

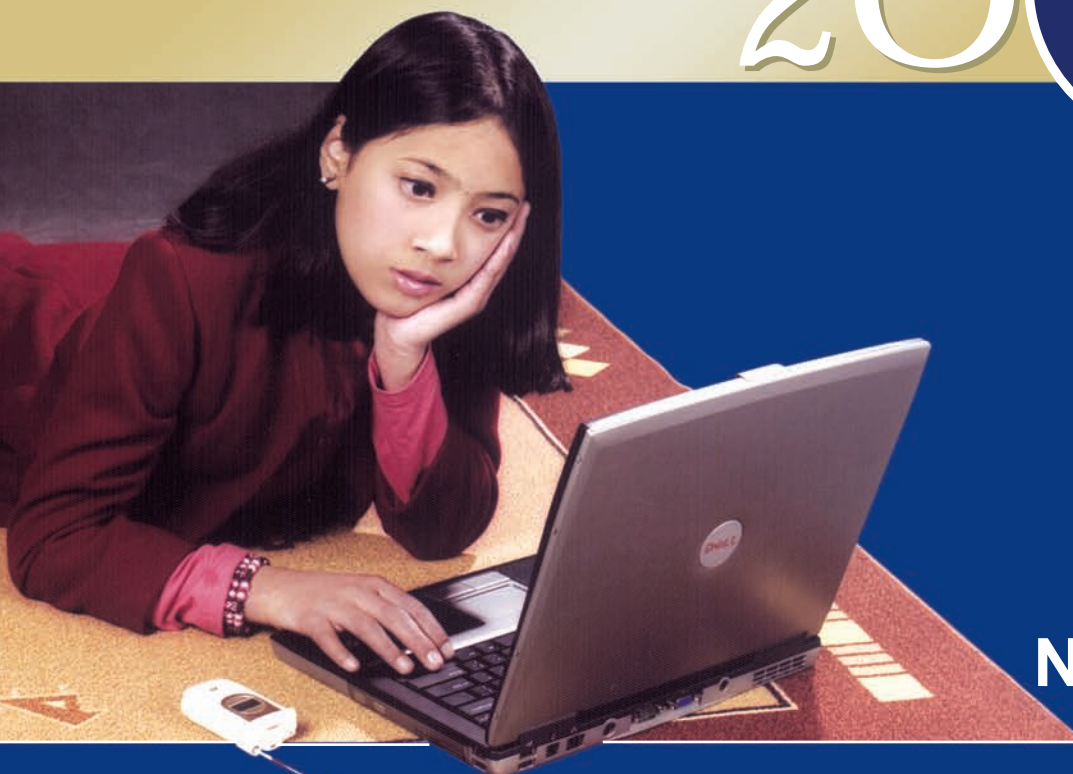


Bridging the Rural and Urban Gap

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- Kanhaiya Lal Gupta (DMD)
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2007 ANNUAL REPORT



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Nepal Telecom
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Message from the Managing Director

The existing ICT (Information and Communication Technology) scenario in the country clearly shows that the Nepalese telecom market is poised for significant growth. In Nepal Telecom, we pride ourselves on the timely forecast of the scale of business opportunities few years back and subsequently embarking upon the vision of having big-sized telecom infrastructure projects catering both urban and rural markets. The result was investment decisions amounting to more than Rs1200 crores in the past four years resulting cumulative total investment of Rs 4400 crores in the year ending Ashad 2064. We, in Nepal Telecom, have also come to believe strongly that growth in telecom infrastructure will greatly contribute in the economic progress of the country. Hence, with a new vigor and with "value-driven" broader corporate purpose, the Nepal Telecom family has decided to play an important role in the nation building endeavor by rapidly deploying all kinds of telecom services throughout the country, including remotest villages.

Until the year 2002/03, more than 50% of VDCs did not have any kind of telecom services; tele-density was just 2% with huge gap between supply and demand of telecom services in urban as well as rural areas. By the end of the year 2006/07, Nepal Telecom had 5,20,000 PSTN subscribers, 12,19,000 mobile subscribers, 3,11,000 CDMA subscribers and 25,000 Internet subscribers. Consequently, Nepal Telecom alone succeeded to increase total tele-density to the present ratio of 7.8%. Similarly, in the same period, VDCs with telecom service increased from 1900 to 2850. Presently, out of total 75 districts, 71 districts are being served with CDMA system and 55 districts with GSM mobile. This means 71 districts and about 2006 VDCs have connectivity for both voice and Internet access, which is sure to bring revolutionary changes in the socio-economic life-style in those remote villages. On urban front, Nepal Telecom is equally aware of ever-increasing demand for latest technologies and newer services, and accordingly Nepal Telecom has initiated steps to go along with fast-paced technological development in the rest of the world. As per this strategy, Nepal Telecom introduced 3G Mobile (WCDMA) in the first quarter of the year 2007, which made Nepal the first country in South Asia to introduce 3G mobile (WCDMA) service. Similarly, broadband service, triple play service, and host of other value-added services are in the offing in near future.

The operating revenue of the company increased from about Rs 720 crores in the fiscal year 2002/03 to Rs 1300 crores in the fiscal year 2006/07. Financial and economic sustainability of the company could be easily judged as "comfortable" due to the fact that net profit available for appropriation has increased from Rs 300 crores in the fiscal year

2002/03 to about Rs 600 crores in the year 2006/07. Increase in productivity is also indicated from the fact that staff per 1000 lines has decreased from 13 in the year 2002/03 to 3 by the end of the year 2006/07.

A clear sign of tougher competitive environment is emerging. In order to diffuse the possible challenges and harness the opportunities, we need to keep a close eye on this changing condition of environment and build a strong Nepal Telecom capable to serve and satisfy ever increasing expectation of our valued customers through a balance of "quantitative expansion", "qualitative enhancement" and price comfort ability for all the services we offer. To achieve our sustained business growth we all must realize that the coming 3 years are extremely crucial and of great significance in shaping up our organization's future through "Mission 2010". The ultimate goal of "Mission 2010" is to achieve the set target of our 3 year development program (additional new 3.5 million GSM, attain 2 million CDMA, expansion of PSTN and value added services) we have undertaken in all sectors of services.

This demands not only sincere commitment from the entire workforce of the company, but also it is highly desired from the top and mid-level management to demonstrate the skill, knowledge and attitude to get the job done in time, to provide stronger, more effective and truly inspiring leadership and follow better management practices and principles to take the organization with better business practices that foster market growth and above all to prove to our nation and society that we, the Nepalese, can also be as successful as any country of the world in effectively managing big organizations like Nepal Telecom.

Finally, I take this opportunity to express my hearty thanks to all Nepal Telecom family and well-wishers for their valuable contribution to the organization. My special thanks goes to our valued customers for their encouraging support to bring Nepal Telecom to its present status as a leading telecom operator in Nepal.

Sugat Ratna Kansakar
Managing Director
Nepal Telecom





Board of Directors



Chairman
Mr. Yuba Raj Pandey
Secretary
Ministry of Information & Communication



Member
Mr. Sugat Ratna Kansakar
Managing Director
Nepal Telecom



Member
Mr. Sushil Ghimire
Joint Secretary
Ministry of Information & Communication



Member
Mr. Bhesh Raj Sharma
Joint secretary, Ministry of Law
Justice & Parliamentary Affairs



Member
Mr. Bimal Prasad Wagle
Joint Secretary
Ministry of Finance



Member
Mr. Nandan Hari Sharma
Executive Director
Citizen Investment Trust



Member
Mr. Kumar Jang Karki
Business Officer
Nepal Telecom

NEPAL TELECOM

Goal

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



Mission

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

Vision

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



Nepal Doorsanchar Company Limited (Nepal Telecom) was registered on 22th Magh 2060 under company act 2053 and the notice to this effect was published in Nepal Gazette dated 26th Chaitra 2060, after dissolving then Nepal Telecommunications Corporation (NTC).

However, the Company name was officially effective from 1st Baisakh 2061 (13th April 2004) and is also known to general public by the name NEPAL TELECOM as registered trademark.

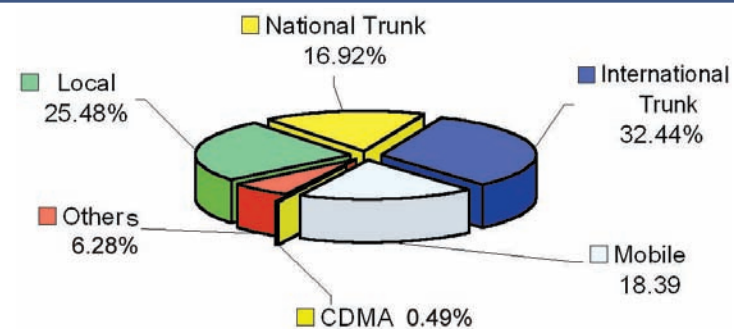
Comparative Growth

Human Resource	2001/02	2002/03	2003/04	2004/05	2005/06
Approved post	6001	6000	5759	6095	6984
Man power per 1000 line of PSTN	14.3	12.83	12.59	11.76	11.18
Manpower per 1000 line (including mobile)	-	-	8.38	5.05	3.61
Working man power	4687	4772	5709	5717	5699

Technical	2001/02	2002/03	2003/04	2004/05	2005/06
Complaints per 100 Line	7.34	7.69	7.2	6.86	8.02
Installed telephone exchanges	151	171	204	225	231
Districts having exchanges	66	67	71	72	72
Installed telephone lines	389400	445537	552057	602252	656070
Distributed telephone lines	327673	371816	453475	485997	509873
Waiters	317293	319514	314406	316546	
International circuits in operation	1100	1306	2606	3140	3423
Mobile Subscribers	21881	50367	227316	622737	909483
CDMA Subscribers	-	-	-	23579	161155
MARTS Subscribers	2958	3001	2659	2322	2014
Telephone Penetration (PSTN)	1.40%	1.80%	1.79	1.88%	1.93%
Telephone Penetration(Overall)	-	-	2.69%	4.4%	7.77%

