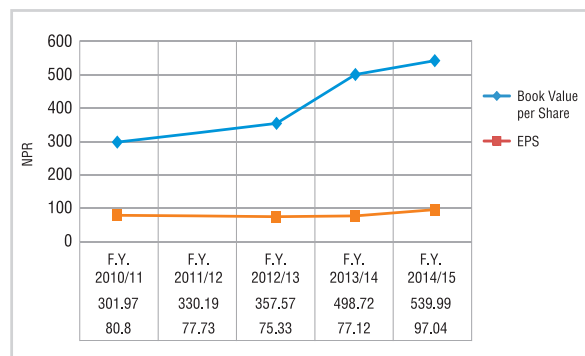


bonus and telecom allowance) and Maintenance & Operation Expenditure comprise major portion of Total Expenditure with 26.44 percent and 35.26 percent respectively. Finance costs comprise of the unwinding of

the GSM license fee liability carried at fair value using the applicable discount rates. These are non-cash expenditures charge to Statement of Profit or Loss to comply with the requirement NFRS.

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

EPS for F.Y. 2014/15 has been Rs. 97.04 and EPS for F.Y. 2013/14 was Rs. 77.12. The increase in net profit in current year by 25.83 percent with respect to previous year has contributed to increase in EPS. With respect to Book Value of Share, there has been increment by 8.27 percent, Book value per share for F.Y. 2014/15 and 2013/14 being Rs. 498.72 and Rs. 539.99 respectively.



Trading of Company Shares:

a. Share Price Data:

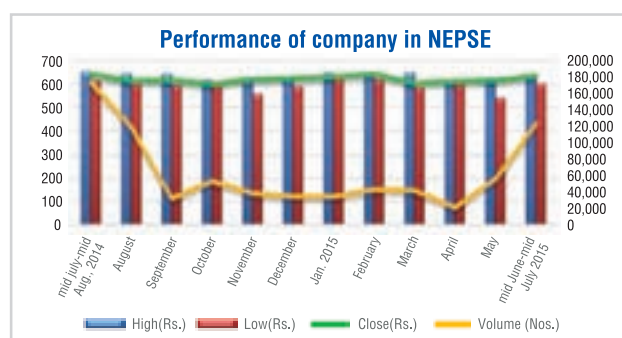
The monthly high and low prices and volume of the shares of the company at Nepal Stock Exchange Ltd. (NEPSE) for the year 2014/15 are as under:

Month	Nepal Stock Exchange Ltd. (NEPSE)			
	High(Rs.)	Low(Rs.)	Close(Rs.)	Volume(Nos.)
Mid July-Mid August, 2014	656	615	642	173,525
August	646	598	614	118,535
September	645	595	616	32,600
October	620	595	600	53,520
November	620	558	620	38,935
December	625	592	625	34,915
January, 2015	648	619	631	34,850
February	647	620	643	43,695
March	650	585	604	42,415
April	615	598	611	21,540
May	627	541	615	56,525
Mid-June- Mid July 2015	636	603	636	122,545

b. Share Performance:

The performance of the company's share in the NEPSE during the year 2014/15 is as under:

Within a period of 1 year in F.Y. 2014/15, there has been trading of shares of the company for 212 days in which there were 2,691 transactions where 773,600 shares were traded. The Maximum value of share within the trading period was Rs. 656 and Minimum value of share was Rs. 541.



Our Services

Company has also started FNF service to prepaid users from November, 2015. By subscribing this service, a GSM customer can call any 5 numbers of Nepal telecom with the tariff of 70 paisa per call. This service can be subscribed by sending SMS to 1415 typing FNFSUB*MDN for the first number. Similarly, other 4 numbers can be added typing FNFADD*MDN and sending SMS to 1415.

1. Basic Service

The total customer base of company by January 2016 is more than 13.87 million, where 11.74 million are GSM mobile users, 1.45 million are CDMA mobile users and 0.67 million are PSTN users. According to the MIS report of November 2015 of Nepal Telecommunications Authority (NTA), the voice market share of Nepal Telecom is 47 percent. All 75 districts of Nepal has already covered through the voice service of this company including PSTN, GSM and CDMA.

The voice services that company has been providing primarily are GSM, CDMA mobile, CDMA fixed phone in wireless sector and PSTN in Wireline sector.

1.1 Wireless Services

Wireless Services are the major backbone of Nepal Telecom. While strengthening market leadership position and continuing the business success, company has been expanding its wireless services with an aim to provide reliable and cost effective services to the valued customers throughout the country. Company is highly committed to provide quality service using the latest telecommunication technology.

Basically, GSM mobile service and CDMA mobile service are the major wireless services of Nepal Telecom.

1.1.1 GSM Mobile Service

a) Postpaid Mobile Service

- Voice Call
- SMS
- Call Forwarding
- Call Waiting

- Call Holding
- Multiparty Conference Call
- GPRS
- 3G
- CRBT
- NF
- International Roaming
- Voice Mail
- Web SMS
- Corporate Connection Offer (CCO)
- Closed User Group (CUG)
- Missed Call Alert (MCA)

b) Prepaid (Namaste) Mobile Service

- Voice Call
- SMS
- GPRS
- 3G
- Web SMS
- Call Forwarding
- CRBT
- MCA
- Web SMS
- FNF

c) Additional Services in GSM Mobile

i) Value Added Services (VAS)

While voice and data services have been the company's core services, Nepal Telecom has been providing various Value Added Services (VAS) in its GSM mobile system to enrich user experience and expand the horizon of revenue stream. Similarly, Caller Ring Back Tone (CRBT), Voice Mail Service (VMS), Missed Call Alert (MCA), Music on Demand (MOD), news, weather forecast, jokes, love tips, motivational quotes, horoscope, chat, product and service

promotion through SMS, tops customers' priority list. The company believes that these Value Added Services add value to the standard service offering, spurring the subscribers to use their phone more and allowing the company to boost up the average revenue per user (ARPU). These Value Added Services are supplied either in-house by the company itself or by a third party VAS providers.

ii) Missed Call Alert (MCA) Service

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

iii) Friends and Family (FnF) service

Company has also started FNF service to prepaid users from November, 2015. By subscribing this service, a GSM customer can call any 5 numbers of Nepal telecom with the tariff of 70 paisa per call. This service can be subscribed by sending SMS to 1415 typing FNFSUB*MDN for the first number. Similarly, other 4 numbers can be added typing FNFADD*MDN and sending SMS to 1415. At a time only one number can be added in FNF with SMS.

Alternately, this service can be subscribed by typing FNF and 5 numbers separated by a space and sending SMS to 1400. Similarly, by sending SMS to 1400 typing FNF anyone can know the numbers included in FNF.

iv) International Roaming Service

To serve GSM customers for wide international mobility, Nepal Telecom has been expanding roaming facility beyond the national network

since more than a decade. Till the date, NT GSM Postpaid users can roam on 215 visitors' network of 73 countries with voice and SMS services. As well as, the customers of 260 networks of 73 countries can use the NT network. Similarly 144 networks of 35 countries can use data facility in NT network. The international roaming facility will soon be provided to NT GSM prepaid users also.

v) Closed User Group (CUG) Service

With the aim to provide cheap and easy service to the valued customers, NT has commercially started CUG service to Postpaid subscribers (Prepaid subscribers will soon be added). Currently any firms, organizations, institutions can use this service creating a group of 50 to 500 customers. A GSM customer can associate in a group only. This service can be entertained within the minimum monthly rental charge of NRs 300.

vi) Corporate Connection Offer (CCO)

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

vii) NTPro Service

Addressing customers' need to be connected all the time and anywhere around the world, NT has launched the NTPro service. By subscribing this service, a GSM Postpaid user can call to or receive calls from any number around the world no matter the user is in or out of the own network if the internet facility is available by any means. Specifically, this service is highly useful for those customers who are visiting out of country and considered as a good alternative of international roaming. To use the service, one should first download the "NTPro" app from

Apple Store or Android store and activate the app using the username and password that has taken from NT. Username and Password can be acquired by typing “Sub NTPro” and sending SMS to 1428. This service can be terminated by typing “Unsub NTPro” and sending SMS to 1428. The phone call from NTPro to NTPro is free of cost. There is conference Call facility to the corporate users also.

1.1.2 CDMA Mobile Service

NT started wireless service using CDMA and IP-CDMA technology with an aim to increase company’s wireless customer base and particularly to bridge the telecommunication gap between urban,



suburban and remote areas of Nepal. Company has been marketing CDMA mobile with brand “SKYPRO” enabling both voice and data service.

a) Postpaid CDMA Service

Features available in post-paid CDMA service:

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

b) Prepaid CDMA service

Features available in Pre-paid CDMA service:

- Voice Call
- SMS

- PDSN and EVDO Data
- Call Forwarding
- Call Waiting
- Do Not Disturb
- Conference Call
- Night Call
- Friends and Family

Sending SMS to 1415 by typing “Help”, one can subscribe Data Package, Night Call, Friends and Family

c) Additional Services in CDMA Mobile

i) Friends and Family (FnF) Service

With the aim to keep the attraction of CDMA by providing additional facility, Nepal Telecom has started Friends & Family service. Subscribing this plan, CDMA customers can use low priced voice call within any five numbers. The call charge of FNF plan to those registered 5 numbers for CDMA Prepaid is 70 paisa per minute and for CDMA post-paid it is 55 paisa per minute.

ii) Night Call Package

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

1.2 Wireline (PSTN) Service

For wireline PSTN services, the TDM based Switching Exchanges are established to provide Narrowband Voice and data services. IP based Soft Switch, Media Gateway and MSAN (Multi Service Access Node) will be extended throughout the country for Broadband Triple Play (Voice, Data and Video) services.



Features available in PSTN service:

- Caller Line Identification (CLI)
- Locking Code
- Call Hunting
- Three Party Conferences
- Call Transfer
- Call Waiting
- Home Metering
- Abbreviated Dialing
- Wakeup Call
- STD, ISD (IDD, Budget, 1424) Calling facility

a) NGN Service

IP-based wireline project is in execution phase with an aim to contribute to the country's telecommunication development through expansion of existing services, providing easy access to the services, enhancement in service quality and starting new multimedia services. NT believes that this project will be advantageous in providing voice and data services to the areas devoid of telecommunication facilities and providing new multimedia services that will be made available in the near future. Under this project, IP-based Next Generation Network (NGN) Softswitch and Access Network Equipment are put into operation to provide broadband services at relatively low cost due to the fact that the copper network deployed from the cabinet to customers' premises are shortened to provide triple play (voice, video and data) services.

b) Value Added Service

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

Fixed Intelligent Network (FIN):

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

PSTN Voice Mail Service (PSTN-VMS)

- Voice Mail Box
- Fax Mail Box
- Voice and Fax Mail Box
- Notice Board Service
- Interactive Voice Response (IVR) Service
- 1600 IVR for SLC result Enquiry
- 1601 IVR for 10+2 (class 11 and class 12) result enquiry
- 1602 IVR for TU result enquiry.
- 1606 IVR for PSTN bill enquiry.
- 1607 IVR for GSM and CDMA Mobile PUK Enquiry
- 198 IVR for PSTN/ADSL/FTTH Fault Complaint Registration
- 188 IVR for VOIP Call Complaint Registration

Outsourced Help Desk Service

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

Others:

- 1698 Fixed Intelligent (FIN) Enquiry Service

c) Easy Phone (IP Call) Service

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

use account number and password to make IP calls. The service can also be used by connecting ATA (Analog Telephone Adaptor) to the modem in the internet connected computer and plug in the phone set to the ATA. International calls can also be made with the phone. Easy phone SIP PPP Web Portal available in Nepal Telecom's Website under Easy phone services, can be used for Balance Inquiry, Account Recharge and Validity check.

d) **Low-priced International Call via Access Code 1424**

Subscribers can make international IP calls at comparatively lower rates through Access Code 1424, launched on 1st June, 2010. This service can be used from company's services like PSTN, GSM, CDMA, VSAT and PCC/PCL. To make international calls, access code 1424 shall be dialled followed by country code, area code and the telephone/mobile number.

e) **Notice Board Service**

Notice Board Service is a Value Added Service that is based on the Intelligent Network (IN) platform, launched on Mangsir 2065. It is a supplementary service of PSTN Voice Mailbox Service in which the mailbox can be used as a Notice Board by the subscriber. The subscribers can record their notice board materials or information through their telephone (that is subscribed for Notice Board Service) so that when anybody calls that telephone number, the recorded notices or information is played. The recorded notices/information can be edited or deleted as required by the subscriber with password protected account. The service can be registered free of charge from nearest telecom offices and useful for business organizations to inform of their products, Weather information, School/ colleges for disseminating information, Airline companies to inform of flight schedules, Forex information, Horoscopes, Breaking news etc.

f) **Advanced Free Phone (AFS/Toll Free) Service**

Advanced Free Phone Service (AFS) is a value added service that is based on the Intelligent Network (IN) platform. Nepal Telecom has been providing

AFS services in order to provide higher quality Value Added Service for large corporate offices, commercial organizations and social communities that need good communications with their users, customers and supporters. Advanced Free Phone service (AFS) is popularly known as Toll Free service. Large organizations that receive hundreds of calls every day are highly benefited through this service. Toll-free phone service allows the users to call the company by using a single unique AFS number without paying for the call charges. Free phone is characterized by its reverse charging feature i.e. the called party pays for the calls, while the calling party is not charged.

Originating call screening (OCS), flexible routing, time of day routing (TDR), day of year routing (DOY), day of week routing (DOWR), originating call routing (OCR), selection dependent routing (SEL), ratio dependent routing (RAT), cyclic dependent routing (CYC), call forwarding on busy/no answer, call limit on daily or monthly basis and simultaneous call limits are features available under AFS service which make AFS service effective and efficient. This service is available on NT network throughout the country. Customers in Kathmandu need to contact Intelligent Network (IN) section in Kathmandu Regional Directorate whereas customers outside Kathmandu, need to contact regional directorate offices to get the service.

g) **PRI (Primary Rate Interface) ISDN Service**

Nepal Telecom has been providing ISDN PRI services from long time. Instead of basic telephone from many telephone lines, Optical fibre PRI is appropriate. The service connected through optical fibre can be used for incoming and outgoing calls. As the subscribers can use DID (Direct Inward Dialling) for 100 to 1000 DN, this service is very popular among subscribers.

2. Data Service

Total data subscribers of company (including email, internet etc) is more than 7 million and 63 thousands.

Among them, there are more than 67.34 lakh GSM mobile data subscribers, 1.36 lakh CDMA data users, 14 thousands WiMAX Data users, 78 FTTH data users and 1.60 lakh ADSL users. According to NTA MIS published on November, 2015. NT market share in data service counts to 56.95 percent.

Company has been extending WCDMA based 3G services in all areas from major cities (including the capital) to rural places. Till now, NT has provided 3G services to 73 districts. NT is working to reach out to those two districts namely Humla and Dolpa to complete the availability in all 75 districts. 3G service is basically provided now to district headquarters,

INTRODUCING GSM Postpaid DATA PACKAGE

HIT YOUR CHOICE, THE ONE YOU LIKE

www.facebook.com/NepalTelecom.NT/www.ntc.net.np

This service is already available in GSM prepaid. Enjoy the Fastest Internet Data Pack at the most Affordable Price.

Method For Subscription:
 For 200 MB Package: Type "DATA+space+200MB" and send SMS to 1400
 For 5 GB Package: Type "DATA+space+5GB" and send SMS to 1400
 To inquire about remaining data volume: Type "CD" and send SMS to 1400
 *Prices are Exclusive of Govt. Taxes

BRONZE PACK			SILVER PACK			GOLD PACK		
PACKAGE	PRICE	VALIDITY	PACKAGE	PRICE	VALIDITY	PACKAGE	PRICE	VALIDITY
200MB	Np. 130	1 Month	1 GB	Np. 300	1 Month	5 GB	Np. 1,200	2 Months
500MB	Np. 200	1 Month	2 GB	Np. 1,200	2 Months			

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ADSL, GPRS, PDSN data services are made available in all 75 districts whereas 3G, EVDO, WiMAX & Wi-Fi data services are available to 73, 72 and 73 districts respectively.

its vicinity and main commercial areas whereas Company is preparing and planning to extend it to other parts. As the customers are more attracted towards data service than that of voice services, Company is focusing to provide high speed data services through 3G. Customers need to send a message "3G" to 1400 to register the service.

World trend for the surging demand of data services has affected Nepali market too. To cope with the customers demand, Nepal Telecom has been extending those high speed data services on priority basis. Company has taken goal to gradually reduce the digital divide in the country by providing those services for people residing in rural areas.

b) CDMA Wireless Data service

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

Nepal Telecom is providing the following data services to its subscribers.

a) GSM 3G Service

Nepal Telecom has been providing high speed internet in addition to good quality voice to its customers from 3G services based on WCDMA technology in GSM services. Other additional features include Video call, Live TV capture and Video Streaming services.

Packet Data Serving Node (PDSN) is a CDMA technology based internet service which is available on C-phone, SKYPHONE and SKYDATA. The maximum speed one can browse internet through PDSN is at 153.6 Kbps. This service can be used in all the areas having CDMA coverage.

Evolution Data Optimized (EVDO) is a 3G wireless technology for broadband internet connectivity in existing CDMA network, which allows data speed up to 3.1 Mbps. For this service, an EVDO modem or

Smartphone is required, and EVDO RUIIM card to be inserted in the phone or dongle modem. an account has to be availed from Nepal Telecom. EVDO is backward compatible to PDSN system, meaning that, whenever EVDO signal is either unavailable or weak, there will be seamless handover to PDSN system. The old EVDO non supporting RUIIM cards can also be replaced with new EVDO supporting RUIIM card, free of charge. Several data packages can be subscribed through SMS to use the internet through EVDO at affordable rate. Company has been adding many other data packages in this service as per the demand surge in EVDO data and the subscriber's attention to this service.

c) **ADSL Service**

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

ADSL service is provided by use of existing copper cable network infrastructure, wherein the voice and data services are simultaneously available through the use of splitter. This service has the capability of minimum download speed of 192 kbps up to 2 Mbps to an individual PSTN subscriber of Nepal Telecom. ADSL is one of the low-cost, high-value services that NT is providing due to the fact that subscribers are not billed for additional call charges during internet access like in the dial-up service. Subscribers can share broadband connection with multiple users by creating their own LAN and WLAN network. As the data rate on downstream is ten times high as the data rate on upstream, it helps to meet the demand of high speed data downloads.