Financial	2001/02	2002/03	2003/04	2004/05	2005/06
Operating Revenue (in Million Rs.)	6,160	7,208	8312	8584	10414
Total Assets (in Million Rs.)	25281	29893	33221	35572	39351
Return on Investment	14%	16%	15%	18%	19%
Increase in Net Profit	6%	34.8%	(5)	24%	24%
Revenue Contribution - National	63%	62%	68%	66%	67%
Revenue Contribution - International	37%	38%	32%	34%	33%

Source Wise Revenue Composition of Nepal Telecom (FY. 2005 / 06)



Source Wise Revenue Composition of Nepal Telecom (FY. 2005/06)

Financial Highlights

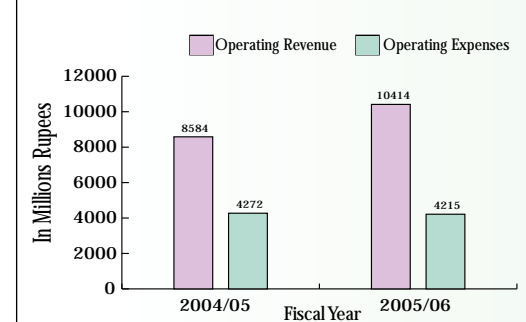
For the year ended in mid July 2004, 2005 and 2006

	2003-04	2004-05	2005-06	
Operating Revenue	8312	8584	10414	In Million of Rs
Non -Operating Revenue	543	610	645	
Net Profit before Tax	4551	4922	6844	
Net Profit Available for Appropriation	2524	3701	4593	
Net Current Assets	7584	5876	6861	
Net Fixed Assets	8094	9040	10088	
Long-term Debts	11	24	0	
Total Equity, Reserve & Surplus	20580	20826	23686	
Operating Profit Ratio	55%	57%	66%	
Net Profit Ratio	34%	40%	42%	
Operating Revenue/DEL	14192	12268	8972	Rs
Operating Expenses/DEL	7345	6107	3632	
Current Ratio	1.60	1.40	1.44	
Debt / Equity Ratio	0.001	0.001	-	
Debt service Coverage Ratio	17.72	395.83	231.57	
Return on Investment	15%	18%	19%	

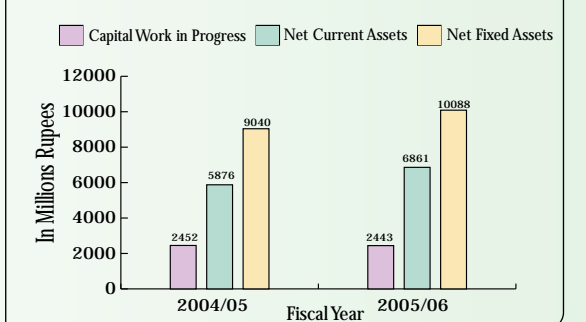
Debt Collection

	2003-04	2004-05	2005-06	
Including inter-administration	160	147	127	In days
Excluding Inter-administration	102	102	95	

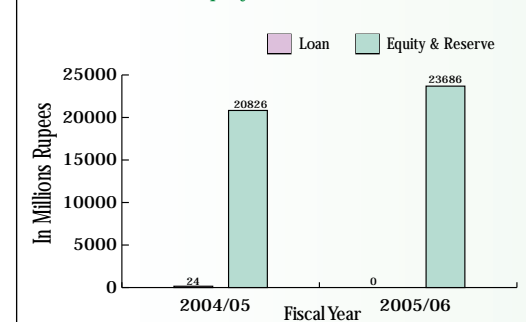
Operating Revenue and Operating Expenses



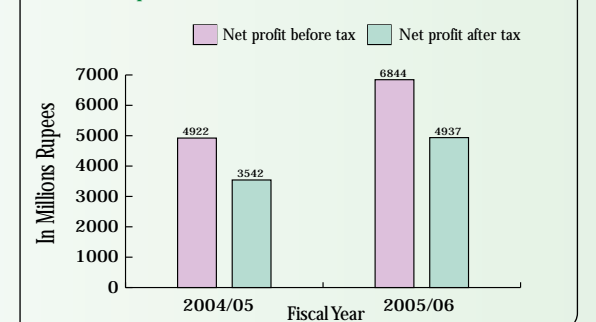
Total fixed & Current Assets



Equity & Borrowed Fund



Net profit before tax & Net Profit after tax



Note: Currency in Graph are in Millions of Nepali Rs.

GSM GPRS

To serve its valued customers with the latest technologies in its services, NT introduced General Packet Radio Service (GPRS) to its postpaid mobile users from 15th Falgun 2063. Initially the service was started in Kathmandu valley, Banepa, Dhulikhel and Panauti. Using GPRS service, postpaid mobile users can access the internet, emails, TV and send & receive multimedia messages online on their mobile sets, whenever they want it, no matter where they are. The tariff for GPRS service includes an initial one time activation charge of Rs. 100, monthly rental of Rs. 600 for unlimited data access and a charge of Rs 4 per multimedia message.



CRBT Caller Ring Back Tone



Catering to the growing public demand for new mobile services, NT introduced Caller Ring Back Tone (CRBT) service for its postpaid and prepaid mobile users of Kathmandu valley from 15th Falgun 2063.

CRBT is set on the mobile number of the called subscriber. When there is an incoming call, a piece of music, advertisement or message preset by the called subscriber will be played to the calling party before the called party picks up the phone, i.e. the caller hears the caller ring back tone set in the system by the called party, instead of the previously monotonous "dudu" sound.

Registration of CRBT service can be done through NT's website, through IVR service dialing 1609 or by sending SMS to 1455. All the information regarding the registration process is available in Nepal Telecom's Home page www.ntc.net.np

The registration of CRBT service is completely free. Favourite hit songs

or music clips can be purchased and downloaded online from the web at the rate of Rs. 10 per song/music clip and the validity period of each song or music clip is 15 days from the date of purchase. Registration from the web is very easy and it provides lots of options for the users to personalize their CRBT account. One can also purchase and gift ring back tones to their near and dear ones. Information about the songs such as artist name, song category and price of the song can be viewed on the web or can be requested through IVR or SMS. Call rate is Rs. 5 per minute while using IVR service for registration or downloading the songs and Rs 1 per SMS.

Currently two operators namely Honey Enterprises and Music Nepal are providing caller ring back tones for Nepal Telecom GSM mobile users under contract on revenue sharing basis.

To date there are currently about 140,000 subscribers of CRBT service.

GSM Electronic Recharge Service



After the successful commercial launch of GSM NAMASTE prepaid mobile service, the demand for recharging these prepaid mobile phone accounts also became very high. Previously recharging was done merely by recharge cards. But now NT has facilitated its valued subscribers by opening various new options for recharging their prepaid mobile phone accounts, such as recharging through ATM Booths, the Internet, Point of Sales, etc.

Using the ATM Booth option, NAMASTE Mobile users holding Nepal Investment Bank ATM cards can now recharge their mobiles using NT's Electronic Recharge Card Service. Similarly, NIB ATM card holders can now retrieve the mobile Recharge PIN Code worth Rs. 200, Rs 500 or Rs. 1000 from their nearest ATM booths.

Using the Internet, NIB also offers buying of recharge card number online. If a subscriber of NT has a NIB bank account with Internet banking facility, he or she can login from the NIB bank website and purchase recharge cards of standard denominations offered by NT, such as Rs 100, 200, 500 and 1000.

Point Of Sales recharge option requires a special POS machine which is GPRS enabled or CDMA data service enabled. The Recharge retailer should have the POS machine with username and password to access the service provider's server through the Internet. The access to the internet is available from the POS machine and hence there is no need to have a separate computer to access the internet. The retailer collects cash from NT customer and after entering a valid username and password requests the POS machine to print the recharge card number, as per the amount received from the customer.

Using the above mentioned options, the service provider can only sell recharge card coupons of standard denominations. In the near future, NT is planning to operate USSD gateway service provider, which will allow retailers of NT to sell recharge card coupons of any denomination, i.e. even of Rs 10 or Rs12 etc.

International Roaming Service

International Roaming Service is one of the added features of GSM technology which enables a subscriber to roam around the world with a single subscription in the Home Public Mobile Network (HPMN). NT started this service from 2001 and currently NT has agreements with 136 partners in 41 countries for international roaming service and about 20 partners in 15 countries are in queue for new agreements.

NT has 116 inbound roaming partners (i.e., subscribers from 116 networks from different countries can roam in Nepal). Out of these 116 partners, NT has bilateral roaming with 73 partners (i.e., subscribers from NT can roam into 73 different networks outside Nepal). In future, all the inbound roaming partners will be converted into bilateral roaming partners extending coverage throughout the world.



GSM Mobile Network Expansion



NT started GSM cellular Mobile Service in the year 1999. Since then the service has been expanded to various cities throughout the country. A total of 253 BTSs have been installed in the Kathmandu Valley and 317 BTSs in Biratnagar, Birgunj, Bhairahawa, Nepalgunj, Dhangadi and Pokhara region to expand its network. At present, NT has a total of 12,19,000 mobile subscribers in the country and its demand has been growing tremendously since the past few years.

In the current 11th Plan, NT intends to expand the existing GSM network by adding another 3.5 millions subscriber lines to make the GSM penetration from the current 2.7% to 16% with the population coverage of about 45%. The project has been divided into three different regions namely; Network I, Network II and Network III and shall be implemented fully on turn-key basis. Network II shall cover three development regions i.e. the Western Development Region (WDR), Mid-Western Development Region (MWDR) and Far-Western Development Region (FWDR) whereas Network III shall cover Eastern Development Region (EDR). Each network shall cover the district headquarters, major towns, commercial centers and highways within the respective development regions. The remaining parts of the country, i.e. the Central Development Region shall be covered by Network I, with the existing network elements and new expansions. The expansion project has a provision of 5% WCDMA services as per 3GPP standards.



Online Registration for GSM Prepaid Service

To ease and facilitate its valued customers, this year NT introduced on-line registration applications for GSM NAMASTE Pre-paid mobile lines. On successful registration, a slip appears on the screen with details of registration. The subscribers are required to submit the slip or give details printed on the slip when the Pre-paid mobile lines are issued, after notice for the same is published on the daily newspapers. Normal registration forms can be submitted at the concerned Telecom offices also, as done previously for applying for the service.



PSTN VMS

PSTN VMS service was put into operation on 3rd Jestha, 2063 (17th May, 2006). The current system capacity is 2 Lakhs and its final capacity is 5 Lakhs subscribers. The system has been extended all over the country.

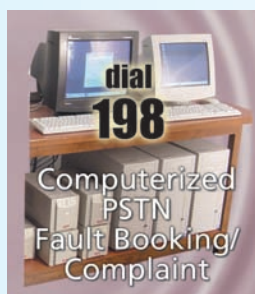
Available services in PSTN VMS system

- Voicemail Service
- Fax mail service
- Voice/Fax mail service
- Notice Board service

NT plans to distribute Notice Board service in the near future for the following services:

- Foreign Exchange Rates updates
- Daily gold/silver price updates
- Daily weather updates
- Flight schedules/updates for airlines
- Daily Stock exchange price updates
- Daily wholesale prices of vegetables and fruits
- Recorded News of FM and radio stations
- Recorded Programs of FM, TV stations
- Currently Running picture updates for cinema halls
- Similar type of offices can use it for their business and public services

Notice message can be heard by dialing special access codes.



PSTN fault complaint registration "198 Service"

To provide good quality service to its valued customers, NT introduced automatic PSTN fault complaint registration "198 IVR Service", in September 2006. Customers just have to dial 198 and follow the voice prompt instructions to register the fault complaint of their PSTN fixed phone line. The complain is then immediately dispatched to the fault recovery team using Automatic Fault Retrieval & Handling Service "192 IVR Service". Both of these services do not require any human operator, hence giving 24 hours' service, 7 days a week, free of charge.

NT's 188 IVR Service

In December 2007, NT introduced "VOIP call Complain" (188) Service allowing our valued customers to complain about telephone numbers used for illegal services for incoming and outgoing International calls. NT requests the general public to register complaints dialing 188 when telephone number of Nepal is displayed on the Caller ID of their telephone sets when receiving an international call from abroad, from 10:00 am to 6:00 pm. Based on these complaints NT can curb people who are causing huge revenue loss to NT as well as the Government of Nepal. The service is free of charge.

Result Query through NT's various services

Since the past four years, NT has been publishing SLC results ONLINE on its website www.ntc.net.np. Such results can also be queried from NT's PSTN or mobile set through IVR service just by dialing 1600. From 2063 this service has been extended to 10 + 2 Results as well with the dialing number 1601. The results' query service is also available through NT's mobile SMS service, by sending SMS to 1400. Also now you can query results online with the mark sheet as well.



Blue Phone

International Credit Card

From April 2007 NT has started international credit card call facility in a joint venture with BBG Holdings Limited. The target customers of this "BluePhone" service are the foreign travelers. The instructions for making such call are available in a number of international languages and are provided near the terminals.

It is possible to make international calls via this service to all countries of the world by using international credit cards (like VISA, MasterCard, etc.). At present, there are 6 terminals inside the Tribhuvan International Airport (TIA) and one terminal in the Domestic Airport in Kathmandu.

Advanced FreePhone Service (AFS) gaining popularity

Nepal Telecom's Advanced FreePhone (Toll-Free) Service is gaining major popularity these days. Though initially for the first time in NT's history, NT had to resort to door to door marketing for the service, now its subscription rate is gaining the tempo and as a result in the past one year only, its subscribers have more than doubled in number (increased from 22 to 54). It has been a major requirement especially for the money transfer businesses, which is thriving throughout the country. Other business sectors like manpower/education consultancies, large business houses and organizations, banks, airlines, FM stations, Media publications, etc as well as social organizations are also among the other popular subscribers of this service.



EasyCall Prepaid Calling Cards

Expansion of Prepaid Calling Card (EasyCall) Service

With the increase in the popularity of Prepaid Calling Cards and its growing demands, a Contract was signed for additional 200,000 Activation License Capacity (with generation license capacity 5 times that of activation license capacity) for PCC service and addition of 20 CAPS in system on 31st July 2007 (Shrawan 15, 2064). Implementation of addition of 200,000 PCC Service Activation License Capacity (with generation license capacity 5 times that of activation license capacity) was done on 14th August 2007 (Shrawan 29, 2064). Likewise, implementation of addition of 20 CAPS in system was carried out on 16th August 2007 (Shrawan 31, 2064).

NT Introduces cheap calls to USA and Canada

NT introduced a new scheme for calling USA and Canada at extremely cheap rates @ Rs 8 per minute using Prepaid Calling Cards (EasyCall) starting from 1st Ashoj 2064 (18th September 2007). A new access code 1424 for introduced for this scheme with a pulse rate of Rs 1/7.5 seconds' pulse.

The scheme has proved to be very popular and its call volume is increasing rapidly. As a matter of fact the number of calls nearly doubled in the second month of its launching. Moreover, the scheme has not affected the traffic volume of calls to USA and Canada through Budget Calls (using international access code 1425 and 1445) and ISD Calls (using international access code 00). It has indeed generated additional 75% call traffic to USA and Canada through EasyCall cards.

NT is planning to extend such cheap rate calls to other countries apart from USA and Canada in the near future.

Internet Services and Data Network

In order to meet the ever increasing demand of Internet bandwidth, Nepal Telecom is expanding its Internet Gateway Backbone link by connecting with Bharti Airtel via Bhairahawa. Initially 16 Mbps link has been provisioned which will be upgraded to STM-1 by the end of this fiscal year. In addition, process has been initiated for provisioning of one more STM-1 link by the end of this fiscal year.

At present, there are about 90 leased line connections that use up about 44 Mbps of bandwidth. It is expected that this leased bandwidth will reach 140 Mbps by the end of this fiscal year. Moreover, NT has more than 14,000 dial-up customers. In order to enhance the Internet system, a new tender for Internet Billing System has already been floated which will take care of the billing needs of all the services related to Internet services.





SMSVAS system

In its continuous effort to provide latest value added services to its customers, NT has launched mobile to mobile SMSVAS for GSM mobile users. At present, SMSVAS provides

- informational services such as daily horoscopes, news updates (breaking news, national, International news), weather forecasts, etc
- Entertainment Services such as SMS contests, SMS chats, SMS polls, Event based SMS polls, Birthday alerts, etc
- Promotional & Broadcast Services such as product and service promotion broadcasts, product and service promotion contests.
- SMS banking such as balance enquiry, transaction alert, transaction enquiry, etc.
- Customization Services such as ring tones, Logos.

Using SMSVAS system, users can send text messages to the assigned short message number to access and subscribe various Value Added Services. The system also provides interactive SMS queries. In future, the system will provide more Information and entertainment based Services such as telephone directory, mobile directory, calendar services,

sports, foreign currency exchange rates, song dedication on radio /TV channels, games, etc.

Charges of these value added services are different for different services provided by various content providers, based upon the contract made between the content provider and NT on revenue sharing basis. Some of these services such as banking services are non revenue sharing based services. Interface from content provider to NT SMSC is IP based and interface from SMSC to customers is SS7 based.

SMS Salary alerts issued for MSD employees, as their salary is deposited in the bank is another example of SMSVAS which has been successfully tested.

Using the SMSVAS system, for the first time, NT introduced fund raising program for the flood victims via SMS to 1410 and 1450. By introducing such a scheme, even meager contributions of Rs 10 and Rs 50 was thus made possible by sending SMS to 1410 and 1450 respectively. The program was very much successful and Nepal Telecom collected a fund amounting to Rs 7,35,768 which was deposited in the prime minister's relief fund account for the flood victims on 2064-06-09

Telecom Training Centre Activities

Telecom Training Centre was established in the year 2033 B.S with the joint effort of International Telecommunication Union and NT. Ever since, TTC has been conducting regular Technical and Management trainings for new recruits and working employees to enhance the service quality of NT. Since trainings are an important part of every institution, every employee has been trained regularly to update their skills and knowledge in order to strengthen NT in this competitive environment.

With the transformation from a corporation to a company, the need for transformation in the attitude of NT's workforce towards work in office and at home is highly crucial. Keeping this in mind, Telecom Training Center conducted special trainings on "Seven Habits of the Highly Effective People" for NT's senior management officers. Altogether 241 NT staffs were trained in 8 batches. The training offered learning solutions to assist professionals and organizations in achieving sustained superior performance through individual and group effectiveness,

building leadership capabilities and the ability to evaluate and execute more important matters first. The training reveals a step by step framework for living and working on the basis of fundamental principles or natural laws, which gives security to adapt to change and induces wisdom & power to take advantage of the opportunities that change creates.



Trainings on "Seven Habits of the Highly Effective People"

Next Generation Network

As per the framework of the currently running 11th Plan, NT plans to increase its basic telephony penetration by around 4% and to provide broadband services in the form of High Speed Internet (HSI). The first three years of the 11th Plan covers the implementation of Next Generation Network (NGN) to expand around 500K voice and 125K DSL lines and deploy various access nodes throughout the country.

At present, NT is providing voice services via PSTN, CDMA and GSM technologies to its fixed and mobile subscribers. It has been providing other Value Added Services (VAS) like Voice Mail (VMS) service, Interactive Voice Response (IVR) service and Intelligent Network (IN) services such as Prepaid-Calling-Card (PCC) service, Advanced-Freephone (AFS) service, PSTN-Credit-Limit (PCL) service, Home-Country-Direct (HCD) service. In addition, NT also provides internet service to its fixed/mobile subscribers and data services to corporate customers via leased lines. For voice and data services, NT is using separate transport networks like TDM transport and Packet switched transport network, which is not cost effective from CAPEX and OPEX point of view.

Recently, NGN has emerged as an alternative technology for replacing Public Switched Telephone Network. Deployment of NGN will provide unified resources for voice and multi-media communications. Basic components of NGN are Soft-switch, Media Gateways, Signaling Gateways, Core routers and LAN Switches. NGN technology is based on packet switched transport network and employs the concept of "Open Architecture" by the use of IP technology. NT's highly reliable and resilient IP Backbone network will play a vital role for providing connectivity between all network elements of NGN across the country.