ADSL service is available in two different packages: volume-based and monthly unlimited packages.

Volume Based ADSL Package: For subscribers looking for high speed internet service with access time of a couple of hours per day only, Nepal Telecom's volume-based ADSL internet service is the right solution. Volume-based ADSL means the

customer will be provided with fixed usage limit of respective bytes and a fixed validity period according to the plan chosen. The service will expire when the usage limit is exceeded or the validity period is exceeded, whichever is earlier. Data volume package 21 GB and 42 GB (valid for 3 months), 42 GB and 84 GB (Valid for six months), 84 GB and 168 GB (valid for 12 months) are available at Bandwidth on Demand (BOD) speeds from 512 Kbps to 1 Mbps.

Unlimited Package: NT has started ADSL service with monthly unlimited subscription packages on prepaid basis with available speeds of 192 Kbps, 385 Kbps, 512 Kbps, 1 Mbps, and 2 Mbps only for institutional subscribers. Subscription charge needs to be paid at the time of registration. Recurring usage charges can be paid on prepaid basis. There is no limitation on the data volume usage in this package.

d) **Wimax Broadband Data Service**

Launch of the WiMAX broadband internet service by Nepal Telecom marks the beginning of Fourth Generation (4G) internet service in Nepal. With an aim to provide minimum 256 kbps broadband internet service in all VDCs and Municipalities of the country, Nepal Telecom has launched WiMAX (Worldwide Interoperability for Microwave Access) service and is now available to 2800 VDCs in all development regions. Nepal Telecom has believed that the service will fulfil its social obligation to provide broadband internet to all remaining VDCs and increase the internet availability to rural areas ultimately reducing the current digital divide.

It is the most recent technology among all of those available in our range of internet services. Customer Premise Equipment (CPE) is required to browse internet through WiMAX. Outdoor, indoor and USB Dongle CPEs are available in the market suitable for signals up to 15 kms, 5 kms and 2 kms respectively. Based on the type of CPE and the distance from Base stations, maximum 2 Mbps speed can be attained. As WiMax is a roaming enabled technology, customers can use the internet service through WiMAX at anywhere with WiMAX coverage.

Current data packages in WiMAX include 5 GB to 366 GB Volume based packages.

e) **Wi-Fi Hotspot service**

Using WiMAX technology as the backhaul, Nepal Telecom has been providing WiFi services through hotspots. This service is now available in 65 districts across the country. In those places, Customers can use the hotspot internet service in smartphone, laptop and tablets. GSM and CDMA users can request password by typing WiFi10 or WiFi 10 and sending an SMS to 1416. Rs.10 per hour is deducted from the user's available mobile balance and the validity period is 24 hours. Similarly subscribers can get 5 hours internet by sending WiFi30 to 1416 which costs Rs 30 with validity period of 7 days.

f) **Internet/ Intranet Leased Line Service**

Company has started the copper leased line service from around 20 years. Nepal Telecom now provides leased connectivity through ADSL and Optical fibre which offers better services compared to traditional copper wire leased line (using 2 lease modems). According to the demand of high speed dedicated internet/intranet lease service, the service can be provided in all districts using Optical fibre or Microwave radio.

Among those leased services, Intranet lease from minimum 256 kbps to 10 Mbps, above and Internet lease from minimum 256 Kbps to 100 Mbps, above are provided with Optical Fibre medium. All the areas with basic telephony can be now availed of the Internet lease and Intranet lease service through ADSL.

Similarly, Company is also providing E1 lease circuit and IPLC (International Private Lease Circuit) Lease line to ISPs (Internet Service Providers).

g) **FTTH (Fiber to The Home) service**

Nepal Telecom has launched services based on Fiber To The Home (FTTH) technology specially to meet the customer demand of higher bandwidth in city areas. In this service, instead of traditional

copper network, Optical fibre is installed up to the customer premises so the service will be highly reliable and of higher quality.



In the first phase, Company has planned to provide the service to 10 different places. Till now, FTTH service is made available to 3 places in Kathmandu (namely Chhauni, Sundhara and Naxal exchanges), 2 places outside Kathmandu (Butwal and Pokhara Exchange). Apart from this, Company has planned to provide the service to 2 new places in Kathmandu (Patan and Babarmahal), 3 new places outside Kathmandu (Bharatpur, Birgunj and Biratnagar Exchange).

FTTH is a NGN based technology providing high speed internet service alongside Voice whereas Video and more value added services will be added in near future. Among all the data services in the country, FTTH provides the highest speed performance. Based on the popularity and the demand of the service, it is planned to extend FTTH to other parts of the country.

2.1 Data Packages

Nepal Telecom has been providing data packages in its different internet services, based on the demand from the customers. Among them, there are data packages from 10 MB to 10 GB data volume for GSM Prepaid, 10 MB to 5 GB data pack for GSM Post-paid, 40 MB to 10 GB in CDMA mobile, 5 GB to 336 GB in WiMAX and 40 GB to 480 GB for FTTH services.

3. Rural Telephony via Satellite

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

to the rural areas. This technology has played a crucial role in connecting rural areas that lack microwave radio and optical link to the national and international telecommunication network. Satellite service is put into operation for service continuity and to facilitate rescue teams at times of natural disasters. Moreover, satellite service is being used as backup for Optical Link and Radio Link. When Optical Link and Radio Link are not functioning due to technical disturbances, satellite service comes



of various technologies is NT's utmost priority.

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

KU-band VSAT system has been a technological boon for providing telecommunication services

handy to reinstate service on immediate basis.

Satellite technology is found effective in the extension of PSTN, GSM, CDMA services along with the construction of required infrastructures. Company has used KU Band based D-SAT system for the backhauling of GSM, CDMA and Telephone exchanges. Such backhauls to operate GSM, CDMA, ADSL and NGN Exchange at Dunai of Dolpa and Simikot of Humla. Within the exchange, 550 terminals can be provided with 4 line voice and one



data port (28.8 kbps to 256 kbps) in each terminal. Similarly for the areas where ADSL cannot be given from other existing technology, V-SAT Backhaul link is used to backhaul and make ADSL broadband available in all districts of the country.

Though the technology is quite expensive in terms of equipment price and transportation, it is quite beneficial for the expansion of telecom services to the rural areas and make telephone available to all VDCs in 75 districts of the country along with narrowband, broadband Voice and data services. The availability of those services aids the company in developing social, economic, cultural and educational sectors of the country as a whole.

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

4. Bill Payment and Recharge

The PSTN users can recharge and pay the telephone bill through the IVR code 1413 using Namaste recharge card and through 1412 using NT recharge card. By dialling 1606 from landline, customer can get the information of bill to pay.

Along with the top up by relevant USSD code, NT



services can be recharged through MPOS, Bank, or NT recharge card through <http://webrecharge.ntc.net.np>. Using MPOS, a GSM prepaid can be topped up by Rs. 10 to Rs. 5000, GSM Postpaid and Landline phone can be topped up by Rs. 100 to Rs. 5000 and ADSL service can be recharged by Rs. 500 to Rs 5000.

5. Meet – Social Site of Nepal Telecom

NT started MEET as a new social site for its customers from January 2015. Using meet platform, customers can share text, photo, audio and video as well as interact about the NT services. It is expected to develop a social relation between the company and its valued customers through this site (www.meet.net.np).

NT customers can register this service by installing



meet app both in android phone and Apple phone. Using the same platform, a customer can send 10 free SMS in a day as well as can buy bulk SMS package ranging from 100 to 5000 SMS and can access other social sites like facebook, twitter. This service is gaining popularity among the customers.

6. Promotional Activities

NT has been promoting its services by participating at the trade fairs, exhibitions, concerts, sports, social activities as well as public gatherings and availing the promotional packages. Company has felt the higher emotional attachment with customers and organizers by such participations.



For few examples, NT participated CAN InfoTech 2016, Kathmandu; Nepal Literature Festival organised by Bookworm Foundation, Pokhara; trade fairs organised by Nepal chamber of commerce at Pokhara, Nepalgunj, Kohalpur, Ghorahi, Mahendranagar; Nepal Engineers' Association 14th National Convention and sports organised by different organizations.

6.1 NT with Remittance Receivers

NT is giving high priority to provide highly subsidised SIM/RUIM cards to the family members of Nepalese foreign workers. Company has contracted with Nepal Investment Bank Limited, Prabhu Bank Limited and Himalayan Bank Limited to provide free sim cards to the family member of Nepalese foreign workers with Rs. 50 talk value against Money Transfer Control Number. The family members are found to be benefitted with such distribution as well as it is being better for the promotion of services.

6.2 NT with External Tourists

Company is committed to keep the prestige of the country by providing easy and quick services to the foreigners visiting Nepal. It has already installed kiosk Machines at the immigration of Tribhuvan International Airport to serve the tourists arriving via airlines, hence providing informative and promotional materials.

Focusing the data service to foreign tourists while in trekking, company has operated EVDO service at highly remote places of mountainous districts. It has been providing data with the speed of 3.1 mbps

Download and 1.8 mbps Upload with high capital investment even for very few customers.

Using FTTH access technology via NT SAT, NT has been providing high speed data and voice services to the hotels in Annapurna Base camp situating at the height range of 4130 meter from sea level.

Similarly, company has started to provide a free Sim



card having Rs. 50 talk value to the foreign passport holders at the arrival of TIA hence penetrating NT services to most of foreign tourists and promoting the tourism.

6.3 Wi-Fi Service in Public Transportation

To utilise the customers' time while in public transportation, company has started Wi-Fi service by installing Wi-Fi Hotspot in Sajha Bus. This service is currently available in 16 Sajha Buses of Kathmandu. Company is planning to extend the service to other public transportations too.

7. National and International Connectivity

7.1 National Connectivity

Nepal Telecom has established direct interconnection with all five telecom service licensees in the country. NT has readily accepted the sector liberalization and competition policies introduced by the GoN. NT believes that competition has helped the players as a whole – including NT itself - to grow and put collaborative efforts for developing telecom sector in the country.

7.2 International Connectivity

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

NT has established direct interconnection with the international carrier partners that are big and



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

7.3 Effort to Control Illegal Call Bypass

NT is working in collaboration with Nepal Telecom Authority, Nepal police, foreign telecom operators and other relevant organizations to control the illegal call bypass. With this action, the illegal VoIP call bypass is lowered down and the positive impact is being observed on the service quality and international revenue.

7.4 Maximum Utilization of NT's POP

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

7.5 Additional Effort to maximize International Call

NT has emphasized the development of telecom infrastructure with China by laying alternate Optical Fiber Cable between Kathmandu and Kerung border point. This additional route is expected to provide redundancy to the already established Optical Fiber Cable route between Kathmandu and Tatopani border point and ensure reliable exchange of voice and data traffic between Nepal and China.



Corporate Social Responsibility

The growth and development of Nepal Telecom requires constant loyalty from customers, commitments from employees, as well as support and encouragement from stakeholders including shareholders and business partners. It is committed to fulfilling its corporate social responsibility to earn trust and support from those diverse stakeholders. It is devoted to provide the best value to its customers and continually strive to carry out its responsibilities as a corporate citizen. Leveraging on its expertise in telecommunications and industry knowledge, the company is committed to eliminating the digital divide, help all the people in Nepal to gain access to information and enrich their lives. Moreover, at Nepal Telecom, our corporate social responsibility is a part of our sustainability strategy to promote socio-economic well-being for all. It seeks to secure a balance between business priorities and environmental protection, while aligning the Company's long-term approach to growth with social empowerment and development. We collaborate with various organisations to make sustainability an integral part of our business agenda.

Greenery: Our Concern

The growing urbanization has led to various pollutions in environment. With an understanding that, every little effort can be a massive initiation to minimize the growing pollution, the company is committed to make



the environment greener & healthier. As a step towards making Kathmandu Valley, a clean and green city, the company has taken responsibility to maintain greenery in Maitighar-Baneshwor section of Arniko Highway and both sides of the Tinkune-Manahara confluence of Bagmati River. The company aims to continue its campaign on maintaining and preserving greenery in other parts of Nepal as well.

Bagmati Cleaning Campaign

Bagmati is one of the most important rivers of our country. The movement to clean it by the public can be set as an example of the changes that can be brought once people are motivated. Company has been broadcasting necessary information bulletins of the Clean Bagmati



Campaign on weekly basis as an effort initiated by Chief Secretary of the GON. Along with this, company's employees have been regularly participating in the clean-up campaign.

Post-earthquake support: Nepal Telecom, a friend indeed

The devastating earthquake of April 25, 2015 and its frequent aftershocks along with other natural calamities

caused an inconceivable loss of lives and properties. Keeping in mind that subscribers could find it next to impossible to recharge their mobile phone accounts, Nepal Telecom offered free calls and SMS or bonus balance worth of NPR 1.46 billion during the hour of crisis and helplessness. In addition to this, it also provided following services:

- In order to facilitate rescue operation in severely affected areas, the company provided free wifi services through WiMax from April 30, 2015 till May 14, 2015.
- By co-ordination with Home Ministry and Ministry of Information and Communication Technology, the company operated free Hotline service for its customers.
- The company also provided financial assistance to earthquake effected people by donating NPR 27.75 crores to Prime Minister's Disaster Relief Fund. Moreover, the member of Board of Directors also contributed to the cause by donating their meeting allowances for 3 meetings. Also, the company



initiated fund collection from its interested customers via its GSM and CDMA services by allowing them to send SMS to 15025, 15050 and 15100 numbers. Such collected amounts were then handed over to Prime Minister's Disaster Relief Fund.

- The company is also committed towards reconstructions and restoration works of infrastructures and heritages of historical and cultural importance. The company has prioritized

its commitments for restoration works of heritages such as Dharhara and Swyambu in Kathmandu, Manakaman Temple in Gorkha, Durbar Squares in Bhaktapur and Lalitpur and reconstruction of



community schools in severely earthquake affected areas. For, this the company has committed to expend about NPR 1 billion.

Sports: Integral Part of Social Development

The company understands that beyond physical well-being, sport can play an important role for a safer, more prosperous and more peaceful society, through its educational values and worldwide network. Although sports development cannot be a solution to solve all the issues of society nor a priority compared to life-subsistence needs of disadvantaged communities, it can generate many positive effects and be a valuable tool for development. It is both a means and an end in itself. Nepal Telecom is committed to ensure that its future is established and has been sponsoring to football teams of Nepal Police's male and female teams and this tradition



is a continuation of the previous year's contribution. Currently, cricket has become an established game in the country and youths have been attracted in this field



and have also established its recognition in international arena. Considering this, Nepal Telecom has sponsored the Senior Men and women Team along with T20 Tournament named “Nepal Telecom Championship Trophy” that is organized by Nepal Cricket Association.

Services to the Female Community Health Volunteers

As per the agreement between Nepal Telecom and Ministry of Health, the Company has provided more than 52,000 SIM/ RUIM cards having NPR 100 as talk value to the Female Community Health Volunteers working in the remote parts of the country. This has increased their efficiency and enabled them to communicate directly with the doctors and specialists while dealing with health issues in the villages.

Nepal Telecom with Farmers

Nepal Telecom, in co-ordination with Ministry of Agricultural Development has distributed free SIM cards to farmers with the talk value of NPR 100 for providing them with specific information about ‘Agro-Climate Weather’. It has also introduced ‘Hamro Krishi’ mobile Application, Agriculture Information System, Toll free number 16600177779, Audio Notice, Agriculture Info SMS Services in order to facilitate farmers. The farmers having smart phones can have the information of climate, agriculture and technology, phone numbers of agriculture offices, insurance companies and other successful stories of agriculture by using ‘Hamro Krishi’ mobile Application. The free ‘Farmer SIM’ will be distributed

in 25 districts in three lots comprising of 8 districts in first lot, 8 districts in second lot and 9 districts in third lot. 1,500 SIM cards will be distributed in the first lot whereas 4,000 SIM cards in second through Ministry of Agricultural Development. Of the SIM cards distributed, 15 mb data will also be provided to certain numbers as specified by the concerned Ministry.

Social Development

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

- 100 - Police
- 101 - Fire Brigade
- 102 - Ambulance
- 103 - Valley Traffic Police
- 104 - Children search and rescue coordination center
- 1098 - Child Help Line
- 1103 - Jawalakhel Traffic Police
- 1111 - Hello Sarkar (Government)
- 1144 - Tourist Police

Such free services provided by Nepal Telecom has been effective in providing necessary information to concerned officials at times of crisis and emergency which has in return contributed to the safety and development of the community.

In order to connect the people of rural areas of Nepal to other parts of the county, Nepal Telecom has been providing telephone services establishing Call Centers’ in such areas. In addition, the company has also been providing free local telephone service at the Tribhuvan International Airport to both the domestic and international air passengers.

Free Child Help Line Service

In collaboration with Ministry of Women, Children and Social Welfare, Committee of Central Child Welfare, Nepal Telecommunication Authority and other telecommunication service providers, Nepal Telecom has been providing free child helpline with telephone number 1098. This service has been pivotal in rescuing children, providing them with appropriate counselling, family reunion and social development throughout the country. More than 40,000 free hot line calls are being made annually through this helpline number.

Role of Nepal Telecom in Crisis Management

Since long time, Nepal Telecom has been playing an important role in the rescue of the victims of flood and natural calamities. For the purpose of making such rescue operations more effective and providing people of such natural calamities affected areas with pre-information about such rescue operations, Nepal telecom has started free SMS service in collaboration of International Federation of Red Cross and Red Crescent Societies (IFRC).

Honors to Nepal Telecom

On the occasion of 4th Tax Day 2015, Nepal Telecom received the award of 'the best tax payer' from Nepal Government in VAT collection category for being the highest tax paying company in such category for the FY 2014/15 and also noting the company's contribution to boost the economic development of the nation. Nepal Telecom made a contribution of NPR 3.86 billion in VAT category in FY 2014/15.

Nepal Telecom believes that, the prime source for such success is the loyalty and trust of its valued customers. Such honors will enable the company to work even harder in future and serve its customers with even more of quality and reliable services.



Investors
institution
authorities
Changes
Creditworthiness
Balance
sheet
Employees
Notes
Account
Structured
Business
Easy
Audit
Stockholders
Economic
Performance
Assets
Expenses
Understandable
Annual report
Equity
Tax
regulations
Cash flow
liabilities
Reliable
Comparable
standards
decisions
Comprehensive
Income

Vendors
Relevant
understand

Financial
Statements

Principles
Decisions



Independent Auditor's Report
Nepal Doorsanchar Company Limited (Nepal Telecom)
Financial Year 2071-72 (2014-15)

We have audited the accompanying Statement of Financial Position of Nepal Doorsanchar Company Limited (Nepal Telecom) as of Asadh 31, 2072 (July 16, 2015), and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity for the year then ended, and Notes to the Financial Statements.

Management's Responsibilities

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

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Opinion

- The Company is in occupation and using landed properties even in the absence of ownership document in the Company's name on 271 locations covering the area of 440,185 square meters. Considering the perpetuity of the usage and no apparent restriction on economic benefit of such land being used by the Company, the value of the building structure constructed in the land without ownership document amounting to Rs. 372,727,329 has been recognized as assets.
- The Company has been presenting its interim financial reporting to the public under the requirements of Security Board of Nepal. However such reporting is not in conformity with the reporting requirements of *NAS 34 Interim Financial Reporting*.



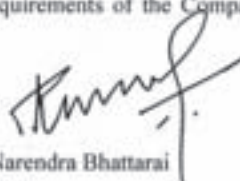
- The Company has presented its operating segments by apportioning the items of financial statements under the assumptions made by the management rather than reflecting the events, transactions and balances associated with the respective operating segments as required by *NFRS 8 Operating Segments*.

Opinion

In our opinion, based on the information and explanation provided to us and our audit and subject to the matter raised in the preceding Basis of Opinion, the financial statements give true and fair view of the financial position as of Asadh 31, 2072 (July 16, 2015), and of the results of its operations and cash flows of Nepal Doorsanchar Company Limited (Nepal Telecom) for the year then ended in accordance with Nepal Financial Reporting Standards and comply with the requirements of the Companies Act 2063.

Kathmandu
Date: 2016/01/11




C.A. Narendra Bhattarai
Principal

Statement of Financial Position

As at Ashadh 31, 2072 (July 16, 2015)

(Figures in NPR)

Particulars	Notes	31.03.2072	32.03.2071 (Restated)	01.04.2070 (Restated)
Assets				
Non- Current Assets				
Intangible Assets	2	159,035,373	223,502,222	3,388,511,550
Property, Plant and Equipment	3	34,114,089,192	35,020,190,813	32,549,530,460
Capital Work-in-Progress	3	4,054,946,196	5,306,130,250	5,124,351,740
Investment in Associates	4	87,845,961	43,699,316	10,000,000
Other Investments	5	5,625,545,998	6,972,693,498	6,174,805,515
Deferred Tax Asset	25	4,323,929,704	3,676,101,361	3,134,010,591
Employee Loan	9	1,757,826,658	1,383,700,473	1,564,141,861
Total Non-Current Assets		50,123,219,082	52,626,017,933	51,945,351,717
Current Assets				
Inventory	8	562,824,582	329,580,840	1,206,682,858
Prepayments and Advance Tax	10	53,253,164	1,330,525,271	823,397,229
Employee Loan	9	112,201,701	88,321,307	99,821,195
Loan, Advance & Others	9	1,701,201,154	799,943,214	1,204,582,731
Trade Receivable	11	2,621,810,462	2,923,139,294	3,188,946,955
Short Term Investments	5	12,610,095,483	6,092,350,000	17,832,057,679
Cash & Cash Equivalents	12	43,520,904,779	41,263,465,148	26,774,785,622
Total Current Assets		61,182,291,325	52,827,325,074	51,130,274,269
Total Assets		111,305,510,407	105,453,343,007	103,075,625,986
Equity and Liabilities				
Share Capital	13	15,000,000,000	15,000,000,000	15,000,000,000
Reserve and Surplus	13	65,998,443,442	59,808,616,145	56,199,717,252
Total Equity		80,998,443,442	74,808,616,145	71,199,717,252
Non-Current Liabilities				
Post Employment Benefits	17.2	6,923,446,807	5,933,853,893	6,001,192,017
Subscriber Deposit	14	1,797,282,000	1,763,646,000	1,732,257,000
GSM License Fee	15	6,053,390,758	8,046,375,452	10,278,518,309
Total Non-Current Liabilities		14,774,119,565	15,743,875,345	18,011,967,326
Taxation Liabilities	25	106,579,617	-	-
Provisions	16	1,959,163,413	1,905,835,591	1,786,256,437
Current Liabilities	16	13,467,204,370	12,995,015,926	12,077,684,971
Total Current Liabilities and Provisions		15,532,947,400	14,900,851,517	13,863,941,408
Total Equity and Liabilities		111,305,510,407	105,453,343,007	103,075,625,986

As Per Our Report of Even Date

Kabiraj Khanal
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Dilliraj Ghimire
Director

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

Binaya Kumar Chalise
Director

Surya Bhakta Pokhrel
Deputy Managing Director(Finance)

Shailaja Rai
Manager

Date: Poush 27, 2072
Place: Kathmandu

Statement of Profit or Loss and Other Comprehensive Income

For the year ended Ashadh 31, 2072 (July 16, 2015)

(Figures in NPR)

Particulars	Notes	FY 2071.72	FY 2070.71 (Restated)
Revenue	19	42,638,371,803	39,671,121,708
Personnel Costs	17	4,911,379,680	4,401,418,593
Operation and Maintenance Costs	21	7,978,259,497	7,209,590,543
Administrative Costs	22	1,688,894,966	1,575,515,649
Royalty		1,570,388,633	1,422,365,300
Contribution to Rural Telecom Development Fund		785,194,317	711,182,650
Interest on Subscribers' Deposit		47,836,020	49,746,381
Exchange Loss/(Gain)		(668,830,755)	175,762,520
Finance Costs	20	507,015,306	267,857,143
Depreciation		3,664,367,737	3,311,333,499
Impairment Loss	3	165,501,765	0
Licence Fee		64,736,851	3,354,009,328
Frequency Fee		839,075,101	840,259,790
Staff Bonus Provision		458,328,188	436,607,825
Telecom Allowance Provision		612,975,473	480,182,231
Equity Loss in Associate		3,353,355	6,300,684
Total Expenditure		22,628,476,134	24,242,132,136
Net Profit Before Tax		20,009,895,669	15,428,989,572
<i>Provision for Income Tax</i>			
Current Tax		(6,101,385,634)	(4,402,584,651)
Deferred Tax		647,828,343	542,090,770
Net Profit For the Year		14,556,338,378	11,568,495,691
Other Comprehensive Income:			
Changes in revaluation surplus			
Remeasurements of defined benefit plans			
Gains and losses on financial assets measured at fair value through other comprehensive income			
Income tax relating to items that will not be reclassified			
Other Comprehensive Income for the Year		0	0
Total Comprehensive Income for the Year		14,556,338,378	11,568,495,691

Earnings Per Share (Basic)

97.04

77.12

As Per Our Report of Even Date

Kabiraj Khanal
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Dilliraj Ghimire
Director

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

Binaya Kumar Chalise
Director

Surya Bhakta Pokhrel
Deputy Managing Director(Finance)

Shailaja Rai
Manager

Date: Poush 27, 2072
Place: Kathmandu

Statement of Cash Flows

For the year ended Ashadh 31, 2072 (July 16, 2015)

(Figures in NPR)

Particulars	31.03.2072	32.03.2071 (Restated)
Cash Flow from Operating Activities		
Net Profit for the Year	14,556,338,378	11,568,495,691
Adjustments		
Income Tax expense recognised in profit or loss	6,101,385,634	4,402,584,651
Deferred Tax expense recognised in profit or loss	(647,828,343)	(542,090,770)
Depreciation	3,664,367,737	3,311,333,499
Income from Investment & Bank Deposit	(3,220,986,444)	(3,675,223,846)
Impairment Loss	165,501,765	-
Finance Costs	507,015,306	267,857,143
Amortization of License	64,736,851	3,354,009,328
Equity loss on Associate	(3,353,355)	(6,300,684)
Movements in Working Capital		
Decrease/(Increase) in Inventory	(233,243,742)	877,102,017
(Increase)/Decrease in Prepayments	8,368,553	166,225,557
(Increase)/Decrease in Employee Loan	(398,006,579)	191,941,276
(Increase)/Decrease in Other Advances	(901,257,942)	404,639,518
(Increase)/Decrease in Trade Receivables	301,328,832	265,807,661
Increase/(Decrease) in Non-Current liabilities	(1,476,771,086)	(2,535,949,124)
Increase/(Decrease) in Provisions	53,327,822	119,579,154
Increase/(Decrease) in Current liabilities	360,198,471	694,663,894
IFRS Adjustments (refer Note 31)	(881,992,066)	(246,886,802)
Previous Year Adjustments	(434,519,011)	(812,709,998)
Income Taxes Paid	(4,725,902,464)	(5,075,938,250)
Total Adjustments	(1,697,630,061)	1,160,644,224
Net Cash flow from Operating Activities (A)	12,858,708,317	12,729,139,915
Cash Flow from Investing Activities		
GSM License Fee Renewal	-	(189,000,000)
Internet License Fee Renewal	(270,000)	-
Acquisition of Property, Plant and Equipment	(2,923,767,883)	(5,781,993,849)
Decrease/ (Increase) in Capital Work in Progress	1,251,184,054	(181,778,511)
Decrease/ (Increase) in Investment	(5,211,391,274)	10,914,421,064
Income from Investment & Bank Deposit	3,220,986,444	3,675,223,846
Net Cash Flow from Investing Activities (B)	(3,663,258,659)	8,436,872,550
Cash Flow from Financing Activities		
Increase/ (Decrease) in Capital	-	-
Dividend Paid	(6,938,010,027)	(6,677,332,939)
Net Cash Flow from Financing Activities (C)	(6,938,010,027)	(6,677,332,939)
Net Increase in Cash (A+B+C)	2,257,439,631	14,488,679,526
Cash at Beginning of the Year	41,263,465,148	26,774,785,622
Cash at the End of the Year	43,520,904,779	41,263,465,148

As Per Our Report of Even Date

Kabiraj Khanal
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Dilliraj Ghimire
Director

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

Binaya Kumar Chalise
Director

Surya Bhakta Pokhrel
Deputy Managing Director(Finance)

Shailaja Rai
Manager

Date: Poush 22, 2072
Place: Kathmandu

Statement of **Changes in Equity** For the year ended Ashadh 31, 2072 (July 16, 2015)

Particulars	Share Capital	Retained Earning	Revaluation Reserve	First time adoption adjustments	Total
Opening Balance as on 16 July, 2013	15,000,000,000	38,635,694,828			38,635,694,828
Previous Year Adjustments		18,380	15,922,088,389	1,641,915,655	17,564,022,423
Restated Opening Balance Before Prior Period Adjustment	15,000,000,000	38,635,713,208	15,922,088,389	1,641,915,655	56,199,717,252
Prior Period Income		140,866,285			140,866,285
Prior Period Expenses		(953,576,283)			(953,576,283)
Amended Assessment Tax		-			-
Adjustment of Prepaid /Outstanding Liabilities		-			-
Opening Balance (Restated)	15,000,000,000	37,823,003,210	15,922,088,389	1,641,915,655	55,387,007,253
IFRS Adjustments		(246,886,799)			(246,886,799)
Dividend for F.Y. 2069/70		(6,900,000,000)			(6,900,000,000)
Equity Loss in Associate(Trishuli Jal Vidhyut Co. Ltd.)		(6,300,684)			(6,300,684)
Net Profit After Tax (without Equity Loss in Associate)		11,574,796,375			11,574,796,375
Closing Balance as on 16 July, 2014	15,000,000,000	42,244,612,102	15,922,088,389	1,641,915,655	59,808,616,146

Particulars	Share Capital	Retained Earning	Revaluation Reserve	First time adoption adjustments	Total
Opening Balance as on 17 July, 2014	15,000,000,000	42,244,612,101	15,922,088,389	1,641,915,655	59,808,616,145
First time adoption reserve transferred to R/E		1,641,915,655		(1,641,915,655)	-
Restated Opening Balance Before Prior Period Adjustment	15,000,000,000	43,886,527,756	15,922,088,389	-	59,808,616,145
Prior Period Income		186,765,145			186,765,145
Prior Period Expenses		(321,284,159)			(321,284,159)
Amended Assessment Tax Settlement (FY 2065/66 & FY 2066/67)		(300,000,000)			(300,000,000)
Adjustment of Prepaid /Outstanding Liabilities		-			-
Opening Balance (Restated)	15,000,000,000	43,452,008,741	15,922,088,389	-	59,374,097,129
IFRS Adjustments		(881,992,066)			(881,992,066)
Dividend for F.Y. 2070/71		(7,050,000,000)			(7,050,000,000)
Equity Loss in Associate(Trishuli Jal Vidhyut Co. Ltd.)		(3,353,355)			(3,353,355)
Net Profit After Tax (without Equity Loss in Associate)		14,559,691,733			14,559,691,733
Closing Balance as on 16 July, 2015	15,000,000,000	50,076,355,053	15,922,088,389	-	65,998,443,442

As Per Our Report of Even Date

Kabiraj Khanal Chairman	Buddhi Prasad Acharya Managing Director	Baikuntha Aryal Director	Diliraj Ghimire Director	CA. Narendra Bhattarai N. Bhattarai & Co. Chartered Accountants
Binaya Kumar Chalise Director	Surya Bhakta Pokhrel Deputy Managing Director(Finance)		Shailaja Rai Manager	Date: Poush 27, 2072 Place: Kathmandu

Notes to Financial Statements

General Information

Nepal Doorsanchar Company Limited (with its brand name as Nepal Telecom) is Nepal's leading telecommunication service provider, which includes voice 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 percent GoN undertaking, where all assets and all liabilities of the corporation were transferred to the incorporated company with equity being transferred to the Government in lieu of the government ownership.

Government of Nepal and Citizen Investment Trust have been the principal promoters of the company. Government of Nepal, who substantially owns the company, disinvested certain portion of its holdings in favour of the company employees and general public. The current shareholding structure is as per note 13

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 most remote locations in providing its valued customer a quality service that has assisted in the socio economic development of the urban as well as rural areas.

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

Annual financial statements are released for general public and are also published on the company's website www.ntc.net.np

The shares of the company is listed and traded on the Nepal Stock Exchange Limited (NEPSE).

1. Basis of Preparation

This section describes the critical accounting judgement that the company has identified as having potentially material impact on the company's financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the accounts, the policy is described within that note. The company's accounting policies require the management to exercise judgement in making accounting estimates.

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board Nepal. These confirm, in material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). The financial statements have been prepared on a going concern basis. The term NFRS, which includes all the standards and the related interpretations is consistently used.

1.1 Accounting Pronouncements

The company for its preparation of financial statement has adopted accounting policies to comply with the pronouncements made by Accounting Standards Board Nepal, effective as on 13 September 2013. The accounting pronouncements not considered are as follows

- NFRS 9 Financial Instruments. (instead

requirements of *NAS 32 Presentation of Financial Instruments* and *NAS 39 Recognition of Financial Instrument* and *NFRS 7 Disclosures of Financial Instruments* have been complied.

- New standards pronounced and the existing ones revised by IASB, with varying applicability dates, after the pronouncement of NFRS on 13 September 2013. Those that are relevant to the company will be included in the accounting policies as and when those standards and revisions are included in the NFRS.

1.1.1 Impact of NFRS on financial presentation and disclosures

There has been significant changes from the erstwhile Nepal Accounting Standards (NASs) and NFRS, even though NASs had been prepared in line with the pronouncements by IASB. NFRS includes most of the amendments and pronouncements that had not been updated in the NASs.

The financial and disclosure impact has been disclosed in relevant section of the financial statements. Specific impact with reconciliation has been disclosed under the First Time Adoption of NFRS section in Note 31.

1.2 Accounting Convention

The financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

The financial statements are prepared on accrual basis, except where specifically disclosed. As exception, income and expenses are accounted on cash basis, for practical reason, in case of revenue from internet services, revenue from pole rental. Management believes that had those revenues been recognised on accrual basis the impact would not have been materially different from the amounts recognised recognition under current practice.

1.3 Presentations

The financial statements are prepared in Nepalese Rupees and rounded off to the nearest rupee. The figures for previous years are rearranged and reclassified wherever necessary for the purpose of facilitating comparison. Appropriate disclosures are made wherever necessary.

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities, which are broken down further by their respective maturities in the notes to the financial statements.

The statement of profit or loss has been prepared using classification 'by nature' method.

The statement of cash flows has been prepared using indirect method. Cash flows from operating activities, in addition to the adjustments from profit for non-cash and non operating activities, movements in working capital, interest and taxes, separately include cash flows relating to employee bonus and retirement benefits.

1.4 Accounting Policies

NFRS requires to adopt accounting policies that are most appropriate to the company's circumstances determining and applying accounting policies. Directors and management are required to make judgement 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; it may later be determined that a different choice may have been more appropriate.

Specific accounting policies have been included in the specific section of the notes for each items of financial statements which requires disclosures of accounting policies or changes in accounting policies. Effect and nature of the changes have been disclosed.

1.5 Accounting Estimates

The preparation of financial statements in line with NFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period.