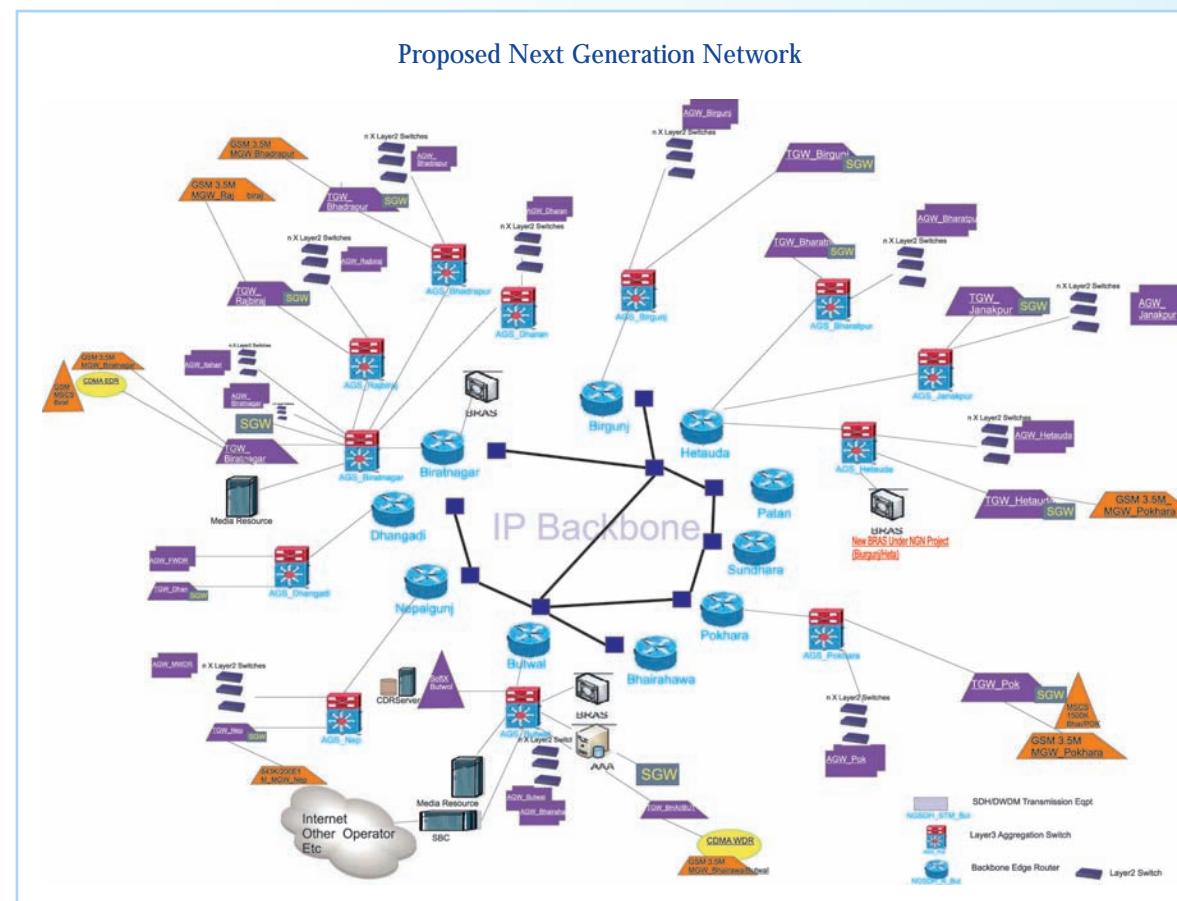
As such, for transport medium/backbone, NG-SDH has already been deployed outside Kathmandu Valley and the IP core backbone is being designed for Kathmandu valley.

For NGN deployment, customers' telephone devices will be physically connected to the multi-service access node called Access Gateway (AG) that will be installed at different appropriate locations. The AG is a kind of media gateway that provides multi-service capability to customers and supports Voice, DSL, fax, data services and high bandwidth video streams over IP. The PSTN and GSM network or other operators with TDM (circuit switched) technology will be connected to NGN Trunk gateway and Signaling gateway via N7-signaling.

In order to enhance its customer care services, NT plans to implement a new convergent system for billing and customer care. The new billing system will have integrated common platform for pre-paid and post-paid subscribers and billing will be done on real time basis. Besides, the new network will have various facilities like Customer Self-Care service via the web and via IVR.

Benefits of NGN technology:

- common network for "transport" and "access" of voice/data/video
- open architecture to expand various components
- convenient and easy addition of third party enhanced/supplementary services in the application layer
- single access network equipment for Voice, Data and Video services





Implementation of Digital Circuit Multiplication Equipment

NT intends to implement Digital Circuit Multiplication Equipment (DCME) as a step forward in the expansion of its domestic trunk capacity. This will help in providing backups for the optical/terrestrial links, whenever they fail.

Presently DCME from Memotec, Canada having compression ratio of 16:1 are in operation for Kathmandu-Nepalgunj, Kathmandu -Dhangadhi and Kathmandu -Biratnagar sectors on 2MB satellite links and Kathmandu -Bhairahawa sector on 1MB satellite link.

In the second phase, NT plans to install DCME from Veraz (Israel) having compression ratio of 16:1 for expansion of its domestic trunk capacity. NT plans to use both of its satellite and radio links. At first Kathmandu will be connected with Bhairahawa, Biratnagar and Nepalgunj with 2 MB satellite links giving priority to E1s serving NT's mobile services. Then all five directorates will be connected with the rural northern stations via radio links, according to E1 requirements in those locations.

Silver Jubilee of Sagarmatha Satellite Earth Station

The challenging geographic topography of the country has added increased importance to satellite technology in communications. NT (then Nepal Telecommunication Corporation) had established Sagarmatha Satellite Earth Station in 1982 with only six SCPC channels for international communication and this year it is celebrating 25 years' of its establishment.

As of today this station is operating more than 3,000 direct circuits for international telephony, data services and video news service. In addition, VSAT services to more than 300 remote locations of the country and satellite links to major cities for national trunk service are in operation. The Regional Satellite Trunk (RSAT) System was implemented in the year 2000 and the District Satellite Trunk (DSAT) is currently in implementation phase. The DSAT is intended for providing satellite connectivity to various district headquarters and remote locations for extension of GSM and CDMA mobile services.

All the efforts in its 25 years of service to the nation has enhanced good quality telecommunications service to our valued customers of domestic and International sectors.