Management has applied estimation in preparing and presenting the financial statements. The estimates and the underlying assumptions are reviewed on ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates is revised, if the revision affects only that period; they are recognised in the period of revision and the future periods if the revision affects both current and future periods.

Specific accounting estimates have been included in the relevant section of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

1.6 Financial periods

The company prepares financial statements in accordance with the Nepalese financial year using Nepalese calendar. The corresponding dates for Gregorian calendar are as follows:

Particulars	Nepalese Calendar Date / Period	Gregorian Calendar Date / Period
Opening NFRS SFP* date	1 Shrawan 2070	16 July 2013
Comparative SFP* Date	32 Ashadh 2071	16 July 2014
Comparative reporting period	1 Shrawan 2070 - 32 Ashadh 2071	16 July 2013 - 16 July 2014
First NFRS SFP* Date	31 Ashadh 2072	16 July 2015
First NFRS reporting period	1 Shrawan 2071 - 31 Ashadh 2072	17 July 2014 - 16 July 2015

* SFP = Statement of financial position

1.7 Presentation currency

The company's financial statement is presented in Nepalese Rupees which is also the company's functional currency.

1.8 Discount Rate

Various factors have been considered for determining the discount rate to be applied to the cash flows of company. The same 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 generally used in determining such rates. For this purpose Capital Asset Pricing Model (CAPM) is generally used to determine the cost of equity. The fact that the company does not have any debt, weighted average cost of capital 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, from the telecom industry, market beta may not give the appropriate picture of the movement of the market and the company's rate of return. This is further evidenced by the near stable price of the company's shares as against the volatile movement in the stock market.

Therefore the risk adjusted dividend growth model been used in determining the discount rate to be applied for preparation of the financial statements. The rate derived for discounting the liabilities is 12 percent.

The discount rate used for assets and receivable have been used as the average rate of earning from the company's investment which is taken as 6 percent.

1.9 Limitations to NFRS implementations

If the information is not available and the cost to develop would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective section.

2. Intangible Assets

The company's statement of financial position contains significant intangible assets which consists of licenses issued by Nepal Telecommunication Authority for various services.

2.1 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.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Intangible assets with finite life

Intangible assets with finite useful lives are stated at acquisition cost less accumulated amortisation and accumulated impairment losses. The useful lives and the amortisation methods of the assets are reviewed at least annually. Changes in the expected 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.

License fee

License fees are amortised over the validity period of licenses. Amortisation period for licences are determined by reference to the unexpired license period, the conditions for license renewal and whether licenses are dependent on specific technology. Amortisation is charged to income statement on a straight line basis over the useful life.

2.2 Details of intangible assets

The net carrying amount of intangible assets pertains to the unamortised portion of various licenses paid to Nepal Telecom Authority.

License Fees

The license fees are paid in accordance with regulatory requirement, in advance with applicable portion being charged to the relevant reporting period. The uncharged portion is carried in the financial statement as intangible assets. The amortisation is done, on the time apportion basis, over the validity period of the license period.

The estimated useful lives of finite lived intangible assets are as follows:

NPR

Service	Life - Years	License Period	Unamortized balance in the end of Previous Year	Renewal Fee paid during the Year	Amortized during the Year	Unamortised balance on 1.4.2070
PSTN (Renewal)	5	067.10.13-072.10.12	95,061,275	-	26,883,000	68,178,275
GSM	5	066.01.29-071.01.28	7,320,237,260	-	4,000,000,000	3,320,237,260
Internet	5	067.01.14-072.01.13	150,015	-	54,000	96,015
Total (for FY 2069.70)			7,415,448,550	-	4,026,937,000	3,388,511,550

NPR

Service	Life - Years	License Period	Unamortized balance in the end of Previous Year	Renewal Fee paid during the Year	Amortized during the Year	Unamortised balance on 32.3.2071
PSTN (Renewal)	5	067.10.13-072.10.12	68,178,275	-	26,883,000	41,295,275
GSM	5	066.01.29-071.01.28	3,320,237,260	-	3,320,237,260	-
GSM	5	071.01.29-076.01.27	-	189,000,000	6,835,068	182,164,932
Internet	5	067.01.14-072.01.13	96,015	-	54,000	42,015
Total (for FY 2070.71)			3,388,511,550	189,000,000	3,354,009,328	223,502,222

NPR

Service	Life - Years	License Period	Unamortized balance in the end of Previous Year	Renewal Fee paid during the Year	Amortized during the Year	Unamortised balance on 31.3.2072
PSTN (Renewal)	5	067.10.13-072.10.12	41,295,275	-	26,883,000	14,412,275
GSM	5	071.01.29-076.01.27	182,164,932	-	37,800,000	144,364,932
Internet	5	067.01.15-072.01.14	42,015	-	42,015	-
Internet	5	072.01.15-077.01.13	-	270,000	11,834	258,164
Total (for FY 2071.72)			223,502,222	270,000	64,736,849	159,035,373

2.3 Further information – GSM renewal fee

The dispute with the regulating authority on payment of GSM License first renewal fee where the company was obligated to pay NPR 20 Billion which had become due on 2066/01/29 has now been settled. The renewal fee has been recognised as expense for the 5 years period from the due date. However Government of Nepal (GoN) 's cabinet decision dated 2069/06/14 rescheduled the payment of NPR 20 Billion with the due amount to be paid in 8 annual instalments. The unpaid liability has been segregated and presented as current and non-current liabilities.

The second renewal of GSM license is legally disputed and amount and modality of payment is yet to be decided. The GoN has constituted a committee to make a decision on the matter. If the liability is confirmed and quantified, and subject to possible legal settlements, it may result in further cost to the company.

2.4 Impairment of Intangible Assets

The company performs impairment test of the intangible as and when there is an indication of such impairment. The recoverable amounts to be identified for the impairment tests were determined on the basis of the value in use, in absence of the reliable information on fair value of the assets. Considering the revenue trend, the services, to which the licence fees pertain to, are expected to generate net cash flow in present value term in excess of the carrying amount of the cash generating units including the intangibles.

3. Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at their cost and are inclusive of all expenses 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 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 pro rata 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 differs from previous estimates 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 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.

NAS 16 and IFRIC 1 requires 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 will not be material to affect the economic decision of the user as a result of such non-inclusion. Therefore asset retirement obligation (ARO) has not be recognised.

Freehold land held by the company is recognised and reported at cost.

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

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation on these assets commence when these assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Assets that have been decommissioned or has been identified as damaged beyond economic repair or rendered useless due to obsolescence 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 and is recognised in the statement of profit and loss.

Depreciation

Depreciation is charged so as to expense off the cost of assets, other than land, using assets having

indefinite useful life (land) straight line method over their estimated useful lives. 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 lives of material asset categories are disclosed in Sec 3.2

If an item of property plant and equipment consist of several components with different useful lives, those components that are significant are depreciated over their individual useful life.

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. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the net disposal proceed, if any and the carrying amount.

3.1 Other notes on PPE

3.1.1 Land

Land properties with ownership documents (i.e. in occupation and with valid documentation) have been recognised meeting the asset recognition criteria after also considering the principle of substance over form. 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 fair value approximation.

■ Revaluation of land

The fair value of land has been determined using Level III information as required by NFRS 13, in absence of active real estate market and lack of information on value of exact similar piece of land. Considering the company's intention to hold the land for a foreseeable future fair market value has been considered taking into account weightage of 50 percent each for prevalent market prices and fair 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 document 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 Nepal telecom but not in its ownership

SN	Land or Building	No of location	Area (Square Meter)	Amount
1	Land	271	440,184.79	Not Available
	a. Land under Forest for tower structure	97	151,258.03	
	b. Land under previous Nepal Doorsanchar Sansthan	14	27,105.77	
	c. Land under Nepal Telecom	143	243,250.16	
	d. Land registered in the name of other offices of Nepal Government	17	18,570.81	
2	Building		Not Available	372,727,328.81

3.1.2 Buildings and Physical Structure

All physical infrastructures have been classified on the basis of their built 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 asset on the date of the opening NFRS SFP. This value will be taken as the deemed cost.

■ Other issues with buildings and physical structure

Some of the buildings and physical structures have been constructed in the land property where the company does not have the 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 built completion certificate from concerned authorities. There are building that do not have either approved design or built completion certificate. These entail risk from regulatory authority including fines and possible demolitions.

■ Plant and Equipments

For first time adoption of NFRS physical count of plant and equipment has been done to cover all the assets. On the basis of the assets in existence and operation, cost has been identified from the historical cost when the asset was ready for use.

Installation costs has been included wherever such information was available. In case such historical information regarding the installation were not available an estimate close to fair value approximation was included as installation costs on the basis of similar transactions and events.

Such derived costs has been taken as the deemed cost as at the date of opening NFRS SFP.

Plant and equipments, either not in existence or in operation have been specifically identified and derecognised under NFRS. It is a deviation from the past practice to carry such assets at books at cost less accumulated depreciation, with lading of the gross block and the accumulated depreciation of such assets. Quantification of impact has been disclosed in sec 31 in reconciliation for first time adoption of NFRS.

■ Furniture Fixtures and Other office equipments

Historical cost of Furniture Fixtures and Other office equipments 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 asset on the date of the opening NFRS financial statement. The value will be taken as the deemed cost as at the date of opening NFRS SFP

■ 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 as asset on the date of the opening NFRS financial statement. The value will be taken as the deemed cost as at the date of opening NFRS SFP.

■ **Capital Work in Progress**

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 works-in-progress. The value of capital works-in-progress includes stock of equipment lying in store or in transit for the purpose of getting used in 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 being used.

These items are shown at cost and disclosed as capital work-in-progress under property plant and equipment.

Details of Property, Plant and Equipment (FY 2070/71)

NPR

Description	LAND	BUILDINGS	PLANT & MACHINERY	HEATING, LIGHTING & AIR-CONDITION	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	TOTAL
Original Cost (Rs.)								
As at Shrawan 1, 2070	16,486,492,539	1,817,320,308	28,195,137,149	190,265,858	203,235,076	1,281,587,833	839,327,947	49,013,366,710
Additions During the Year		805,808,941	4,865,368,038	7,066,065	23,445,190	60,633,601	19,672,014	5,781,993,849
Adjustment		-	-	-	-	-	-	-
As at Ashadh 32, 2071	16,486,492,539	2,623,129,249	33,060,505,187	197,331,923	226,680,266	1,342,221,434	858,999,961	54,795,360,559
Depreciation (Rs.)								
As at Shrawan 1, 2070	-	410,360,959	14,329,006,164	174,619,196	138,432,625	1,000,129,375	411,287,929	16,463,836,248
During the Year	-	59,707,761	3,046,139,767	6,199,390	22,240,078	108,720,560	68,325,943	3,311,333,499
Adjustment	-	-	-	-	-	-	-	-
As at Ashadh 32, 2071	-	470,068,720	17,375,145,931	180,818,586	160,672,703	1,108,849,935	479,613,872	19,775,169,747
Net Block								
As at Ashadh 32, 2071	16,486,492,539	2,153,060,529	15,685,359,256	16,513,337	66,007,563	233,371,499	379,386,089	35,020,190,812
As at Ashadh 31, 2070	16,486,492,539	1,406,959,348	13,866,130,986	15,646,662	64,802,450	281,458,457	428,040,018	32,549,530,460

Details of Property, Plant and Equipment (FY 2071/72)

NPR

Description	LAND	BUILDINGS	PLANT & MACHINERY	HEATING, LIGHTING & AIR-CONDITION	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	TOTAL
Original Cost (Rs.)								
As at Shrawan 1, 2071	16,486,492,539	2,623,129,249	33,060,505,187	197,331,923	226,680,266	1,342,221,434	858,999,961	54,795,360,559
Additions During the Year	2,522,653	437,263,153	2,395,302,322	17,521,020	22,875,362	43,882,231	4,401,142	2,923,767,883
Adjustment	-	-	-	-	-	-	-	-
As at Ashadh 31, 2072	16,489,015,192	3,060,392,401	35,455,807,509	214,852,943	249,555,628	1,386,103,665	863,401,103	57,719,128,441
Depreciation (Rs.)								
As at Shrawan 1, 2071	-	470,068,720	17,375,145,931	180,818,586	160,672,703	1,108,849,935	479,613,872	19,775,169,747
During the Year	-	71,243,912	3,398,468,523	5,476,625	23,228,587	95,540,669	70,409,421	3,664,367,737
Adjustment	-	-	-	-	-	-	-	-
As at Ashadh 31, 2072	-	541,312,632	20,773,614,454	186,295,211	183,901,290	1,204,390,604	550,023,293	23,439,537,484
Net Block								
Less: Impairment Loss								(165,501,765)
As at Ashadh 31, 2072	16,489,015,192	2,519,079,769	14,682,193,055	28,557,732	65,654,338	181,713,061	313,377,810	34,114,089,192
As at Ashadh 32, 2071	16,486,492,539	2,153,060,529	15,685,359,256	16,513,337	66,007,563	233,371,499	379,386,089	35,020,190,813

Details of Capital Work in progress

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Capital Works	1,709,135,277	1,172,733,540	1,306,471,852
Stock of Equipment under Installation	1,973,632,077	3,459,158,782	2,254,529,413
Advance to Suppliers and Contractors	372,178,842	674,237,928	1,563,350,475
Total	4,054,946,196	5,306,130,250	5,124,351,740

3.2 Changes in useful life

The useful life's of assets has been reassessed as at the date of opening NFRS SPF. The resultant effect of changes are given along with the reconciliation of previously reported PPE in section 31.

Classification	Sub-Classification	Useful life		Reason for change
		Previous GAAP	NFRS reporting	
Building	Permanent Structure	25		Technical re-assessment
Building	Temporary Structure	5		Technical re-assessment
Building	RCC Frame Structure		50	Technical re-assessment
	Load bearing structure (brick/stone) -Official Purpose		25	Technical re-assessment
	Load bearing structure (brick/stone) -Equipment Purpose		15	Technical re-assessment
	Metal Structure		15	Technical re-assessment
	Shelter		15	Technical re-assessment
	Compound Wall		15	Technical re-assessment
	Plant & Machinery	Underground Network	15	15
Plant & Machinery	Optical Fibre and Overhead Network	10	10	Technical re-assessment
Plant & Machinery	Core Network Switching Equipment, Transmission links other than Cable Network and Tools	7	7	Technical re-assessment
Plant & Machinery	Tools, Internet Equipment and Subscriber Equipment	5	5	Technical re-assessment
Other Items	Heating, Lighting, Air-conditioning, Furniture, Fixtures, Office Equipment	5	5	Technical re-assessment
Other Items	Vehicle- Motorcycle/car/jeep/truck	5	10	Technical re-assessment
Other Items	Vehicle- Tricycle, cycle and others	5	5	Technical re-assessment

3.3 Changes in groupings

Assets have been regrouped and reclassified wherever appropriate for compliance with NFRS.

Capital work in progress, as reported are assets that are in the process of construction or installation have been reported under property plant and equipments without charging depreciation. These were previously being shown separately from property plant and equipments.

3.4 Impairment of property, plant and equipment

3.4.1 Application of impairment tests

Impairment of an item of property plant and equipment is identified by comparing the carrying amount with the recoverable amount. If individual asset do not generate future cash flows independently of other assets, recoverability is assessed on the basis of cash generating unit 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. 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.

3.4.2 Impairment Indication

Indication of impairment of PPE has been assessed for each identified cash generating unit. Management compares the carrying amount of each cash generating unit with their respective recoverable values.

3.4.3 Impairment charge

Wi-Max systems commissioned by the company has shown indication of impairment in terms of the revenue it has been generating and the recognised capital cost. Impairment charge has been calculated as above and charged to profit and loss.

In absence of information regarding fair value less cost to sale, recoverable amount has been ascertained on the basis of value in use. The value in use is computed considering the present value of net revenue streams for the useful life of Wi-max systems as estimated by the management. (Also refer Note 23).

Particulars	NPR		
	31.03.2072	32.03.2071	01.04.2070
Net Carrying value of WiMax CGU	487,952,459	No indication of impairment	
Recoverable amount of WiMax CGU	(322,450,694)		
Total Impairment	165,501,765		
Impairment charged (reversed) period	165,501,765		

4. Investment in Associates

The Company has made an equity investment in M/s Trishuli Jal Vidhyut Company Limited (TJVCL). The company has commitment to invest up 30 percent of the equity of TJVCL as promoter investor. The investment payment detail is as follows

Particulars	NPR			
	Paid up capital of TJVCL	NT's investment	Recognised using equity method	% of Paid up Capital
1 Shrawan 2070	20,000,000	10,000,000	10,000,000	50
32 Ashadh 2071	105,000,000	50,000,000	43,699,316	47.62
31 Ashadh 2072	344,493,500	97,500,000	87,845,961	28.30

The company does not hold controlling investment in the investee and has not been consolidated. However with the representation in the board and the voting power at the AGM the company has significant influence in TJVCL. The company is identified as associate as per the requirements of NAS 28. The investment is initially recognised at cost, representing the fair value and equity method is applied for subsequent measurement of the investment.

4.1 Impairment of investment in associates and joint entities

Since TJVCL is under construction and yet to be in operation, there is no apparent indication of impairment of the investments in TJVCL. The company believes that over the period of investment, potential recoverable amount, considering the PV of the expected future net cash flows, will be in excess of the amount invested.

4.2 Risks

Investment in hydropower project is a long term investment. The risks associated with long term investments returns are relevant for the investments.

5. Financial Instruments – Financial Assets

5.1 Classifications

Financial Assets includes the following classes in compliance with NAS 32 and NAS 39

5.1.1 Cash and bank balances (covered in note 12)

5.1.2 Trade receivables (covered in note 11)

5.1.3 Loans, Advances and other assets (covered in notes 9 & 10)

5.1.4 Investments in Equity

The Company has made an equity investment in M/s Upper Tamakoshi Hydropower Limited (UTHL). Investment amounting to NPR (6,354,000 shares @ NPR 100 per share) was made by subscription to the equity share capital of Upper Tamakoshi Hydropower Limited. This investment has been made in the capacity of the promoter of the company, which is 6 percent of the total issued capital NPR 10,590,000,000.

The investment payment detail is as follows

(Figures in NPR)			
Period	Paid up capital of UTHL	NT's investment	% Control
1 Shrawan 2070	10,590,000,000	635,400,000	6%
32 Ashadh 2071	10,590,000,000	635,400,000	6%
31 Ashadh 2072	10,590,000,000	635,400,000	6%

These investments under NAS 39 are to be recognised under the classification of Available For Sale investments. These have been recognised initially at cost, which is assumed to be the fair value as at the date of investment in absence of market information. The subsequent measurement has also been continued at initial cost as the share are not listed and the UTHL is under final phase of construction and is yet to come in operation with no basis to identify the changes in the fair value.

The company intends to hold these investment for foreseeable future and therefore. The investments has been classified as non-current investments

The company believes that over the period of the company the potential recoverable amount, considering the PV of the expected future net cash flows, will be in excess of the amount invested. Therefore it has been assumed that no impairment has occurred.

5.1.5 Investment in Corporate Bonds and Debentures

Loans in Upper Tamakoshi Hydropower Ltd

Loan in Upper Tamakoshi Hydropower Ltd is the receivable without fixed maturity. This investment under NAS 39 has been classified as Loan and Receivable, without fixed maturity and is valued at cost. The company intends to continue to hold the investment for foreseeable period. These have been presented under non-current classification.

Debentures

The company holds debentures as follows. These instruments have fixed coupon rate of interest. Further these debentures are held with an intention for settlement of principal and interest only with no other costs or premium / discounts being involved. Therefore the intrinsic coupon rate is taken as effective interest rate for the debentures.

The debentures have been classified as current or non current in accordance with the maturity period where the full redemption is expected.

Current

(Figures in NPR)

Debentures	31.03.2072	32.03.2071	01.04.2070
Laxmi Bank Debentures	20,000,000	-	-
Siddhartha Bank Debenture	-	-	-
Total	20,000,000	-	-

Non-Current

(Figures in NPR)

Debentures	31.03.2072	32.03.2071	01.04.2070
Loan in Upper Tamakoshi Hydropower Ltd	4,890,145,998	3,317,337,517	2,502,081,556
Laxmi Bank Debentures	-	20,000,000	20,000,000
Siddhartha Bank Debenture	100,000,000	100,000,000	100,000,000
Total	4,990,145,998	3,437,337,517	2,622,081,556

Loan amounting to NPR 1,160,743,324 has been disbursed during the year to M/s Upper Tamakoshi Hydropower Limited as per the loan agreement. Interest accrued at the rate of 12 percent (up to 2071/11/12) and 11 percent (thereafter) amounting to NPR 412,065,157 on such loan has been capitalised. Total outstanding, including opening balance, principal disbursed during the year and capitalised interest, as at the year-end, is NPR 4,890,145,998.

5.1.6 Investment in Term Deposits with Banks

The company has following deposits with commercial banks in Nepal. These instruments have maturity of less than one year and bear interest. The interest rate is different from deposit in one bank to other and depends on the commencement of the deposit agreement.

These instruments are classified under NAS 39 as held to maturity and are to be recognised at amortised cost using effective interest rate. Since these instruments are held with an intention for settlement of principal and interest only with no other costs or premium / discounts being involved. Therefore the intrinsic coupon rate is taken as effective interest rate for all the term deposits. Considering the maturity period of the deposits these are classified as current assets.

(Figures in NPR)

Term Deposits with banks	31.03.2072	32.03.2071	01.04.2070	Remarks
Balances in Rupees	6,631,000,000	3,551,000,000	14,685,653,000	i , ii
Balances in US dollars	4,146,740,000	2,541,350,000	2,327,500,000	lii
Total	10,777,740,000	6,092,350,000	17,013,153,000	

- i. Balances in NPR include NPR 1,000,000 which has been earmarked for an Endowment Fund. The interest income from the Fund is to be utilized for welfare of retired staff.
- ii. Rates of interest on the term deposits in NPR ranges between 7 percent and 8.65 percent for FY 2071/72.
- iii. Rates of interest on the term deposits in US dollars ranged between 1.62 percent and 3.62 percent for FY 2071/72.

Impairment

There has been no indication of impairment on these instruments.

Risks

All the above deposits are made with class 'A' commercial banks in Nepal. These banks are closely regulated by the central bank.

5.1.7 Investment in Government Securities

The company holds investments in government securities purchased at different dates with specified coupon rates. Most of those securities are purchased at premiums. Therefore the effective interest rates of those investments are different from the indicated coupon rates.

Effective interest rate has been calculated for each investment scrip under this category. Interest income based on effective interest which is credited to profit and loss and the amount received is reflected in the statement of the cash flows. This is the deviation from earlier accounting policy where the coupon rate was used as the basis for income recognition.

The value of the investments as reported will also be different from the one reported in the previous period due to the accounting for these financial instruments classified as held to maturity and valued at amortised cost using effective interest rate.

Non-Current

NPR

Bonds	31.03.2072	32.03.2071	01.04.2070
7.50% Development Bond 2072 Ka	-	79,336,556	79,784,196
9 % Development Bond 2073 Ka	-	438,041,142	442,257,640

9 % Development Bond 2072 Kha	-	324,801,886	326,841,715
9 % Development Bond 2072 Ga	-	500,292,380	500,560,775
8.50% Development Bond 2071 Gha	-	257,484,018	267,879,633
9.75% National Bond 2072	-	500,000,000	500,000,000
10% National Bond 2072	-	800,000,000	800,000,000
Total	-	2,899,955,981	2,917,323,959

Current

Bonds	NPR		
	31.03.2072	32.03.2071	01.04.2070
7.50% Development Bond 2072 Ka	78,858,405	-	-
9 % Development Bond 2073 Ka	433,497,077	-	-
9 % Development Bond 2071 Kha	-	-	545,157,932
8% Development Bond 2070 Ka	-	-	273,746,747
9.75% National Bond 2072	500,000,000	-	-
10% National Bond 2072	800,000,000	-	-
Total	1,812,355,483	-	818,904,679

Impairment

There has been no indication of impairment on these instruments.

Risks

Governments securities are risk free instruments. Changes in market interest rates and currency inflations are two risks that can be identified with these instruments.

6. Disclosure of interest in other entities

The company's interest in other entities are as follows.

Particulars	Upper Tamakoshi Hydropower Ltd.	Trishuli Jal Vidyut Company
Nature of investment	Investment (Financial Instrument)	Associate
	1.4.70	6.00%
Equity investment %	70-71	50.00%
	71-72	6.00%
		47.62%
		28.30%
Details (risks and other details)	Note 5.1.4	Note 4

7. Assets held for sale

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 IFRS 5 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 are no discontinued operation of the company.

8. Inventories

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 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 primarily consist of cash cards, telephone sets (mobile or otherwise), drop wires, accessories and spares that are not eligible for capitalisation.

Particulars	NPR		
	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Telephone Sets, Drop wire & Accessories	172,305,654	81,525,430	105,045,262
Cash Cards	160,293,154	137,521,216	106,839,779
Spares and Others	230,225,774	110,534,194	994,797,817
Total	562,824,582	329,580,840	1,206,682,858

Inventories are presented net of allowance for obsolete products. The allowances for obsolescence is estimated to approximate the net realisable value of such items. Allowance adjustments are made for those inventories identified by management as obsolete, non-moving and slow-moving on the basis of the last usage of the inventory items lapsing more than five years old, 2-5 years and 1-2 years respectively.

Amount written down for inventory

Particulars	NPR		
	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Inventory as per records	907,242,686	673,998,944	1,551,100,961
Write down allowances	(344,418,104)	(344,418,104)	(344,418,104)
Net carrying amount	562,824,582	329,580,840	1,206,682,857

Inventories previously being reported but not in existence has been identified and analysed. Appropriate treatment has been affected on the inventory

9. Loans and advances and other assets

These comprise of interest accrued, advances and claim against employees, advances and claim against supplier and others.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Current:			
Interest Accrued	131,783,756	80,557,546	237,920,402
Advance to and Claims Against Others	1,501,190,240	682,754,089	938,858,816
Advance to and Claims Against Employees	68,227,158	36,631,579	27,803,513
Employee loan	112,201,701	88,321,307	99,821,195
Total	1,813,402,855	888,264,521	1,304,403,926
Non-Current:			
Employee loan	1,757,826,658	1,383,700,473	1,564,141,861
Total	1,757,826,658	1,383,700,473	1,564,141,861
Grand Total	3,571,229,513	2,271,964,994	2,868,545,787

9.1 Interest Accrued

Interest accrued comprise of the interest recognised as revenue under NAS 18 on time apportioned basis but yet to be received. These amounts are expected to be received on normal course of business and are carried at costs.

Considering the past experience no recoverable risk is perceived on these receivables.

9.2 Advances and Claims Against Employees

These comprise of the two balances, namely work advances disbursed that are yet to be settled as at the year end and the loans and advances issued to the employees at beneficial interest rates.

Advances are expected to be settled within one year in normal course of operations. These are accounted for at cost, and no interests are being charged on these accounts.

Loans to employee are issued to employees with chargeable interest, for the entire loan period, being recovered at the date of disbursement at the rate of 3 percent. The principal is then collected in instalments over the period of the loan. These loans have been accounted for at amortised cost using effective interest rates derived as 9 percent. The effective interest is charged to profit and loss under employee benefit.

Employees' salaries and retirement payment are taken as lien on these loans and advances, therefore no specific risks are perceived.

9.3 Advances and Claims Against suppliers and others

Contractual advances disbursed to the suppliers and others comprises balance under this heading. Such advances are disbursed with no implicit finance charge. These are expected to be settled in normal course of operation within one year period of such advance.

Advances are subject o contractual requirements and their recovery is legally bounded.

9.4 Impairment of Other Assets

There has been no indication of impairment on these instruments.

10. Prepayments and Advance Tax

These comprise of Advance tax paid and prepaid expenses.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Income Tax (Note 25)	-	1,268,903,553	595,549,955
Prepaid Expenses	53,253,164	61,621,718	227,847,275
Total	53,253,164	1,330,525,271	823,397,230

10.1 Advance Tax Paid

The taxes are paid in advance for the financial periods where they become due, but are subject to tax assessments by Inland revenue department. Until those assessments are completed these are continued to be recognised as Advance tax paid. (please also refer to note 25 for further elaboration on income taxes)

These advances are carried at cost, under NAS 39 being classified as Loans and Advances without maturity period.

Adequacy of advances are subject to the assessment and future claims by the tax authorities, these have been discussed in detail in note 18 Contingencies and Commitments

10.2 Prepaid expenses

These are expenses paid for the period beyond the financial period covered under the financial statement. These will be charged off as expenses in the respective period for which such expenses pertain to.

11. Trade receivables (Financial Instruments)

Trade receivables comprises of amounts owed to us by customers. Trade receivables do not carry any interest and are measured at the carrying amount at which the item is initially recognised less any impairment losses, i.e. stated at their nominal value as reduced by appropriate allowances. Such allowances are effected by way of write-downs based on the estimated irrecoverable amount.

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.

The company's trade receivables are stated after allowances for bad and doubtful debts based on company's assessment of credit worthiness as follows.

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.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Sundry Debtors	4,283,609,403	4,584,938,235	4,850,745,896
Doubtful Receivable	(1,661,798,941)	(1,661,798,941)	(1,661,798,941)
Total	2,621,810,462	2,923,139,294	3,188,946,955

11.1 Impairment of Trade receivables

For allowances, assets with a potential need for a write-down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment, and written-down, if necessary. Estimated irrecoverable amounts are based on the ageing of the receivable balances, taking previous cases of default into consideration and historical experiences.

NPR

Category	Total	Net increase in receivables for the year	More than 1 year old
General Public & Employees	2,399,443,235	1,397,557,846	1,001,885,389
Government offices	108,842,993	52,305,249	56,537,744
Domestic Inter- connection	325,247,246	174,841,976	150,405,269
International Inter- connection	1,450,075,926	1,312,739,380	137,336,545
Total	4,283,609,403	2,937,444,453	1,346,164,949

11.2 Cash and cash equivalents

Cash and cash equivalents have an original maturity of less than three months. These enable the company to meet its short term liquidity requirements.

The carrying amount of cash and cash equivalents approximates their fair value.

The majority of NT's cash and cash equivalent comprises of call deposits and other highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value. These also include cash-in-hand and cheques.

Foreign currency balances with the bank falling under the cash and cash equivalent classification are converted into reporting currency using the closing rates and difference of NPR 505,322,837 is charged / credited to 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.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Balances with Banks	43,518,551,970	41,261,041,334	26,759,209,179
Cash in Hand & in Transit	2,352,809	2,423,814	15,576,443
Total	43,520,904,779	41,263,465,148	26,774,785,622

13. Equity and reserves

13.1 Share capital

The company's registered capital structure is as follows

NPR			
Particulars	No of share	Value per share	Capital in Value
Authorised capital	250,000,000	100	25,000,000,000
Issued capital	150,000,000	100	15,000,000,000
Paid up capital	150,000,000	100	15,000,000,000

The shareholding pattern on the company is as follows

Shareholder Category	2071/72		2070/71		2069/70	
	No. of Shares	% of holding	No. of Shares	% of holding	No. of Shares	% of holding
Government of Nepal	137,239,950	91.49%	137,239,950	91.49%	137,239,950	91.49%
Citizen Investment Trust	50,000	0.03%	50,000	0.03%	50,000	0.03%
General Public	12,710,050	8.48%	6,656,040	4.44%	6,171,190	4.12%
Employees			6,054,010	4.04%	6,538,860	4.36%
Total	150,000,000	100%	150,000,000	100%	150,000,000	100%

13.2 Reserve and surplus

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Reserve and surplus <i>(As per Statement of Changes in Equity)</i>	65,998,443,442	59,808,616,146	56,199,717,252
Total	65,998,443,442	59,808,616,146	56,199,717,252

13.3 Movement in reserve

Movements in the reserves are given in detail in Statement of Changes in Equity.

14. Subscriber Deposits

Subscriber deposits are deposits taken from customers for the services they have subscribed in accordance with the company's service polices. In absence of the maturity period of these deposits these are carried at cost without applying discounting.

These have been bifurcated into current and non current portion on the basis of the estimate made by management in accordance with past practices of refunds and adjustments being made.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Subscriber Deposit (Current)	733,543,261	819,105,910	798,374,852

Subscriber Deposit (Non-Current)	1,797,282,000	1,763,646,000	1,732,257,000
Total	2,530,825,261	2,582,751,910	2,530,631,852

15. GSM License fee payable

GoN has rescheduled the payment of first renewal fee for GSM license over eight annual instalments of NPR 2,500,000,000. The payable amount is discounted using the company's discount rate over the period payable. The amount is bifurcated into current and non-current portion in accordance with the payment due periods.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
GSM License Fee Payable (Non-Current)	6,053,390,758	8,046,375,452	10,278,518,309
GSM License Fee Payable (Current)	2,500,000,000	2,500,000,000	1,900,000,000
Total	8,553,390,758	10,546,375,452	12,178,518,309

16. Other Liabilities and provisions

Current liabilities and other payables are recorded at cost.

Provision is a liability stated in the statement of financial position, a liability of uncertain timing and amount.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Sundry Creditors - Suppliers	6,570,694,564	6,343,408,987	6,017,150,570
Sundry Creditors -Inter –Administration	219,178,778	70,804,985	82,795,476
VAT Payable	162,931,208	198,567,573	15,698,309
Other Fee Collection Payable	263,506,561	283,590,413	293,307,806
Royalty and Contribution to RTDF	2,355,582,950	2,133,547,950	2,046,505,886
Advance from Subscribers	565,535,984	645,524,233	665,966,481
Others Liabilities	96,231,064	465,875	257,885,591
Total	10,233,661,109	9,675,910,016	9,379,310,119

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Changes in provision

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.

Use of provisions

A provision is adjusted only for expenditures for which the provision is originally recognised.

(Figures in NPR)

Particulars	31.03.2072 (Current Year)	32.03.2071 (Restated)	01.04.2070 (Restated)
Telecom Allowance payable	1,232,857,834	1,081,065,150	1,012,078,801
Staff Bonus payable	726,305,579	824,770,441	774,177,636
Total	1,959,163,413	1,905,835,591	1,786,256,437

Trade and other payables mainly consist of the amounts the company owes to our suppliers that have been invoiced or are accrued. These also includes taxes and social security amounts due in relation to the company's role as an employer.

17. Employee benefits

The average number of employees persons entitled for employee benefit during the year is as follows.

Particulars	2071/72 employees	2070/71 employees
Employees during the year		
Under permanent recruitment	5104	5272
Under period based contract	172	176
Currently employed – entitled for Pension scheme	1816	1809
Currently employed – entitled for Gratuity scheme	3091	3167
Retired staff or beneficiary of retired staff entitled for pension	1499	1394

17.1 Current employee costs

The current employee costs includes salary, allowances and benefits paid to the employees for the current period. The cost also includes the payment made to key management personnel along with rest of the employees. The portion of payment to key management personnel has been separately disclosed in Related Parties section in Note no 29

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Salaries & Wages	1,384,922,928	1,407,375,201
Allowances	1,102,350,711	945,079,036
Uniform Allowances	54,941,500	55,606,500
Overtime Allowances	45,395,253	42,250,443
Medical Expenses	328,818,076	297,918,772
Total	2,916,428,468	2,748,229,952

17.2 Post employment benefits

The company operates number of defined benefit and defined contribution plans for its employees of the company.

17.2.1 Defined contribution plan

The defined post employment benefits provided to the staff of the company includes employer's contribution to provident fund (PF) and expenses pertaining to the contributory pension fund.