Sagarmatha Earth Station, Balambu

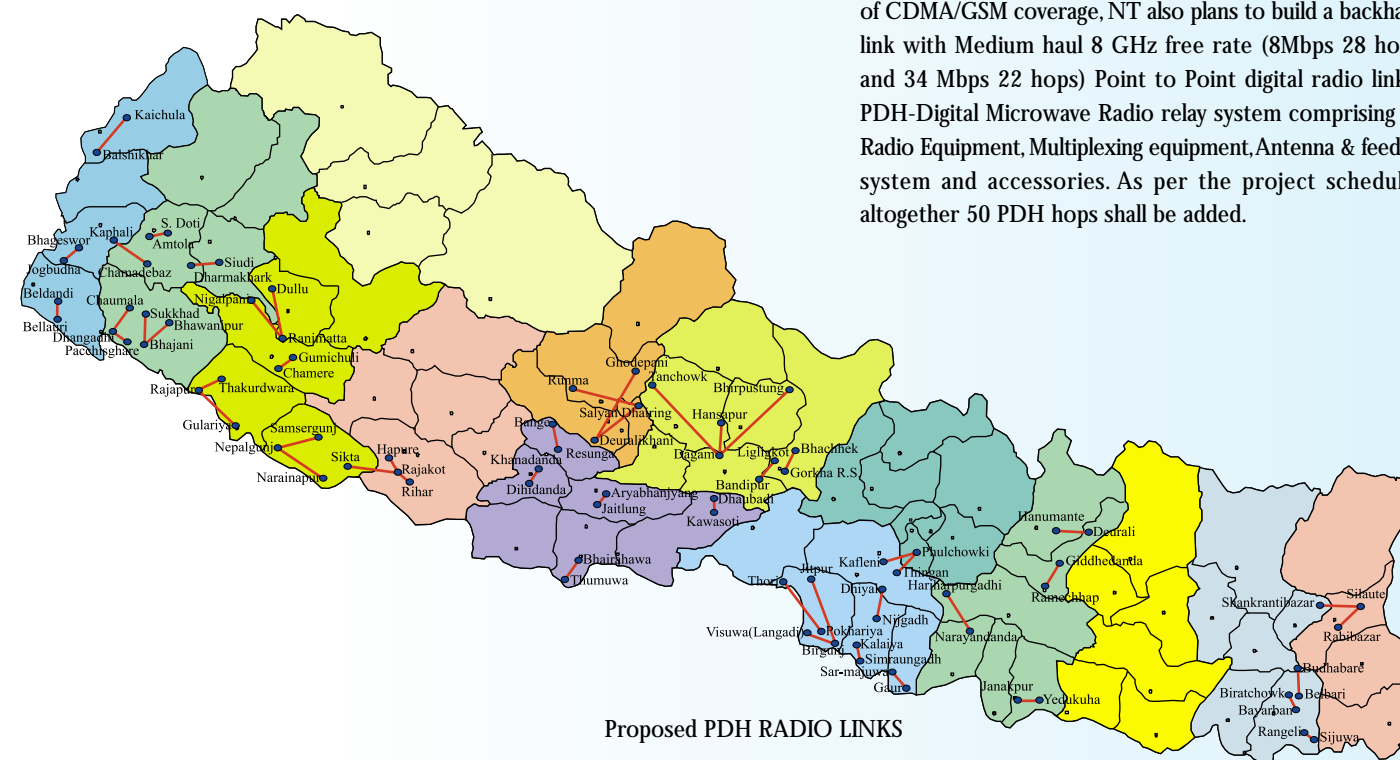
Extension of Ku-Band VSAT Terminals

To provide reliable telecommunications voice and data services as well as to provide CDMA/GSM backhaul links in various remote sites of Nepal, NT intends to deploy VSAT terminals in Ku-Band using satellite in IOR. The VSAT will operate in Demand Assigned mode for space segment utilization efficiency. The overall network will comprise of a minimum of 500 VSAT terminals and a Hub Station installed at the Earth Station Complex in Balambu, Kathmandu. The 500 VSAT terminals will comprise of 100 thin route terminating VSAT terminals with data rate scalable from 128 Kb/s to 2048 Kb/s for CDMA/GSM backhaul links and 400 terminals with 4-channel voice and minimum 28.8 kb/s data access in Ku band. These networks shall be operated in Demand Assigned MF-TDMA -TDM access modes. The Hub Station shall be able to handle a minimum of 2000 voice subscribers at 0.125 Erlang i.e., 250 Erlang simultaneous voice traffic, 4096 Kb/s for data and 2xSTM1 or equivalent number of E1s for CDMA/GSM backhaul links, which can be upgraded later to 500 Erlang of simultaneous voice, 8448 Kb/s for data and 4xSTM1 or equivalent number of E1s for CDMA/GSM backhaul links in the future. It is assumed that each BTS of CDMA/GSM connected via VSAT shall serve 250 subscribers with 0.05 Erlang per subscriber. Demand assignment scheme shall be able to assign traffic in constant bit rate mode, rate based dynamic assignment mode, volume based dynamic assignment mode, available volume based dynamic assignment mode and free capacity assignment mode for the subscribers.

After the completion of this project NT can provide reliable voice, data and GSM/CDMA backhaul links.

Expansion of Spur Links in Rural areas

In its continuous effort in modernizing the overall national telecommunication network structure in Nepal, NT aims to replace some of the existing rural telecommunication network which is now obsolete or existing with exhausted capacity. At the same time, to meet up with the expansion of CDMA/GSM coverage, NT also plans to build a backhaul link with Medium haul 8 GHz free rate (8Mbps 28 hops and 34 Mbps 22 hops) Point to Point digital radio links, PDH-Digital Microwave Radio relay system comprising of Radio Equipment, Multiplexing equipment, Antenna & feeder system and accessories. As per the project schedule, altogether 50 PDH hops shall be added.



Proposed PDH RADIO LINKS

SDH Microwave Backbone

Optical Fiber network has been the main source of transmission backbone along the southern region of the country. The growing demands for higher transmission backbone to provide interconnection in the hilly areas, such as the district headquarters and to the GSM/CDMA BTSs, are ever increasing. To meet this demand NT intends to implement SDH based Microwave Radio Network for Backbone along with Spur links having Ethernet feature. This network will serve as a Radio Backbone link for Western, Mid-Western and Far Western Region of the country. This network will also be used for various high traffic Spur links throughout the country. The proposed SDH STM-1 radio link which has 62 hops and operates on 1+1 to 3+1 configurations, shall be integrated into the existing SDH/PDH based network. These links shall be installed in Aitabare, Silaute, Taplejung, Bhedetar, Ganeshtar, Bhojpur, Khandabari covering the eastern part of the country whereas the western part covers Nepalgunj, Chamere, Ranimatta, Bharatalagna, Dhangadi, Buretole, Kaphali, Bittapakha, Dadeldhura and Baitadi.





CDMA 2000 1X Network Expansion

Ever since the successful launching of CDMA 2000 1X service (both Fixed and Mobile) in 2006, its popularity is rising day by day. Under the CDMA Project a total of one million lines shall be installed and divided into three Networks namely Network I, Network II and Network III. Network I shall cover the Central Development Region (CDR), Network II shall cover three regions namely; Western Development Region (WDR), Mid Western Development Region (MWDR) and Far Western Development Region (FWDR) whereas Network III shall cover the Eastern Development Region (EDR). The Project intends to expand over all the 75 District Headquarters and all of the 3914 Village Development Committees (VDCs).

Within 2 years of its operation, the total number of CDMA subscribers has reached 300K. To date, CDMA service has covered 71 out of 75 districts and 2006 VDCs out of 3914 VDCs in Nepal. NT has already installed around 250 BTS all over Nepal for the CDMA network coverage.

Nepal Telecom is providing four types of CDMA services to subscribers:

- C-PHONE Post-Paid
- C-PHONE Pre-Paid
- SKYPHONE Pre-Paid - Mobile Service
- SKYDATA Pre-Paid - Only Data Service

C-PHONE Post-Paid was the first CDMA service introduced to provide Basic Telephone Service as a substitute for PSTN. C-PHONE Post-Paid service is available in 40 Districts.



C-PHONE Pre-Paid was introduced to provide quick and easy distribution of the Basic Telephone Service to customers even in remote hilly areas. The Pre-Paid service users do not have to pay monthly rental and the Pre-paid account can be recharged through recharge Cards.

SKYDATA Pre-Paid service was introduced in order to serve only data subscribers, especially the laptop users. SKY PHONE is the service which Nepal Telecom introduced in 2006 as a Limited Mobile service in the Kathmandu valley. The major achievement of year 2007 is the conversion of the limited mobile service to the full mobility service nationwide. NT has distributed this SKY PHONE mobile service in 13 out of 14 zones within a year of receiving license for full mobility service. Another service which will be commercialized within a couple of months' time is the SKYPHONE full mobility service in postpaid mode.

Another big achievement is the installation of a SMSC gateway bridging the GSM and CDMA network which shall definitely boost the regular earned revenue through the P2P (including international SMS) and SMS based Mobile Value Added services.

The benefits of CDMA services has empowered all sectors of the economy through improved access to telecommunication facilities as well as improved service quality. The focus on rural development and use of ICT (Information and Communication Technology) in poverty alleviation program is considered as an important part of the overall ICT development program in the country. It is believed that the use of Internet and email will not only empower the rural population to enlarge their choices and opportunities, but also help them in instant information delivery, distant education and other administrative and/or business activities. Apart from ICT activities, telecommunication services in rural areas provides a partial substitute for physical transportation, which is especially valuable in a country like Nepal having difficult topography. CDMA services have widened the reach of emergency and other government services and helped tremendously to uplift the quality of life. The CDMA Project is therefore giving substantial impetus to the overall development of the rural sector of Nepal.

Expansion of Optical Fiber Network

In its continued effort to complete the laying of optical fiber in the remaining East-West Highway, the optical network had been extended from Lamahi to Tulsipur of route distance 50 km and Lamahi to Kohalpur of route distance 110 km section. Two HDPE Duct of 40/33 mm size have been installed along the highway and the optical fiber cable of 24F core has been installed in one duct and the other one is spared for future use.

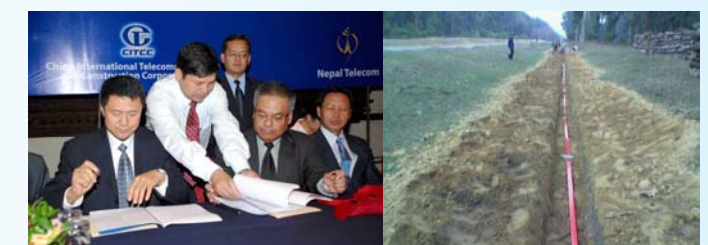
Four stations along the Lamahi-Tulsipur section namely Lamahi, Ghorahi, Narayanpur and Tulsipur and five stations along Lamahi-Kohalpur section namely Lamahi, Rihar, Kusum, Samsargunj and Kohalpur have been completed. The link capacity of Lamahi-Kohalpur section is of 140Mb/s of Nokia PDH (64E1 plus 4E1 Auxiliary) and that of Lamahi-Tulsipur section is STM -1 (63E1) of Siemens.

At the same time NT has leased Optical Ground Wire (OPGW) with Nepal Electricity Authority between Patan - Marshyangdi - Damauli - Pokhara - Kali Gandaki - Butwal which has been connected to NT's optical network from Butwal - Bharatpur - Hetauda and from Hetauda - Patan again on OPGW. With the implementation of this system, NT has built a self-healing ring of STM-64 capacity, providing reliable network.

Recently, optical fiber ring in Pokhara valley has been planned and the installation work is in progress. Optical network will connect Ranipauwa, Mahendra pool, Rambazzar, Lamachaur, Pardi, Lehknath and Sisuwa. At these stations, Nokia PDH 140Mb/s will be installed which shall be relocated from Kathmandu. Similarly, a contract has been signed on 23rd September 2007 between Nepal Telecom and CITCC, China to

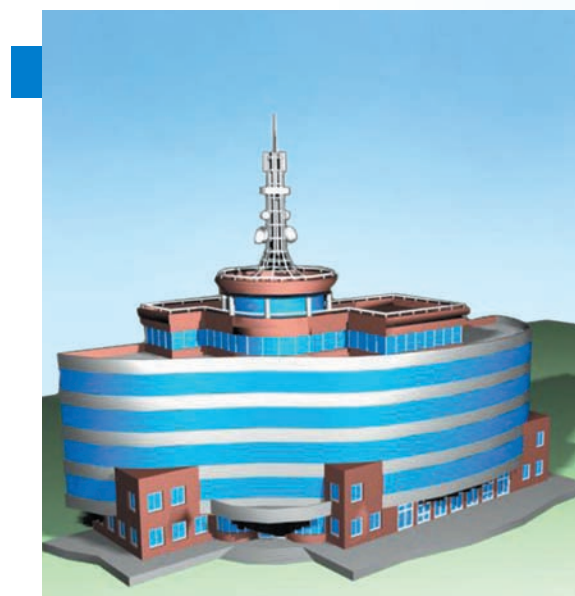
lay Optical Fiber Cable and SDH Equipment along the Arkino Highway which is under the grant assistance provided by the Government of PR China. The project shall be completed within nine months from the date of contract signing. CITCC, China has started the project work. HDPE ducts and accessories have been delivered to sites at Lamosangu and Nalinchowk and further other equipment are in process for delivery.