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Contribution to Provident Fund	132,187,025	119,647,003
Contributory Pension Fund	7,654,531	6,903,257
Total	139,841,556	126,550,260

17.2.2 Defined benefit plan

The defined benefit plan of the company includes leave encashment expenses and expenses pertaining to pension & gratuity.

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Leave Encashment	210,794,254	299,688,601
Pension and Gratuity	1,644,315,402	1,226,949,780
Total	1,855,109,656	1,526,638,381

Pension, for existing and retired employees, and Gratuity have been provided as per the actuarial assessment. The assessed amount has been recognised as liabilities. The movements during the year are as follows

Defined benefit plan liabilities

NPR

Particulars	FY 2071/72		FY 2070/71		FY 2069/70	
	Pension(Rs.)	Gratuity(Rs.)	Pension(Rs.)	Gratuity(Rs.)	Pension(Rs.)	Gratuity(Rs.)
Opening Liability (excluding pre-payment)	6,464,867,938	1,839,629,287	5,143,783,067	2,144,162,956	4,467,276,105	1,936,657,709
Interest Charge	452,540,756	128,774,050	1,226,949,780	-	357,382,088	154,932,617
Current Service cost	972,700,542	90,300,055	-	-	480,933,398	56,334,605
Pension and Gratuity Paid	(255,956,070)	(5,941,399)	(205,316,835)	(5,081,743)	(161,808,524)	(3,761,975)
Assessed Liability	7,634,153,166	2,052,761,993	6,464,867,938	1,839,629,287	5,143,783,067	2,144,162,955
Pre payments	(327,786,892)	-	(298,046,583)	-	-	-
Closing Liability	7,306,366,274	2,052,761,993	6,166,821,356	1,839,629,287	5,143,783,067	2,144,162,955

Leave encashment:

Leave encashment has been computed using actuarial assumptions. The assumptions made are the growth rate derived from the past experience and discounting the long term obligations at the end of each reporting period. The movements and closing balances are as follows.

NPR

Particulars	Opening	P&L current year	Paid	Actuarial gain or (loss)	Closing Balance
2070-71	493,977,537	299,688,601	(94,286,153)	(73,088,967)	626,291,018
2071-72	626,291,018	146,995,746	(104,780,776)	63,798,507	732,304,495

NPR

Particulars	FY 2071/72	FY 2070/71	FY 2069/70
Leave encashment	732,304,495	626,291,018	493,977,537

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 assets

NPR

Particulars	FY 2071/72	FY 2070/71	FY 2069/70
Opening Assets	2,698,887,769	1,780,731,542	1,273,151,693
(+) Estimated Investment Returns for the year	131,156,563	130,398,000	120,878,000
(-) Excess Investment Return booked previous year	(11,614,228)	(32,130,811)	3,879,670
(+) Additional Investment during the year	500,000,000	1,000,000,000	500,000,000
(-) Withdrawal (payouts during the year)	(150,444,150)	(180,110,962)	(117,177,821)
Closing Assets	3,167,985,954	2,698,887,769	1,780,731,542

All retirement fund assets have been invested in Citizen Investment Trust, a 100 percent Government of Nepal undertaking.

NPR

Particulars	FY 2071/72	FY 2070/71	FY 2069/70
Pension	7,306,366,274	6,166,821,356	5,143,783,067
Gratuity	2,052,761,993	1,839,629,287	2,144,162,955
Leave encashment	732,304,495	626,291,018	493,977,537
Total Post Employment Liabilities	10,091,432,762	8,632,741,661	7,781,923,559
Total Post Employment Asset	(3,167,985,954)	(2,698,887,768)	(1,780,731,542)
Net Post-Employment Benefits	6,923,446,808	5,933,853,893	6,001,192,017

Actuarial assumptions

Particulars	Basis
Financial Assumptions	
Discount rate (%)	8%
Rate of increase in salaries	9 % p.a.
Rate of increase in pension	2/3 rd of salary increment rate per annum keeping in view the inflation rate on long term basis.
Expected return on Plan Assets	Equal to the discount rate
Future service	Expected average remaining working life of the employees based on withdrawal rate and retirement age taken as 6.61 years.
Demographic Assumptions	
Pre-retirement Mortality	In accordance with the standard table, Nepal Assured Lives Mortality 2009
Post-retirement Mortality	In accordance with the standard table, Annuitants-LIC (a) (1996-98) Ultimate Rates.
Withdrawal	10 % p.a.
Disability	No explicit allowance
Beneficiary Age	Age difference of 5 years assumed between the pensioner and the beneficiary (spouse).
Post-retirement Mortality	In accordance with the standard table, Annuitants-LIC (a) (1996-98) Ultimate Rates.

18. Contingencies and commitments

18.1 Contingent Liabilities

Contingent liabilities are potential future cash out flows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

18.1.1 License renewal fee

The second renewal fee of GSM license is contingent upon regulatory decision and possible legal settlements. Considering the uncertainty on nature, timing & amount the ascertainment of probability and quantification is not possible. (Also refer note 2)

18.1.2 Legal cases

There were 11 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.

18.1.3 Tax related disputes

Reassessment order of Value Added Tax was issued by Large Tax-Payers Office on the Self-Assessment Tax Return filed by the Company for the financial year 2064-65. The Company opted to appeal against the order and consequently applied for an Administrative Review with the Director General, Inland Revenue Department but the verdict went against the company. The company has then applied to Revenue Tribunal against the decision of the Director General. Pending resolution of the matter, Large Tax-Payers Office on 2071/11/29, again issued a reassessment order for the same financial year adding NPR 41,874,925 further as fine. The company has opted to appeal against the order and consequently has applied for an Administrative Review with the Director General, Inland Revenue Department on 2072/01/02 by depositing NPR 13,958,309. Contingent liability of NPR 127,796,453 for Value Added Tax and the above-mentioned fine amount would have existed against the Company

for the year 2064-65, if the appeal goes against the Company.

Regarding the reassessment order of Value Added Tax and Income Tax issued by Large Tax-Payers Office on the Self-Assessment Tax Return filed by the Company for the financial year 2065/66 and 2066/67, the Company had opted to appeal against the order and consequently applied for an Administrative Review with the Director General, Inland Revenue Department. For the same, the Company again applied for the resolution of the issues raised by Large Tax-Payers Office to Tax Settlement Commission on 2072/01/31. The disputed amount in Value Added Tax for both financial years amounting to NPR 531,606,229 was settled for an amount NPR 270,000,000 and the disputed amount in Income Tax for both financial years amounting to NPR 75,579,523 was settled for an amount NPR 30,000,000 on 2072/03/11. The Company made settlement of NPR 300,000,000 by way of payment of NPR 97,604,749 on 2072/03/24 and adjustment of deposit amounts made by the Company in earlier years amounting to NPR 177,202,076 and NPR 25,193,174 for Value Added Tax and Income Tax respectively.

Reassessment order of Value Added Tax was issued by Large Tax-Payers Office on the Self-Assessment Tax Return filed by the Company for the financial year 2067/68 on 2072/03/30. The Company has opted to appeal against the order and consequently has applied for an Administrative Review with the Director General, Inland Revenue Department on 2072/05/06 by depositing NPR 33,913,567 (i.e.; 1/3rd of disputed Value Added Tax amount NPR 101,740,700). Reassessment order of Income Tax was issued by Large Tax-Payers Office on the Self-Assessment Tax Return filed by the Company for the financial year 2067/68 on 2072/06/15. The Company has opted to appeal against the order and consequently has applied for an Administrative Review with the Director General, Inland Revenue Department on 2072/07/11 by depositing NPR 3,600,563 (i.e.; 1/3rd of disputed Income Tax

amount NPR 10,801,688). Pending resolution of the matter, contingent liability of NPR 101,740,700 for Value Added Tax and NPR 10,801,688 for Income Tax would have existed against the Company for the year 2067-68, if the appeal goes against the Company.

18.1.4 Regulatory disputes

With respect to the frequency used by the company for providing telecom services from FY 2056/57 to FY 2067/68, Nepal Telecommunication Authority (NTA) raised a demand of NPR 745,434,000 as Frequency Fee. Out of the Frequency Fee demanded, NPR 253,604,676 was paid by the company in FY 2068/69. The remaining fee amounting to NPR 491,829,324 was still in dispute with NTA. Regarding this matter, NTA issued a letter dated 2071/06/05 to the ministry thereby mentioning to take necessary steps for waiving off an amount of NPR 436,327,600 taking into consideration the fact that the company had used such frequency to provide telecom services in rural areas of Nepal. Balance NPR 55,501,724 has been paid by the company on 2071/07/13 as per the decision of the company.

18.2 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 we are committed to pay.

The Capital Commitments of the company for the FY 2071/72 is shown below:

Particulars	Amount
Commitment for Civil Works	174,392,661
Commitment for Procurement of Plant and Equipment	9,647,873,129
Commitment for Rent of Leasehold Premises for BTS	135,059,730
Total	9,957,325,520

19. Revenue

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the cost incurred or to be incurred can be measured reliably, and when specific recognition criteria related to activities are met.

Revenue is measured at the fair value of the consideration received or receivable exclusive of taxes and discount.

Revenues include all revenue from the ordinary activities of the company and are recorded net of value added tax and other taxes collected from customers that are remitted or are to be remitted to government authorities.

The Company generates revenue from telecommunication, broadband and related services in the ordinary course of business.

19.1 Arrangements with multiple deliverables

In revenue arrangements where more than one good or services is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The fair value determined for deliverables may impact the timing of the recognition of revenue. Determining the fair value of each deliverable can

require estimates. The company determines the fair value of the individual elements based on prices at which the deliverable is regularly sold after considering discounts where appropriate.

Revenue comprises of the fair value of the considerations received or receivable for the telecommunication, broadband and related services rendered in the ordinary course of business.

19.2 Gross versus net presentation

The income and payments are reported on gross basis in revenue and operating cost.

19.3 Net revenue breaks down in the following revenue category.

(Figures in NPR)

Sources of Revenue	Reference	FY 2071/72	FY 2070/71
Revenue from Rendering Services	Note 19.3.1	39,259,715,832	35,559,132,497
Revenue from Sale of Telephone Sets and other Goods	Note 19.3.1	30,428,249	30,610,493
Revenue – Interest Income	Note 19.3.2	3,220,986,444	3,675,223,846
Revenue – Miscellaneous Income	Note 19.3.3	127,241,278	406,154,872
Total Revenue		42,638,371,803	39,671,121,708

19.3.1 Revenue from Rendering Services and Sales

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Basic Telephone Service		
Local/ Domestic	3,070,431,465	3,302,969,307
International Trunk	146,410,732	165,183,840
Leased Circuits	124,920,544	93,672,433
IN Services	17,430,288	16,662,819
Internet	42,959,689	1,011,582
ADSL	1,576,782,614	1,480,924,126
SIP Phone	48,825	111,293
Wi-Max Income	85,788,832	67,901,301
Others	145,112,786	132,897,644
Total Revenue from Basic Telephone Service	5,209,885,775	5,261,334,345
GSM Mobile Service		
Local	1,732,684,355	1,561,078,162
International Trunk	137,659,293	120,449,374
Roaming	397,311,120	147,351,423
Pre-paid Card	121,903,663	135,441,699
Re-charge Card	17,824,783,094	16,004,796,614
Data Services	506,797,004	223,658,772
Others	385,011,611	276,171,443
Total Revenue from GSM Mobile Service	21,106,150,140	18,468,947,487
CDMA Service		

Local/ Domestic	102,781,673	124,128,093
International Trunk	3,482,660	4,051,470
Data Services	2,015,335	2,376,912
Pre-paid Card	64,838,129	30,770,358
Re-charge Card	1,077,184,791	1,021,048,245
Others	17,397,369	28,798,789
Total Revenue from CDMA Service	1,267,699,957	1,211,173,867
Revenue from Inter -Administration	11,675,979,960	10,617,676,798
Total Revenue from Services (A)	39,259,715,832	35,559,132,497
Sales of Telephone Sets and Other goods (B)	30,428,249	30,610,493
Total Revenue (A+B)	39,290,144,081	35,589,742,990

Royalty and Contribution to RTDF

The liabilities have been provided for on account of 4 percent Royalty as per Telecommunication Rules, 2054 and 2 percent Contribution to Rural Telecommunication Development Fund (RTDF) as per conditions laid down by the Nepal Telecommunications Authority for operating license on the Operating revenue amounting to NPR 39,259,715,832.

19.3.2 Revenue- Interest Income

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Interest on Government Development Bonds	256,156,585	661,733,988
Interest on Corporate Bonds and Debentures	9,700,000	9,700,173
Interest on Bank Deposits	2,823,973,296	2,873,391,685
Interest on Pension fund	131,156,563	130,398,000
Total	3,220,986,444	3,675,223,846

19.3.3 Revenue- Miscellaneous Income

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Performance Bond, LQD & Others	127,241,278	406,154,872
Total	127,241,278	406,154,872

20. Finance Costs

Finance costs comprises of the unwinding of the GSM License fee liability carried at fair value using the applicable discount rates. These have been charged to the profit or loss.

Fair values have been applied for other three items of the financial statements. These include a) government securities, b) leave encashment liabilities and 3)employee loan. All these three items are carried at amortised cost using effective interest rate as required by NAS 39.

21. Operating Expenses

These expenses include expenses incurred with fixed-network and mobile communications arising from the operation and maintenance of the telecommunication networks.

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Maintenance - Office Equipment	117,879,772	62,004,984
Maintenance – Buildings	354,768,932	184,680,880
Maintenance - Plants/ Machinery	511,311,550	522,629,123
Power, Heating & Lighting	996,272,348	1,022,472,873
Fuel for Vehicles	120,081,096	127,930,893
Maintenance vehicles	71,603,027	66,259,397
Freight & Carriages	14,094,872	14,668,995
International Channel Rent	1,365,568,801	1,384,998,357
Cost of Telephone Sets and Other goods	42,321,125	75,523,791
Cost of Cash Card	222,728,231	262,607,264
Inquiry Service Expenses	23,622,716	27,391,435
Value Added Services Expenses	83,020,962	106,369,221
Data Entry & Sales Commission	1,021,201,993	851,725,013
Interconnection Expenses	3,033,784,072	2,500,328,317
Total	7,978,259,497	7,209,590,543

22. Administrative Costs

(Figures in NPR)

Particulars	FY 2071-72 (Current Year)	FY 2070-71 (Previous Year)
Travelling Expenses	230,129,026	165,636,945
Rates and Local Taxes	47,466,684	42,514,989
Rent and Leasehold Cost of Land and Buildings	302,077,301	268,821,738
Board Meeting Allowance	1,416,000	1,504,000
Other Meeting Allowances and Expenses	39,284,380	39,664,697
Printing and Stationery	51,260,234	56,922,301
Advertisement	122,840,805	124,500,913
Bank Charges	11,061,572	13,788,393
Training Expenses	126,618,542	97,391,696
Hospitality Expenses	20,659,037	18,696,316
Office Furnishing	12,237,205	13,028,442
Insurance	150,398,444	149,332,313
Statutory Audit	1,000,000	700,000
Tax Audit Fee	300,000	250,000
Audit Expenses	2,669,927	1,803,733
Trade Promotion Expenses	1,566,886	1,771,479
Postage	1,023,965	953,650
Books and Periodicals	6,586,195	6,174,606
Professional fees	4,557,576	3,057,591

Assets Impairment (Written off)	40,727	199,719
Write Down Charge for Doubtful Advance	-	28,660,300
Security Expenses	106,110,110	96,579,539
Membership Fee	7,655,006	5,888,835
Telephone Expenses	104,561,567	108,307,204
Anniversary Expenses	12,496,116	7,637,864
Annual General Meeting Expenses	2,851,056	2,208,573
Donation	273,648,787	3,317,221
Impairment Charge of Assets	-	218,553,849
Miscellaneous Expenses	48,377,818	97,648,743
Total	1,688,894,966	1,575,515,649

23. Impairment losses

The cumulated impairment loss has been as follows

Impairment of	Note Ref	NPR	
		2071/72 (Current Year)	2070/71 (Previous Year)
Intangible Assets		-	-
Property Plant and Equipment	3.4.3	165,501,765	-
Investment in Associates		-	-
Financial Instruments		-	-
Trade Receivables		-	-
Other Assets		-	-
Reversal of previous impairment losses		-	-
Total Impairment for the period		165,501,765	-

24. Effect of changes in foreign exchange rates

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 profit and loss. Non-monetary assets are recorded using the rate of exchange prevalent as on the date of initial recognition.

The net exchange gain recognised in the income statement for the year ended 16 July 2015 is NPR 668,830,755 (16 July 2014: net exchange loss NPR 175,762,520). This includes net exchange gain realised on those transactions settled within the period amounting to NPR 483,605,266 (previous year Net exchange loss NPR 394,409,021) and net translation gain pertaining to the translation of the monetary assets and liabilities as at the reporting date amounting to NPR 185,225,489 (previous year net exchange gain NPR 218,646,501).

25. Taxation

Income tax expenses represent the sum of the current tax and deferred taxes.

25.1 Current taxes

Current tax payable (or recoverable) is based on the taxable profit for the year. Taxable profit differs from the profit reported in the statement or profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. NT 's current tax liabilities are calculated using the Income Tax Act 2058 enacted and as applicable in Nepal.

- a. NPR 6,101,385,634 has been provided for as income tax liability for the period by way of self-assessment as per the Income Tax Act, 2058. NPR 4,849,351,955 has been paid as advance tax during the year and NPR 920,594,039 has been claimed as excess income tax paid in FY 2070/71, the total advance tax paid thereby being NPR 5,755,987,686.
- b. The company's final income tax assessment has been completed for the Income Year 2064/65. For the remaining financial years the assets and liabilities have been recognised and carried as under.

Income Years	Provision for Tax (as per self-assessment)	Advance Tax Paid
2067/68	4,927,428,049	4,933,519,853
2068/69	4,634,539,999	5,819,450,267
2069/70	4,310,972,666	3,694,830,614
2070/71	4,402,584,651	4,973,178,691
2071/72	6,101,385,633	4,849,351,954
Total	24,376,910,998	24,270,331,379
Net Off		106,579,617

NPR

NPR 13,958,309 paid by the company during the year as an appeal for administrative review and NPR 63,898,818 paid by the company as an appeal to Revenue Tribunal for FY 2064/65 has been included in the total advance tax for the FY 2071/72.