The project consists of laying OFC cables in a route distance of 115 km from Sundhara to Friendship Bridge, Tatopani. Two HDPE Duct of 40/33 mm size shall be installed along the highway and the optical fiber cable of 36F core shall be installed in one duct and the other one shall be used as a spare in future.



Contract signing for optical fiber cable link

The network is designed for 16 stations along the highway, out of which five stations namely Sundhara, TTC, Koteswor, Banepa and Lamosang are STM-16 backbone links; two stations namely Thimi, Bhaktapur are STM-4 links and nine stations namely Nalinchowk, Sanga, Dhulikhel, Tiniple, Lamidanda, Dolalghat, Balephi, Barhabise and Tatopani are STM-1 spur links.



Model of proposed New KRD Building

Government divesting shares of NT

In an attempt to privatize the hundred percent state owned NT, the incumbent and leading telecom operator in Nepal, the government has decided to offload its holding in NT by providing 5 % of total shares to employees of NT and 10 % of total shares to general public. Currently paid up capital of NT is Nepalese Rupees 15 Billion (150,000,000 number of ordinary shares @ Rs. 100 per share). As decided by Nepal Government, 5 % of total shares i.e. 7,500,000 number of shares would be distributed to employees at a discounted rate of Rs.90 per share. Regarding sale of shares to general public, minimum price of each share is fixed at Rs. 600 for public bidding. An individual or organization is allowed to buy minimum 100 shares and maximum 5000 shares. As per Nepal Government decision, these shares will be allotted to applicants who quote the highest price (Higher bidder winning more shares). After these arrangements, NT will have employees as well as general public participation in its ownership structure. Hopefully, participation of employees and general public in company's ownership would strengthen its mission of remaining leading telecom operator in Nepal.

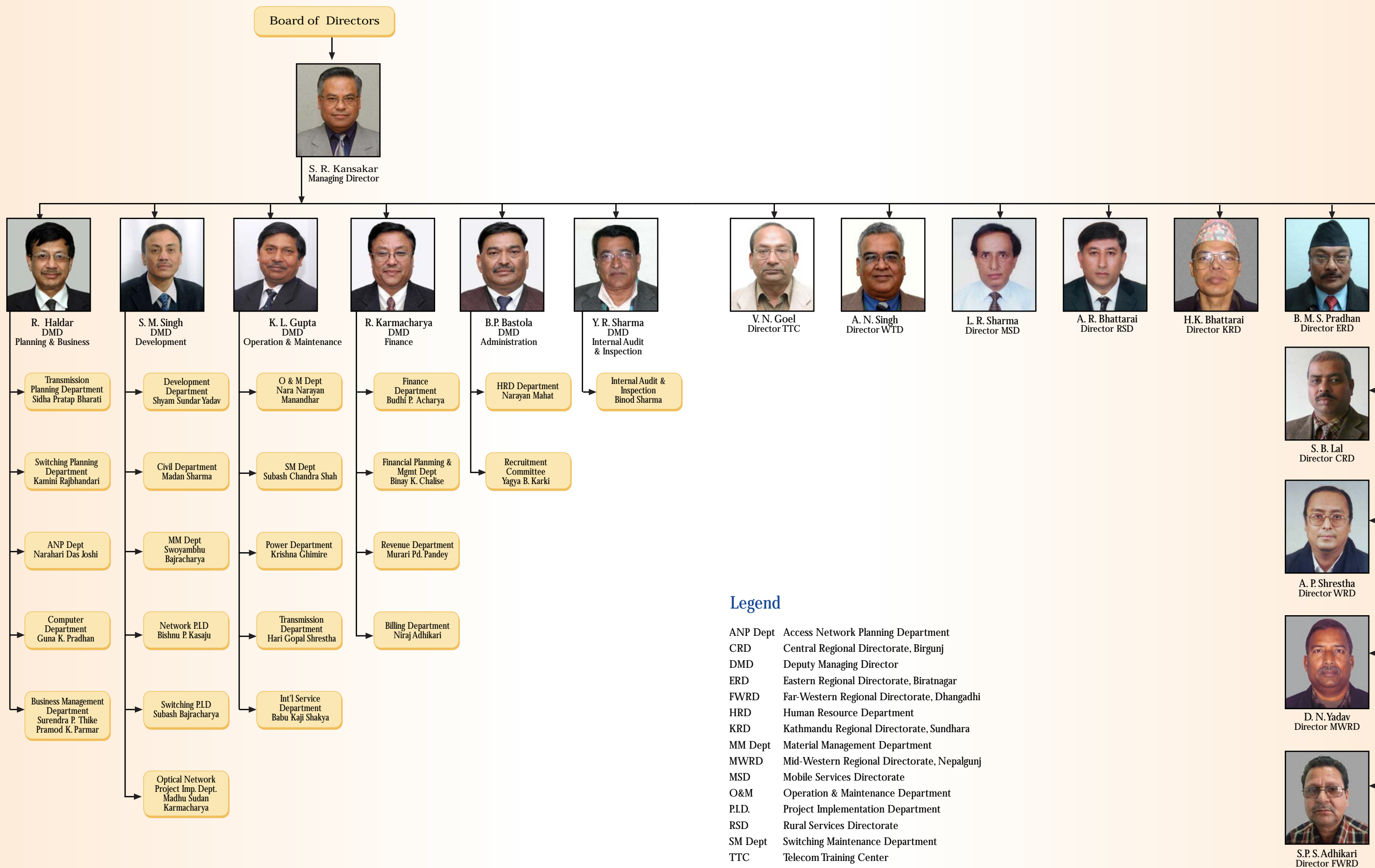


Construction of New Telecom Building in Sundhara

Nepal Telecom is constructing a new Technical cum Administrative Complex spanning 58,000 square feet in Sundhara, at the site where old office buildings of Kathmandu Regional Directorate and Telecom Office Sundhara existed previously. The contract for the construction was made on 14th January 2007 with the target of completing the Complex within a period of two years. The six floor building complex shall accommodate exchange rooms for 50,000 telephone lines including 16 cash counters, 6 ledger counters, 4 sales counters for offices of Kathmandu Regional Directorate and Telecom office Sundhara. The construction part shall be carried out by United Builders, Danphe Construction Company and Shyam Sunder Construction Service Pvt. Ltd., whereas the designing and supervision part shall be carried out by Multi Disciplinary Consultants Pvt. Ltd. While the building complex is under construction the office of Kathmandu Regional Directorate has been shifted to Central Telegraph Office building at Tripureswor and the office of Telecom Office Sundhara has been shifted to Telecom office in Teku temporarily.



Organization Chart



Legend

- ANP Dept Access Network Planning Department
- CRD Central Regional Directorate, Birgunj
- DMD Deputy Managing Director
- ERD Eastern Regional Directorate, Biratnagar
- FWRD Far-Western Regional Directorate, Dhangadhi
- HRD Human Resource Department
- KRD Kathmandu Regional Directorate, Sundhara
- MM Dept Material Management Department
- MWRD Mid-Western Regional Directorate, Nepalgunj
- MSD Mobile Services Directorate
- O&M Operation & Maintenance Department
- P.I.D. Project Implementation Department
- RSD Rural Services Directorate
- SM Dept Switching Maintenance Department
- TTC Telecom Training Center
- WRD Western Regional Directorate, Bhairahawa
- WTD Wireless Telephone Directorate



ADSL system equipment



Training closing ceremony "The 7 Habits of Highly Effective People"



ONU System



Mr. Y.R. Pandey, Secretary of MoIC and Chairman of NT at progress review



DMD (O&M) with staffs of Mid Western Regional Directorate Office, Nepalgunj



Nagarkot Repeater Station



GSM BTS installation at Jomsom

Financial Section



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Balance Sheet of last five years

(In thousand of Nepalese Rupees)