25.2 Deferred taxes

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.

SN	Particulars	Carrying Amount	Tax Base	Temporary Diff
1	Property, Plant & Equipment	17,625,074,000	22,870,196,641	5,245,122,640
2	Provisions for Expenses	12,050,596,174	Nil	12,050,596,174
Total		29,675,670,175	22,870,196,641	17,295,718,814
	Tax Rate @ 25%			4,323,929,704

NPR

Deferred Tax Asset- 32.03.2071	3,676,101,360
Deferred Tax Provision- 2071.72	647,828,344
Deferred Tax Asset- 31.03.2072	4,323,929,704

				NPR
SN	Particulars	Carrying Amount	Tax Base	Temporary Diff
1	Property, Plant & Equipment	18,533,698,273	22,699,526,465	4,165,828,191
2	Provisions for Expenses	10,538,577,252	Nil	10,538,577,252
Total		29,072,275,525	22,699,526,465	14,704,405,443
	Tax Rate @ 25%			3,676,101,361
	Deferred Tax Asset- 31.03.2070			3,134,010,591
	Deferred Tax Provision- 2070.71			542,090,770
	Deferred Tax Asset- 32.03.2071			3,676,101,361

26. Prior period adjustments

The following adjustments are made for the identified omissions and misstatements for the financial year 2071/72 as per the provisions of NAS 8. Net prior period amount of NPR 134,519,015 has been adjusted to the identified financial year. In case where such identification could not be made, adjustment has been made in the current year equity.

				NPR
S.No.	Particulars	Expenditure		Income
1	Excess staff bonus & incentive provision for 2069/70 written back	3,846,488		92,235,263
2	Error Adjustment	-		26,000
3	Non-operating Income	3,042		117,785
4	Inter-unit adjustment	55,556,122		3,136,792
5	Non-operating Expenses	11,915,174		3,656
6	Bank Reconciliation Item	4,392,032		2,541,845
7	Prepayment Adjustment	19,043,135		79,685,116
8	Operating Income	1,450,005		2,977,448
9	Inter Administration Adjustment	7,990,759		3,158,822
10	Operating Expenses	8,105,288		40,300
11	Repair and Maintenance	19,471,647		-
12	Liabilities Adjustment	163,940		84,066
13	Debtors Adjustment	717,504		2,758,050
14	Inventory Adjustment	93,305,627		-
15	House Rent	141,672		-
16	Frequency Fee Adjustment	95,181,724		-
	Total	321,284,159		186,765,145

The company has the practice of making adjustments as and when such commissions and misstatements have

been identified. For the comparative financial period similar adjustments have already been made and disclosed in that particular financial year.

27. Earning per share (EPS)

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 public market and the company files its financial statements with the securities board.

Basic Earning Per Share

Particulars	NPR	
	2071/72	2070/71 (restated)
Profit for the year attributable to owners of the Company	14,556,338,378	11,568,495,691
Adjustments	-	-
Earnings used in the calculation of basic earnings per share from continuing operations	14,556,338,378	11,568,495,691
Weighted average number of ordinary shares for the purposes of basic earnings per share	150,000,000	150,000,000
Basic Earning Per Share	97.04	77.12

There are no instruments of the company, current or prospective that will have any bearing dilution of Earning Per Share.

28. Segmental analysis

Nepal Telecom reports on the basis of the nature of business activities.

Business segments: The operating segments on the basis of business activities.

Fixed Network includes all voice and data communication activities based on the fixed network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sales of services to the resellers

Mobile (GSM) includes post paid, pre paid mobile services and related value added services.

Mobile (CDMA) includes IP-CDMA technology including EVDO (Evolution Data Optimised) technologies.

28.1.1 For 2070-71

Operating Segments	NPR			
	Assets	Liabilities	Revenue	Profit / (Loss)
Fixed Network	15,097,642,106	3,977,541,949	7,501,105,281	3,922,642,000
Mobile (GSM)	59,045,452,987	18,317,850,395	26,331,251,819	4,575,403,776
Mobile (CDMA)	7,312,558,796	509,645,033	1,726,775,394	494,043,895
Others (less than threshold)	23,997,689,115	7,839,689,484	4,111,989,211	2,576,406,019
Total	105,453,343,006	30,644,726,862	39,671,121,707	11,568,495,690

28.1.2 For 2071-72

	NPR			
Operating Segments	Assets	Liabilities	Revenue	Profit / (Loss)
Fixed Network	12,058,702,122	4,258,883,560	7,415,189,733	3,839,348,621
Mobile (GSM)	50,652,597,107	18,525,765,271	30,040,218,651	8,300,312,509
Mobile (CDMA)	3,323,038,401	598,971,326	1,804,307,448	572,479,249
Others (less than threshold)	45,271,172,777	6,923,446,807	3,378,455,971	1,843,997,999
Total	111,305,510,407	30,307,066,964	42,638,371,803	14,556,338,378

28.2 Assumption for segmental reporting

- Land and Building is apportioned as per existing assets.
- Transmission and Power equipment is allocated as per revenue
- Assets consists of carrying value of 2070-71 and capital work in progress.
- Unit specific liabilities are allocated and other liabilities are allocated in proportion to the revenue.
- Revenue is taken on the base of product line for each services.
- Inter connection revenue is allocated as per revenue before inter-connection.

28.3 Geographical segments

Nepal Telecom operates from six regional directorates located in six different regions of the country. However the services delivered from those regional offices are also managed by centrally located service directorates. Therefore information on regional segments for the purpose of NFRS 8 *Operating Segments* are not available and the management feels that the costs to develop such information would be excessive than the benefit that it would derive and it not practical to segregate information based on the geographical segments.

29. Related parties

The company has number of related parties including associates, directors and key management personnel.

29.1 Directors and Key Management Personnel

During the three years ended 31 Ashadh 2072, neither any directors nor any key management personnel nor any associate or family member (relative) of the directors and key management personnel was indebted to the company.

There have 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

NPR 2,243,650 and NPR 26,142,747 has been paid as travel expenses and remuneration along with other payments respectively, for directors during the year which included 14 officials in level 11 and above.

S.No.	Name	Designation	Board Meetings	
			Number of meetings attended	Total Allowance
1	Mr. Suman Prasad Sharma	Chairman	3	12,000
2	Mr. Sunil Bahadur Malla	Chairman	47	188,000
3	Mr. Baikuntha Aryal	Member	41	164,000
4	Mr. Binaya Kumar Chalise	Member	46	184,000
5	Mr. Buddhi Prasad Acharya	Member	50	200,000
6	Mr. Kabiraj Khanal	Member	36	144,000
7	Mr. Kamalshali Ghimire	Member	49	196,000
8	Mr. Sushil Kumar Ojha	Member	9	36,000
9	Mr. Surya Bhakta Pokharel	Company Secretary	25	100,000
10	Mr. Pradeep Raj Upadhyay	Company Secretary	16	64,000
Total				1,288,000

S.No.	Name	Designation	Audit Committee Meetings	
			Number of meetings attended	Total Allowance
1	Mr. Baikuntha Aryal	Joint Secretary	4	16,000
2	Mr. Kamalshali Ghimire	Joint Secretary	4	16,000
3	Mr. Sushil Kumar Ojha	Joint Secretary	2	8,000
4	Mr. Surya Bhakta Pokharel	Deputy Managing Director	3	12,000
5	Mr. Niraj Kumar Adhikari	Deputy Managing Director	1	4,000
Total				56,000

30. Events occurring after reporting period

Except for the under stated post reporting period events there are no material events that has occurred subsequent to 31 Ashadh 2072 till the signing of this financial statement on 27 Poush 2072.

30.1 Changes in the boards

There has been following changes in the representation to the board of directors for the year 2071/72 and within the date of signing this financial statement.

SN	Name	Designation	Representative Office (Designation therein)	Appointment Date	Person in this position before	Reason
1	Mr. Suman Prasad Sharma	Chairman	Ministry of Information and Communications Technology (Secretary)	12/28/70	Mr. Dhruva Prasad Sharma	Retirement
2	Mr. Sunil Bahadur Malla	Chairman	Ministry of Information and Communications Technology (Secretary)	05/02/71	Mr. Suman Prasad Sharma	Transfer decision of Government of Nepal,
3	Mr. Kabiraj Khanal	Officiating Chairman	Government of Nepal		Mr. Sunil Bahadur Malla	Transfer decision of Government of Nepal,

4	Mr. Buddhi Prasad Acharya	Member	Nepal Doorsanchar Company Limited (Managing Director)	05/19/71	Mr. Anup Ranjan Bhattarai	Decision of the Cabinet Ministers
5	Mr. Kabiraj Khanal	Member	Government of Nepal	08/19/71	Mr. Sushil Kumar Ojha	Retirement
6	Mr. Binaya Kumar Chalise	Member	Representative, Public Share Holder	03/24/71	Mr. Pramod Kumar Gurung	Completion of tenure in the Board
7	Mr. Dilliraj Ghimire	Member	Ministry of Law, Justice, Constituent Assembly & Parliamentary Affairs (Joint Secretary)	03/24/72	Mr. Kamalshali Ghimire	Promotion decision of Government of Nepal,

30.2 VRS and its impact (financial impact)

The company has decided as per the board decision dated 14 Ashwin 2072 vide resolution number 2933. This has been subsequently approved by decision of Government of Nepal (ministerial level) dated 15 Mangshir 2072. Under the conditions and clauses of the approved scheme the company has estimated that NPR 9,985,964,115 could be the cost to the company.

31. First Time Adoption of IFRS / NFRS

31.1 Significant changes from the policies adopted in the past

Significant changes from the accounting policies adopted under previous GAAP (erstwhile Nepal Accounting Standards) and the adoption of NFRS has been disclosed in the respective segments, including the impact. The detailed impact disclosure is given below.

31.2 Adjustments to the opening NFRS Financial Statements

2069/70	Adjusted to	Amount (NPR)	Justification
Land	Revaluation Reserve	15,922,088,389	Revaluation of Land
Revaluation Reserve		15,922,088,389	
Building	First Time Adoption Reserve	96,747,214	Complying NFRS
P&M	First Time Adoption Reserve	69,296,085	Complying NFRS
Heating & Lighting	First Time Adoption Reserve	(371,499)	Complying NFRS
Furniture	First Time Adoption Reserve	(269,138)	Complying NFRS
Office Equipment	First Time Adoption Reserve	(5,093,363)	Complying NFRS
Vehicle	First Time Adoption Reserve	176,850,533	Complying NFRS
Investment (unamortized)	First Time Adoption Reserve	(47,302,720)	Complying NFRS
Government Securities	First Time Adoption Reserve	44,953,638	Complying NFRS
Employee Loan	First Time Adoption Reserve	(1,147,029,565)	Complying NFRS
Inventories	First Time Adoption Reserve	(179,281,044)	Complying NFRS
GSM License Fee	First Time Adoption Reserve	4,721,481,691	Complying NFRS
CWIP	First Time Adoption Reserve	(1,714,383,030)	Complying NFRS
Leave Encashment	First Time Adoption Reserve	227,844,354	Complying NFRS
Deferred Tax	First Time Adoption Reserve	(601,527,501)	Complying NFRS

Total first time adoption reserve	1,641,915,655
Opening NFRS Financial Statement	17,564,004,043

31.3 Adjustments to the Financial Statements of 2070/71

2070/71	Adjusted to	Amount (NPR)	
PPE	Reserve	104,795,191	Complying NFRS
Depreciation	Reserve	(478,115,128)	Complying NFRS
Employee Loan	Reserve	24,908,471	Complying NFRS
Leave Encashment (unwinding)	Reserve	73,088,967	Complying NFRS
Unamortised Premium	Reserve	28,435,700	Complying NFRS
Total Reserve		(246,886,799)	Complying NFRS
GSM Unwinding	P&L	(267,857,143)	Complying NFRS
Total P&L		(267,857,143)	Complying NFRS
Total 70/71		(514,743,941)	

31.4 Adjustments to the Financial Statements of 2071/72

2071/72	Adjusted to	Amount (NPR)	
PPE (depreciation + CWIP)	Reserve	(656,607,241)	Complying NFRS
Deferred Tax	Reserve	(171,363,907)	Complying NFRS
Govt sec	Reserve	(38,198,959)	Complying NFRS
Unamortised Premium	Reserve	43,079,331	Complying NFRS
Employee loan	Reserve	(142,315,639)	Complying NFRS
GSM unwinding (Opening adj)	Reserve	(267,857,143)	Complying NFRS
Leave Encashment (reserve restate)	Reserve	73,088,968	Complying NFRS
Reversal of previous adjustments effected in previous periods	Reserve	278,182,524	Complying NFRS
		(881,992,066)	
GSM Unwinding	P&L	(507,015,306)	Complying NFRS
Total P&L		(507,015,306)	
Total 71/72		(1,389,007,372)	

31.5 Reconciliation of Statement of Financial Position reported for 31.03.2071 due to the adoption of NFRS

Particulars	32.03.2071 (Previously Reported)	01.04.2070 Adjustment	32.03.2071 Adjustment	32.03.2071 (Restated)
Assets				
Non- Current Assets				
Intangible Assets	223,502,222	-	-	223,502,222
Property, Plant and Equipment	18,656,147,401	16,259,248,221	104,795,191	35,020,190,813
Capital Work-in-Progress	7,020,513,280	(1,714,383,030)	-	5,306,130,250
Investment in Associates		10,000,000	33,699,316	43,699,316
Other Investments	14,733,616,621	(18,812,988,303)	11,052,065,180	6,972,693,498
Deferred Tax Asset	4,448,992,769	(601,527,501)	(171,363,907)	3,676,101,361
Employee Loan		1,564,141,861	(180,441,388)	1,383,700,473
Total Non-Current Assets	45,082,772,293	(3,295,508,751)	10,838,754,391	52,626,017,933

Current Assets

Inventory	508,861,884	(179,281,044)	-	329,580,840
Prepayments and Advance Tax		823,397,229	507,128,042	1,330,525,271
Employee Loan		99,821,195	(11,499,888)	88,321,307
Loan, Advance & Others	4,724,611,360	(3,634,389,852)	(290,278,294)	799,943,214
Trade Receivable	2,923,139,294	-	-	2,923,139,294
Short Term Investments	1,072,050,000	17,019,907,679	(11,999,607,679)	6,092,350,000
Cash & Cash Equivalents	41,263,465,148	-	-	41,263,465,148
Total Current Assets	50,492,127,685	14,129,455,207	(11,794,257,818)	52,827,325,074
Total Assets	95,574,899,978	10,833,946,456	(955,503,427)	105,453,343,007

Equity and Liabilities

Share Capital	15,000,000,000	-	-	15,000,000,000
Reserve and Surplus	42,476,727,479	17,564,022,424	(232,133,758)	59,808,616,145
Total Equity	57,476,727,479	17,564,022,424	(232,133,758)	74,808,616,145

Non-Current Liabilities

Post-Employment Benefits	8,006,450,643	(1,286,754,006)	(785,842,743)	5,933,853,893
Subscriber Deposit	1,763,646,000	-	-	1,763,646,000
GSM License Fee	12,500,000,000	(4,721,481,691)	267,857,143	8,046,375,452
Total Non-Current Liabilities	22,270,096,643	(6,008,235,697)	(517,985,601)	15,743,875,345

Provisions	2,833,059,930	(721,821,891)	(205,402,448)	1,905,835,591
Current Liabilities	12,995,015,926	(18,380)	18,380	12,995,015,926
Total Current Liabilities & Provisions	15,828,075,856	(721,840,271)	(205,384,068)	14,900,851,517
Total Equity and Liabilities	95,574,899,978	10,833,946,456	(955,503,427)	105,453,343,007

31.6 Reconciliation of Statement of Financial Position reported for 01.04.2070 due to the adoption of NFRS

Particulars	01.04.2070 (Previously Reported)	Adjustment	01.04.2070 (Restated)
Assets			
Non- Current Assets			
Intangible Assets	3,388,511,550	-	3,388,511,550
Property, Plant and Equipment	16,290,282,239	16,259,248,221	32,549,530,460
Capital Work-in-Progress	6,838,734,769	(1,714,383,029)	5,124,351,740
Investment in Associates		10,000,000	10,000,000
Other Investments	24,987,793,818	(18,812,988,303)	6,174,805,515
Deferred Tax Asset	3,735,538,092	(601,527,501)	3,134,010,591
Employee Loan		1,564,141,861	1,564,141,861
Total Non-Current Assets	55,240,860,468	(3,295,508,751)	51,945,351,717
Current Assets			
Inventory	1,385,963,902	(179,281,044)	1,206,682,858
Prepayments and Advance Tax		823,397,229	823,397,229
Employee Loan		99,821,195	99,821,195
Loan, Advance & Others	4,838,972,583	(3,634,389,852)	1,204,582,731
Trade Receivable	3,188,946,955	-	3,188,946,955
Short Term Investments	812,150,000	17,019,907,679	17,832,057,679
Cash & Cash Equivalents	26,774,785,622	-	26,774,785,622
Total Current Assets	37,000,819,062	14,129,455,207	51,130,274,269
Total Assets	92,241,679,530	10,833,946,456	103,075,625,986
Equity and Liabilities			
Share Capital	15,000,000,000	-	15,000,000,000
Reserve and Surplus	38,635,694,828	17,564,022,424	56,199,717,252
Total Equity	53,635,694,828	17,564,022,424	71,199,717,252
Non-Current Liabilities			
Post-Employment Benefits	7,287,946,023	(1,286,754,006)	6,001,192,017
Subscriber Deposit	1,732,257,000	-	1,732,257,000
GSM License Fee	15,000,000,000	(4,721,481,691)	10,278,518,309
Total Non-Current Liabilities	24,020,203,023	(6,008,235,697)	18,011,967,326
Provisions	2,508,078,328	(721,821,891)	1,786,256,437
Current Liabilities	12,077,703,351	(18,380)	12,077,684,971
Total Current Liabilities and Provisions	14,585,781,679	(721,840,271)	13,863,941,408
Total Equity and Liabilities	92,241,679,530	10,833,946,456	103,075,625,986

31.7 Reconciliation of Statement of Profit or Loss reported for 2070-71 due to the adoption of NFRS

(Figures in NPR)

Particulars	FY 2070.71 (Previously Reported)	Adjustment	FY 2070.71 (Restated)
Revenue	39,695,244,364	(24,122,656)	39,671,121,708
Personnel Costs	4,401,418,593	-	4,401,418,593
Operation and Maintenance Costs	7,209,590,543	-	7,209,590,543
Administrative Costs	1,575,515,649	-	1,575,515,649
Royalty	1,422,365,300	-	1,422,365,300
Contribution to Rural Telecom Development Fund	711,182,650	-	711,182,650
Interest on Subscribers' Deposit	49,746,381	-	49,746,381
Exchange Loss/(Gain)	175,762,520	-	175,762,520
Unwinding Finance Costs		267,857,143	267,857,143
Depreciation	3,789,448,627	(478,115,128)	3,311,333,499
License Fee	3,354,009,328	-	3,354,009,328
Frequency Fee	840,259,790	-	840,259,790
Staff Bonus Provision	436,607,825	-	436,607,825
Telecom Allowance Provision	480,182,231	-	480,182,231
Equity Loss in Associate	6,300,684	-	6,300,684
Total Expenditure	24,452,390,121	(210,257,985)	24,242,132,136
Net Profit Before Tax	15,242,854,243	186,135,329	15,428,989,572
<i>Provision for Income Tax</i>			
Current Tax	(4,402,584,651)	-	(4,402,584,651)
Deferred Tax	713,454,677	(171,363,907)	542,090,770
Net Profit For the Year	11,553,724,269	14,771,421	11,568,495,690

31.8 The differences have arisen due to the application of requirements of NFRS. The details of the adjustments have been given in 31.2, 31.3 and 31.4

32. Other disclosures

32.1 Disclosures related with compliance of Sec 115 of Companies Act, 2063

- The company has provided information and explanations, that were necessary for the audit of financial statements.
- The company has maintained proper books of accounts as required by the law to reflect its transactions.
- The financial statements are in conformity with the underlying books of accounts
- Internal control has been put in place to prevent and detect errors and to larger extent frauds.