	2001/02 (2058/59)	2002/03 (2059/60)	2003/04 (July 17,2003 to April 12,2004) (Nine Months) (2060 chaitra)	2003/04 (April 13,2004 to July16,2004) (Three Months) (2061 Ashadh)	2004/005 (2061/62)	2005/006 (2062/63)
Assets						
Fixed Assets	6,840,397.00	7,607,614.00	7,664,206.00	8,094,882.00	9,040,917.00	10,088,427.00
Land	114,696.00	135,051.00	172,460.00	172,460.00	183,363.00	191,730.00
Building	466,308.00	493,386.00	496,445.00	570,385.00	593,197.00	629,614.00
Plant & Machinery	6,049,319.00	6,742,854.00	6,742,520.00	7,079,904.00	7,966,490.00	8,924,110.00
Heating & Lighting	47,889.00	38,136.00	32,675.00	49,529.00	46,008.00	55,327.00
Furniture	12,090.00	9,751.00	9,463.00	10,020.00	13,997.00	16,280.00
Office Equipment	111,394.00	113,299.00	151,134.00	154,628.00	161,162.00	150,753.00
Vehicles	38,701.00	75,137.00	59,509.00	57,956.00	76,700.00	120,613.00
Capital Work-In-Progress	1,857,819.00	1,922,705.00	1,734,251.00	1,377,238.00	2,452,578.00	2,443,061.00
Work-In-Progress	134,641.00	212,069.00	283,606.00	155,005.00	275,765.00	282,228.00
Capital Stock	991,203.00	1,166,609.00	1,291,582.00	1,047,870.00	1,470,214.00	1,735,633.00
Advance, Claims etc.	731,975.00	544,027.00	159,063.00	174,363.00	706,599.00	425,200.00
Investments	1,080,816.00	1,770,166.00	2,183,883.00	3,394,558.00	3,338,734.00	4,156,948.00
Government Securities	968,543.00	1,453,202.00	1,818,478.00	1,337,475.00	1,472,500.00	232,500.00
Pension Fund	-	209,369.00	263,366.00	282,216.00	269,289.00	270,448.00
Intelsat	112,273.00	107,595.00	102,039.00	106,717.00	-	-
Fixed Deposit at Bank	-	-	-	1,668,150.00	1,596,945.00	3,654,000.00
Current Assets, Loans & Advances	15,336,626.00	18,424,147.00	20,925,639.00	20,213,763.00	20,598,353.00	22,526,522.00
Stores & Spares	483,231.00	400,784.00	301,309.00	255,250.00	309,857.00	329,315.00
Sundry Debtors	2,468,080.00	3,030,277.00	2,610,352.00	2,668,942.00	2,825,943.00	3,099,496.00
Interest Accrued on Inv.	22,389.00	29,515.00	54,963.00	47,556.00	42,098.00	39,634.00
Advances & Prepaid expenses	3,725,291.00	4,452,355.00	5,760,280.00	6,012,502.00	7,330,330.00	6,428,255.00
Advances & Loans to Employees	389,209.00	394,753.00	401,648.00	442,917.00	505,656.00	601,027.00
Inter -branch Balance.	6,287.00	8,725.00	8,400.00	5,927.00	9,968.00	7,170.00
Bank Balance	8,113,500.00	9,943,916.00	11,721,281.00	10,701,764.00	9,504,339.00	11,908,079.00
Cash Balance	128,639.00	153,822.00	67,406.00	78,905.00	70,162.00	113,546.00
Deferred Expenditure	166,166.00	168,361.00	144,808.00	140,911.00	142,190.00	136,448.00
Total	25,281,824.00	29,892,993.00	32,652,787.00	33,221,352.00	35,572,772.00	39,351,406.00
Capital & Liabilities						
Equity Capital	2,053,864.00	2,053,864.00	2,053,864.00	15,000,000.00	15,000,000.00	15,000,000.00
NG's Original Contribution	57,587.00	57,587.00	57,587.00	-	-	-
Contribution From Govt. of India	19,256.00	19,256.00	19,256.00	-	-	-
Contribution From Govt. of Japan	1,476,952.00	1,476,952.00	1,476,952.00	-	-	-
Contribution From Govt. of FRG	20,693.00	20,693.00	20,693.00	-	-	-
Contribution From Govt. of Denmark	308,723.00	308,723.00	308,723.00	-	-	-
Contribution From Govt. of Finland	163,968.00	163,968.00	163,968.00	-	-	-
Contribution From UNDP	6,685.00	6,685.00	6,685.00	-	-	-
Reserve & Surplus	14,873,550.00	17,468,002.00	18,703,236.00	5,580,387.00	5,825,855.00	8,686,027.00
Capital Reserve	159,077.00	160,307.00	160,449.00	160,449.00	160,448.00	83,658.00
Sinking Fund for Repayment of Loans	75,000.00	80,000.00	85,000.00	85,000.00	-	-
Retained Earning	14,639,473.00	17,227,695.00	18,457,787.00	5,334,938.00	5,665,407.00	8,602,369.00
Loans						
Loans from Govt. of Nepal Against	299,990.00	233,780.00	-	11,249.00	24,239.00	-
Belgium Loan	299,990.00	233,780.00	-	11,249.00	24,239.00	-
Danish Government	-	-	-	-	-	-
Current Liabilities	2,943,376.00	3,675,412.00	4,090,353.00	3,630,863.00	3,858,484.00	4,475,753.00
Sundry Creditors	528,442.00	730,003.00	750,067.00	684,590.00	757,212.00	806,415.00
Sundry Creditors-Interadministration	-	-	-	55,254.00	57,910.00	73,993
Interest Accrued & Due	4,413.00	10,615.00	910.00	58.00	1,227.00	-
Other Liabilities	577,156.00	682,645.00	852,923.00	318,949.00	198,830.00	389,664.00
Deposits & Advances	1,833,365.00	2,252,149.00	2,486,453.00	2,572,012.00	2,843,305.00	3,205,681.00
Provisions	5,111,044.00	6,461,935.00	7,805,334.00	8,998,853.00	10,864,194.00	11,189,626.00
Income Tax	3,340,915.00	4,390,226.00	5,434,445.00	5,846,448.00	7,225,516.00	6,798,577.00
Proposed Dividend	348,979.00	496,814.00	251,353.00	378,666.00	633,749.00	889,234.00
Pension & Gratuity	412,812.00	457,497.00	997,411.00	1,132,239.00	1,421,235.00	1,632,584.00
Accumulated Leave	113,762.00	137,265.00	139,375.00	153,505.00	156,724.00	200,693.00
Royalty	-	-	-	493,106.00	534,408.00	755,574.00
Bonus Provision	473,416.00	526,186.00	514,602.00	509,415.00	552,432.00	567,112.00
Incentive Provision	421,160.00	453,947.00	468,148.00	485,474.00	340,130.00	345,852.00
Total	25,281,824.00	29,892,993.00	32,652,787.00	33,221,352.00	35,572,772.00	39,351,406.00

Profit & Loss statement for the last five years

(In Thousand of Nepalese Rupees)

	2001/02 (2058/59)	2002/03 (2059/60)	2003/04 (July 17,2003 to April 12,2004) (Nine Months) (2060 chaitra)	2003/04 (April 13,2004 to July16,2004) (Three Months) (2061 Ashadh)	2004/005 (2061/62)	2005/006 (2062/63)
Income						
Operating	6,159,520.00	7,208,087.00	6,070,423.00	2,241,821.00	8,584,144.00	10,413,655
Local Telephone	1,533,157.00	1,876,737.00	1,535,254.00	576,011.00	2,320,197.00	2,653,070.00
Domestic Trunk Telephone	1,535,094.00	1,452,860.00	1,155,577.00	448,481.00	1,658,631.00	1,762,366.00
International Telephone	2,278,136.00	2,732,728.00	2,026,662.00	654,466.00	2,920,846.00	3,377,943.00
Domestic Telegraph	768.00	231.00	209.00	74.00	260.00	103.00
International Telegraph	950.00	754.00	592.00	53.00	477.00	143.00
International Telex	14,597.00	10,446.00	5,098.00	2,747.00	7,115.00	4,225.00
Leased Circuits	30,395.00	15,628.00	15,012.00	12,060.00	961.00	24,872.00
Telefax	60.00	117.00	73.00	42.00	59.00	438.00
Mobile & Internet	428,558.00	719,164.00	1,111,826.00	463,843.00	1,323,088.00	2,163,305.00
Interconnection	-	-	12,827.00	3,700.00	4,729.00	(15,278.00)
PCC Card	-	-	-	134.00	41,053.00	89,745.00
CDMA	-	-	-	-	-	86,354.00
Others	337,805.00	399,422.00	207,293.00	80,210.00	306,728.00	266,369.00
Non-Operating	396,472.00	461,197.00	334,192.00	208,598.00	610,153.00	645,260.00
Interest on Bonds/T. Bills	94,819.00	110,974.00	100,733.00	30,609.00	47,026.00	21,648.00
Interest from Bank Deposits	284,559.00	308,572.00	202,035.00	129,798.00	404,584.00	56,2247.00
Interest from Pension Fund	-	4,234.00	7,145.00	19,949.00	12,218.00	12,943.00
Income from Intelsat Investment	-	-	-	-	-	-
Others	17,094.00	37,417.00	24,279.00	28,242.00	146,325.00	48,422.00
Total Income	6,555,992.00	7,669,284.00	6,404,615.00	2,450,419.00	9,194,297.00	11,058,915.00
Expenditure						
Employees Cost	664,192.00	717,408.00	607,873.00	319,381.00	1,136,819.00	1,164,811.00
Operation and Maintenance Cost	503,303.00	490,886.00	330,980.00	132,320.00	552,162.00	655,127.00
Administrative Expenses	949,569.00	874,343.00	1,068,212.00	266,737.00	408,791.00	442,821.00
Interest on Subscriber's Deposit	68,375.00	82,249.00	64,385.00	22,265.00	57,036.00	63,938.00
Interest on Loan	38,407.00	15,955.00	3,234.00	58.00	696.00	1,108.00
Depreciation	863,863.00	931,685.00	755,578.00	260,731.00	1,048,436.00	1,195,081.00
Bonus	174,982.00	180,670.00	137,038.00	46,725.00	187,999.00	195,349.00
Incentive Package	131,231.00	120,969.00	90,045.00	35,404.00	93,713.00	126,691.00
Loss(Gain) on Foreign Currency	(157,993.00)	162,000.00	251,422.00	(222,979.00)	251,124.00	(280,005.00)
Royalty	-	-	-	126,574.00	491,302.00	591,807.00
Loss on sales of Telephone & others goods	-	-	-	2,308.00	3,872.00	18,005.00
Licence fee & Deferred expenses	-	-	-	6,076.00	40,818.00	40,455.00
Total Operating Expenses	3,235,929.00	3,576,165.00	3,308,767.00	995,600.00	4,272,768.00	4,215,188.00
Net Profit before tax	3,320,063.00	4,093,119.00	3,095,848.00	1,454,819.00	4,921,529.00	6,843,727.00
Income Tax Provision	(852,133.00)	(1,005,337.00)	(848,547.00)	(412,003.00)	(1,379,068.00)	(1,907,080.00)
Net Profit after tax	2,467,930.00	3,087,782.00	2,247,301.00	1,042,816.00	3,542,461.00	4,936,647.00
Income Tax Adjustment	(161,964.00)	(6,556.00)	(256,108.00)	-	-	(344,613.00)
Prior Year(s) Adjustment inc/exp	20,563.00	55,999.00	(538,144.00)	28,576.00	158,090.00	1,269.00
Profit available for distribution	2,326,529.00	3,137,225.00	1,453,049.00	1,071,392.00	3,700,551.00	4,593,303.00
Proposed Dividend	(348,979.00)	(544,002.00)	(217,957.00)	(253,105.00)	(555,082.00)	(688,996.00)
Transfer to Sinking Fund	(5,000.00)	(5,000.00)	(5,000.00)	-	85,000.00	-
Net Profit after Dividend & S.Fund	1,972,550.00	2,588,223.00	1,230,092.00	818,287.00	3,230,469.00	3,904,307.00
Opening Balance	12,666,923.00	14,639,472.00	17,227,695.00	18,457,787.00	5,334,938.00	5,665,407.00
Capitalization of reserves	-	-	-	(12,941,136.00)	-	-
Repayment of retained earnings to Nepal Govt.	-	-	-	(1,000,000.00)	(2,900,000.00)	(1,611,651.00)
Advance Income Tax adjusted to retained earnings	-	-	-	-	-	569,834.00
Capital reserve adjusted to retained earnings	-	-	-	-	-	74,472.00
Retained Earning Trfd to Balance Sheet	14,639,473.00	17,227,695.00	18,457,787.00	5,334,938.00	5	