32.2 Rate of Exchange

The closing rates of the foreign currencies applied to translate the balances of monetary assets and liabilities are as follows

Particulars	Unit	31.3.2072 Equivalent NPR	32.3.2071	1.4.2070
US Dollar	US \$ 1	101.14	95.90	95
Euro	EURO 1	111.48	130.56	124.08

32.3 Inter- Unit Transactions

Inter-unit not reconciled balance of NPR 215,316 had been settled utilising previously created allowances.

32.4 Contribution to Government Treasury

The Company made the following contributions to the government treasury. The list is not exhaustive and includes currently available information, which is not exhaustive.

NPR				
Description	2071/72	2070/71	2069/70	Remarks
Advance Income Tax	4,849,351,955	5,075,938,250	3,630,931,796	Claimable against tax liability
Value Added Tax	4,152,240,932	3,865,698,209	3,560,090,151	Net VAT collections.
Telecom Service Charge	2,365,256,845	2,350,899,583	2,086,608,511	TSC collection deposited.
Ownership Fee	636,056,042	470,613,123	434,301,255	Fee collection deposited.
Customs Duty	123,483,123	190,221,048	527,922,968	Paid on import.
Royalty and RTDF	2,133,547,950	2,046,505,886	1,968,451,393	Liability paid.
Dividend	6,450,277,650	6,313,037,700	6,587,517,600	Dividend paid.
Property and Vehicle Tax	47,466,684	42,449,078	42,332,576	Liability paid.
Total	20,757,681,181	20,355,362,877	18,838,156,250	

32.5 Profit reconciliation between as reported in the financial statement and as reported to tax authorities, for current tax computation.

NPR		
Particulars	Amount	Amount
Revenue (A)		42,638,371,803
Less:		
Total Expenditure without Bonus & Incentive Provision	21,557,172,473	-
Equity Loss in Associate(Trishuli Jal Vidhyut Co. Ltd.)	(3,353,355)	
Govt. Bond IFRS adjusted income	(1,474,196)	
Unwinding finance costs	(507,015,306)	
Impairment loss	(165,501,765)	
Leave provision	(210,794,254)	
Pension provision	(1,644,315,402)	-
Actual leave expenses	104,780,776	
Actual pension expenses	261,897,469	
Actual bonus expenses	377,982,266	
Actual incentive expenses	453,477,974	
Depreciation as per Income Tax Act	3,342,746,331	
Depreciation as per Company's Accounting Policy	(3,664,367,737)	-
Vehicles Expenses	(71,603,027)	
Vehicles Expenses- Tax	28,326,575	
Office Equipment Expenses - Financial Statement	(117,879,772)	
Plant & machinery Repair - Financial Statement	(511,311,550)	
Office Equipment Expenses - Tax	33,126,571	
Plant & machinery Repair - Tax	511,311,550	
Building Repair - Financial Statement	(354,768,932)	
Building Repair - Tax	159,489,067	
Power, Heating & Lighting	(996,272,348)	

Auction Loss	(604,747)	
Asset Impairment Loss	(40,727)	
Donation- Tax claimed	20,000,000	
Donation - Financial Statement	(273,648,787)	
Total (B)	18,327,359,148	
Total (A-B)		24,311,012,655
Prior period Income		94,529,881
Foreign Exchange Gain		-
Taxable Income		24,405,542,536
Total income for Income Tax		24,405,542,536
Provision for income Tax (25%)		6,101,385,634
Net Tax		6,101,385,634

As Per Our Report of Even Date

Kabiraj Khanal
Chairman

Buddhi Prasad Acharya
Managing Director

Baikuntha Aryal
Director

Dilliraj Ghimire
Director

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

Binaya Kumar Chalise
Director

Surya Bhakta Pokhrel
Deputy Managing Director(Finance)

Shailaja Rai
Manager

Date: Poush 27, 2072
Place: Kathmandu

Definition of Terms

2G	2G networks are operated using global system for mobile (GSM) technology which offer services such as voice, text messaging and low speed data.
3G	A cellular technology based on wide band CDMA (WCDMA) delivering voice and faster data services.
4G/LTE	4G or long-term evolution (LTE) technology offers even faster data transfer speed than 3G/HSPA
Access Network	An access network is the part of a telecommunications network which connects subscribers to their immediate service provider.
ADSL	Asymmetric digital subscriber line (ADSL) is a type of digital subscriber line (DSL) technology, a data communications technology that enables faster data transmission over copper telephone lines than a conventional voiceband modem can provide.
ARPU	Average revenue per user, defined as total service revenue divided by total number of subscribers.
Book Value per Share	A ratio of shareholders equity to the average number of common shares.
Broadband	A high-capacity transmission technique using a wide range of frequencies, which enables a large number of messages to be communicated simultaneously.
BTS	The base transceiver station (BTS), commonly referred to as a "cell phone tower", is the networking component of a mobile communications system from which all signals are sent and received. BTS facilitates wireless communication between user equipment and a network. The network can be that of any of the wireless communication technologies like GSM, CDMA, wireless local loop, and WiMAX.
Capital Employed	The sum of stockholders' equity and long-term finance.
Cash Generating Unit	The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
CDMA	This is a channel access method used by various radio communication technologies.
CPE	Customer-premises equipment (CPE) is any terminal and associated equipment located at a subscriber's premises and connected with a carrier's telecommunication channel at the demarcation point. Such equipment might include cable or satellite television set-top boxes, digital subscriber line (DSL) or other broadband Internet routers, telephone handsets or other customized hardware used by a particular telecommunications service provider.
CRBT	Caller Ring Back Tone
Current Ratio	A ratio that measures a company's ability to pay short-term obligations.
Discontinued Operations	A segment of a company's business that has been sold, disposed of or abandoned.
Discount Rate	The interest rate used to discount a stream of future cash flows to their present value.
Recoverable Amount	The higher of an asset's fair value less costs of disposal* (sometimes called net selling price) and its value in use.
Earning per Share (EPS)	The portion of the company's distributable profit which is allocated to each outstanding equity share (common share).
EBITDA Margin	Stands for earnings before interest, taxes, depreciation and amortization, and a measure of revenue relative to cash expenses from operations.

Effective Interest Rate	The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.
EVDO	Evolution-Data Optimized (EVDO) is a telecommunications standard for the wireless transmission of data through radio signals, typically for broadband Internet access. It is an evolution of the CDMA2000 standard that uses advanced multiplexing techniques including code division multiple access (CDMA) as well as time division multiplexing (TDM) to maximize throughput. It has been adopted by many mobile phone service providers around the world – particularly those previously employing CDMA networks.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
FTTH	Operators deploy FTTH (Fiber To The Home) so as to bring high-speed networking, digital television and telephone service to residences using fiber optic cables
Gross Domestic Product (GDP)	Monetary value of all the finished goods and services produced within a country's borders in a specific time period, usually calculated on an annual basis.
GSM	Global System for Mobile communication (GSM) is a digital mobile telephony system that is the most widely used digital wireless telephony technology
Hotspot	A hotspot is a physical location that offers Internet access over a wireless local area network (WLAN) through the use of a router connected to a link to an Internet service provider. Hotspots typically use Wi-Fi technology.
HSPA+	An evolution of high speed access (HSPA) or third generatoin (3G) technology that enhnaces the existing 3G network with higher speeds for the end user.
Impairment -	The diminish in quality, strength, amount, or value of an asset due to which there's a reduction in the recoverable amount of the asset below its carrying amount.
Intelligent Network	Intelligent Network (IN) is a telephone network architecture in which the service logic for a call is located separately from the switching facilities, allowing services to be added or changed without having to redesign switching equipment.
ISP	An Internet service provider (ISP) is an organization that provides services for accessing, using, or participating in the Internet.
IVR	Interactive voice response (IVR) is a technology that allows a computer to interact with humans through the use of voice and DTMF tones input via keypad
LAN	A local area network (LAN) is a computer network that interconnects computers within a limited area such as a home, school, computer laboratory, or office building, using network media.
Mobile Internet	Mobile Internet allows internet access anytime, anywhere through a browser or a native application using any portable or mobile device such as smartphone, tablet, laptop connected to a wireless network.
MPoS	Mobile point of sale (MPoS) is a smartphone, tablet or dedicated wireless device that performs the functions of a cash register or electronic point of sale terminal.
Net Profit Ratio	The ratio of net profit (after taxes) to net sales.
NFRS	Nepal Financial Reporting Standards, a common global language for business affairs issued by Accounting Standards Board Nepal so that company accounts are understandable and comparable across international boundaries.
NGN	Next Generation Networks (NGN) is a packet-based network able to provide Telecommunication Services to users and able to make use of multiple broadband, QoS-enabled transport technologies and in which service-related functions are independent of the underlying transport-related technologies. It enables unfettered access for users to networks

and to competing service providers and services of their choice. It supports generalised mobility which will allow consistent and ubiquitous provision of services to users.

Optical Fiber	Optical fiber refers to the medium and the technology associated with the transmission of information as light impulses along a glass or plastic wire or fiber. Optical fibers are widely used for transmission of telecommunication signals over longer distances and at higher bandwidths (data rates) than wire cables. Fibers are used instead of metal wires because signals travel along them with less loss and are also immune to electromagnetic interference.
PDSN	The Packet Data Serving Node (PDSN) is a component of CDMA2000 mobile network through which users can access data at the rate of 153.6 kbps.
PSTN	The public switched telephone network (PSTN) is the circuit-switched telephone network providing infrastructure and services for public telecommunication that is based on copper wires carrying analog voice data.
Present Value	The current worth of a future sum of money or stream of cash flows given a specified rate of return.
Return on Capital Employed (Post Tax)	Measures the profitability of a company by expressing its operating profit as a percentage of its capital employed.
Return on Shareholders' Equity (Post Tax)	The amount of net income returned as a percentage of shareholders' equity.
Roaming	Allows customers to make calls, send and receive texts and data on other operators' mobile networks while travelling abroad.
Shareholders Equity	A share capital plus retained earnings
Smartphone	A smartphone is a mobile phone offering advanced capabilities including access to email and the internet.
Soft Switch	A Softswitch is a central device in a telephone network which connects calls from one phone line to another, entirely by means of software running on a computer system.
Tablet	A tablet is slate shaped, mobile or portable computing device equipped with a finger operated touchscreen or stylus.
Value in Use	The present value of the future cash flows expected to be derived from an asset.
VAS	A value-added service (VAS) is a popular telecommunications industry term for non-core services, or in other words, all services beyond standard voice calls, data and fax transmissions telcos deploy to promote their primary business. VAS add value to the standard service offering, spurring the subscriber to use their phone more and allowing the operator to drive up their ARPU.
Voice Mail	A centralized electronic communication system in which spoken messages are recorded or digitized for later playback to the intended recipient
VSAT	Very Small Aperture Terminal (VSAT) is an earthbound station used in satellite communications of data, voice and video signals.
Wi-Fi	A facility allowing computers, smartphones, or other devices to connect to the Internet or communicate with one another wirelessly within a particular area.
WiMAX	WiMAX (Worldwide Interoperability for Microwave Access) is a wireless communications standard designed to provide 30 to 40 Mbps data rates
WLAN	A wireless local area network (WLAN) is a wireless computer network that links two or more devices using a wireless distribution method (often spread-spectrum or OFDM radio) within a limited area such as a home, school, computer laboratory, or office building.



Milestones

Year Nepal Telecom Milestones

1913	Establishment of first telephone lines in Kathmandu	2004	FIN EasyCall Pre-paid Calling Card Service (PCC Services) launched
1914	Establishment of Open wire Trunk Link from Kathmandu to Raxaul (India)	2004	SLC Results published by 1600 IVR Service
1935	Installation of 25 lines automatic exchange in Royal Palace	2005	FIN Advanced FreePhone Service (AFS) launched
1936	Installation of Open Wire Trunk line from Kathmandu to Dhankuta	2005	Soft launch of CDMA
1950	Establishment of Telegram Service	2005	Access Network Services introduced
1950	Introduction to High frequency Radio System (AM)	2005	Outsourcing of PSTN Telephone Enquiry Service (197)
1950	Establishment of CB telephone exchange (100 lines) in Kathmandu	2006	FIN PSTN Credit Limit PCL Service launched
1951	Installation of Open Wire Trunk line from Kathmandu to Palpa	2006	FIN NepalDirect Home Country Direct (HCD Service) launched
1955	Distribution of telephone line to general public	2006	Introduction of IVR 198 Service for PSTN Fault Complaint in Kathmandu Valley
1962	First Public Telephone Exchange in Kathmandu (300 lines CB)	2006	CDMA Limited Services in Kathmandu Valley
1964	Beginning of International Telecommunications Service using HF Radio to India and Pakistan	2006	10+2 Results published via IVR 1601 Service
1965	First Automatic exchange in Nepal (1000 lines in Kathmandu)	2006	PSTN Voice Mail Service (VMS) launched
1971	Introduction of Telex Services	2007	National Roaming for CDMA Mobile (SkyPhone) started
1974	Microwave transmission links establishment for internal trunk	2007	Expansion of Internet Bandwidth via Optical link between Nepal & India
1982	Establishment of Standard "B" Type Earth Station for international circuits	2007	PSTN Bill Enquiry Service started via 1606 IVR Service
1982	Establishment of SPC telex exchange	2007	VOIP Call Complaint Registration started via 188 IVR Service
1983	Establishment of digital Telephone Exchange	2007	GPRS, 3G and CRBT Services introduced in GSM Mobile
1984	Commencement of STD service	2008	Broadband ADSL Service launched
1984	Reliable Rural Telecom Service (JICA) started	2008	IVR Service 1607 started for GSM and CDMA PUK Enquiry
1987	Commencement of STD service	2008	IVR 198 service extended for ADSL Fault Complaint Registration
1995	Installation of Optical Fiber Network	2008	PSTN VMS – Notice Board Service
1996	Conversion of all Transmission link to Digital transmission link	2009	IVR 198 Service extended outside KTM valley
1996	Automation of the entire Telephone Network	2009	IVR 1606 Service extended outside Kathmandu Valley
1996	Independent International Gateway Exchange established	2009	SMS Service from GSM to CDMA mobile started
1996	Introduction of VSAT services	2009	Postpaid CDMA Mobile Service started
1997	Digital Link with D.O.T. India through Optical Fiber in Birgunj - Raxaul	2010	EasyPhone (SoftPhone) SIP PCC Service launched
1998	Direct Link with Bangladesh established	2010	All 3915 VDCs served by Nepal Telecom's services
1999	Launching of GSM Mobile Postpaid service	2010	Volume Based ADSL Service Launched
2000	Implementation of SDH Microwave Radio	2011	EasyPhone (SoftPhone) SIP PPP Service launched
2000	Launching of Internet Service	2011	GSM 3G Data Card Service introduced
2001	Launching of Payphone Service	2011	First International Carrier Partner's Meet organized by NT
2001	International Roaming Service started in GSM Mobile	2012	WiMAX 4G Service launched
2002	East West Highway Optical Fiber Project started	2012	IP-CDMA System commissioned
2003	GSM NAMASTE Prepaid Service launched	2012	Convergent Real Time Billing and Customer Support System Launched
2004	Establishment of NEPAL TELECOM (Transformation from Corporation to Nepal Doorsanchar Company Limited)	2013	IP-Based Wireline Network (NGN) Service launched
		2014	Wi-Fi Hotspot, NT Official Mobile App
		2015	FTTH service launched
		2015	Social Site "Meet" launched
		2016	NTPRO service launched



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