Balance Sheet

As at Ashadh 32, 2063 (July 16, 2006)

		As at July 16, 2006	As at July 15, 2005
SOURCES OF FUND			
Share Capital	1	15,000,000,000	15,000,000,000
Reserve and Surplus	2	8,686,026,881	5,825,855,017
Medium and Term loan			
Loan	3	-	24,238,654
TOTAL		23,686,026,881	20,850,093,671
APPLICATION OF FUND			
Fixed Assets			
Gross Block		21,412,058,749	19,168,413,096
Less : Accumulated Depreciation		11,323,632,083	10,127,495,764
Net Block	4	10,088,426,666	9,040,917,332
Capital Work-in-Progress	5	2,443,061,263	2,452,578,535
Investments	6	4,156,948,417	3,338,733,695
Current Asset			
Inventory	7	329,315,435	309,856,764
Sundry Debtors	8	3,099,495,949	2,825,943,646
Cash & Bank Balance	9	12,021,624,867	9,574,500,796
Loan, Advance & Others	10	7,076,085,955	7,888,050,916
		22,526,522,206	20,598,352,122
Less: Current Liabilities and Provisions			
Current Liabilities	11	4,475,753,082	3,858,484,025
Provisions	12	11,189,626,739	10,864,194,034
		15,665,379,821	14,722,678,059
Net Current Assets		6,861,142,385	5,875,674,063
Deferred Revenue Expenditure	13	136,448,150	142,190,046
TOTAL		23,686,026,881	20,850,093,671
Significant Accounting Policies & Notes to the Accounts	19	-	-

Profit and Loss Account

For the Year ended on Ashadh 32, 2063 (July 16, 2006)

		Year ended July 16, 2006	Year ended July 15, 2005
INCOME			
Operating Income	14	10,413,655,067	8,584,144,335
Non Operating Income	15	645,259,757	610,152,857
Total Income		11,058,914,824	9,194,297,192
EXPENDITURE			
Employees Costs	16	1,164,810,762	1,136,819,457
Operation and Maintenance Costs	17	655,127,053	552,161,528
Administrative Expenses	18	442,820,441	408,791,001
Royalty / Contribution on Rural Dev.Fund		591,807,155	491,301,830
Interest on Subscriber's Deposit		63,937,446	57,036,375
Interest on Loan		1,107,992	696,200
Depreciation		1,195,081,001	1,048,435,966
Loss/(Gain) on Foreign Exchange		(280,005,092)	251,124,356
Licence fee & Deferred expenses		40,455,397	40,817,764
Loss on sales of Telephone & others goods		18,005,179	3,872,466
Bonus		195,349,650	187,998,750
Incentive Package		126,691,023	93,712,511
Total Expenditure		4,215,188,007	4,272,768,204
Net profit before Tax		6,843,726,817	4,921,528,988
Provision for Income Tax		(1,907,079,565)	(1,379,067,662)
Net profit after tax		4,936,647,252	3,542,461,326
Balance of Profit up to July 15, 2005		5,665,406,685	5,334,938,109
Adjustment relating to earlier years Tax		(344,612,510)	-
Adjustment relating to earlier years (net)		1,268,656	158,089,940
Profit available for appropriation		10,258,710,083	9,035,489,375
Proposed Dividend		(688,995,510)	(555,082,690)
Adjustment Dividend relating to earlier years (net)		-	-
Profit after appropriation		9,569,714,573	8,480,406,685
Advance Income tax adjusted to retained earnings		569,834,221	-
Capital Reserve adjusted to retained earnings		74,471,556	-
Repayment of retained earnings to Nepal Govt.		(1,611,651,503)	(2,900,000,000)
Transfer from Sinking Fund		-	85,000,000
Balance Transferred to Balance Sheet		8,602,368,847	5,665,406,685

Cash flow statement of financial year 2062/63

(July 15, 2005 to July 16, 2006)

Particulars		July 16, 2006 (Rs)	July 15, 2005 (Rs)
Cash Flow from Operating Activities			
Net Profit before Tax		6,843,726,817	4,921,528,988
Adjustment			
Depreciation	1,196,136,319		1,050,485,813
Deferred expenses	40,029,002		40,817,764
Foreign Exchange Gain/ Loss	(280,005,092)		251,124,356
Provision for staff Bonus & Incentive	322,040,673		281,711,261
Provision for Pension & Gratuity	241,389,693		312,606,943
Interest on loan	1,107,992		696,200
Fixed Assets Written off	-		1,224,800
Income from Investment & Bank Deposit	(596,837,682)		(463,827,650)
Expenses on lost of goods	8,530,000		-
Royalty	591,807,155		491,301,830
Provision for earned leave	65,980,439	1,590,178,499	24,236,908
Operating Profit before Working Capital Changes		8,433,905,316	6,911,907,213
Adjustment for Working Capital Changes			
Increase in account receivable	(273,552,303)		(157,001,491)
Increase in Stock	(34,258,671)		(54,606,668)
Decrease in Interest accrued	2,463,849		5,457,834
Increase in Advance-Tax	(1,684,603,393)		(1,602,051,292)
Decrease in Advance	382,510,564		221,484,011
Branch Account (adjust)	2,798,001		(4,041,036)
Increase in Payable	618,496,246		226,452,780
Payment of interest/Adjustment	(2,335,181)		473,148
Payment of Royalty	(370,641,219)		(450,000,000)
Payment of Earned leave	(22,011,777)		(21,017,463)
Payment of Pension	(30,048,819)		(23,611,088)
Gratuity Received	8,251		-
Payment of Bonus & Incentive	(301,638,899)		(384,038,382)
Last year Adjustment	1,268,656		158,089,940
Working Capital Changes		(1,711,544,695)	(2,084,409,707)
Net Cash flow from Operating Activities (A)		6,722,360,621	4,827,497,506
Cash Flow from Investing Activities			
Purchase of Fixed Assets		(2,243,645,653)	(1,997,745,812)
Decrease in cwip		15,787,272	(1,075,339,893)
Increase in deferred expenses		(34,287,106)	(42,097,104)
Increase in investment		(818,214,722)	55,824,025
Income from Investment & Bank Deposit		596,837,682	463,827,650
Net Cash Flow from Investing Activities (B)		(2,483,522,527)	(2,595,531,134)
Cash Flow From Financing Activities			
Receipt in Long term Debt		-	24,238,654
Payment of long term debt		(24,238,654)	(11,249,585)
Payment of dividend		(433,510,216)	(300,000,000)
Repayment of retained earnings to Nepal Govt.		(1,611,651,503)	(2,900,000,000)
Capital Reserve adjusted to retained earnings		(2,318,742)	-
Net Cash Flow From Financing Activities (C)		(2,071,719,115)	(3,187,010,931)
Net Increase in Cash (A+B+C)		2,167,118,979	(955,044,559)
Cash at beginning		9,574,500,796	10,780,669,711
Foreign Exchange Gain/(Loss)		280,005,092	(251,124,356)
Cash at the end		12,021,624,867	9,574,500,796

Schedule 1: Share Capital

	As at July 16, 2006 Rs	As at July 15, 2005 Rs
(A) Authorised Capital	25,000,000,000	25,000,000,000
Ordinary Shares 250,000,000 no.of shares @ Rs. 100 per share.(previous year 250,000,000 no.of shares @ Rs.100/share)		
(B) Issued / Subscribed / Paid up Capital	15,000,000,000	15,000,000,000
Ordinary Shares 150,000,000 no.of shares @ Rs. 100 per share.(previous year 150,000,000 no.of shares @ Rs.100 per share)		
Total	15,000,000,000	15,000,000,000

Schedule 2: Reserve and Surplus

	As at July 16, 2006 Rs	As at July 15, 2005 Rs
Capital Reserve	83,658,034	160,448,332
Retained Earnings	8,602,368,847	5,665,406,685
Total	8,686,026,881	5,825,855,017

Schedule 3 : Medium and Term loan

	As at July 16, 2006 Rs	As at July 15, 2005 Rs
Loans from Govt of Nepal against:		
- Belgium Loan	-	24,238,654
Total	-	24,238,654

Schedule 4: Fixed Assets

Description	Rate	Gross Block (Rs.)			Accumulated Depreciation (Rs.)			Net Block (Rs.)		
		Original Cost July 15, 2005	Additions during the year	Previous year Adjustment	As at July 15, 2005	Additions during the period	Previous year Adjustment	As at July 16, 2006	July 15, 2005	July 16, 2006
Land	0	183,363,229	8,366,206	0	-	0	0	191,729,435	183,363,229	191,729,435
Building	2.6-4.7	877,539,244	66,460,305	0	284,342,338	943,999,549	21,067	314,385,253	629,614,296	593,196,906
Plant and Machinery	4-20	17,101,099,245	2,015,869,411	0	9,134,609,641	19,116,968,656	890,250	10,192,858,362	8,924,110,294	7,966,489,604
Heating and Lighting	10	123,112,654	18,889,947	0	77,104,931	142,002,601	7,650	86,676,116	55,326,485	46,007,723
Furniture	20	73,729,009	7,244,071	0	59,731,364	80,973,080	0	64,692,890	16,280,190	13,997,645
Office Equipment	20	505,145,499	52,745,945	0	343,983,316	557,891,444	136,351	407,138,692	150,752,752	161,162,183
Vehicles	20	304,424,216	74,069,768	0	227,724,174	378,483,984	0	257,880,770	120,613,214	76,700,042
Total		19,108,413,096	2,243,645,653	0	10,127,495,764	21,412,058,749	1,055,318	11,323,632,083	10,088,426,666	9,040,917,332
Previous Year		17,173,367,973	2,002,380,316	(7,335,193)	9,078,485,840	19,168,413,096	573,958	10,127,495,764	9,040,917,332	8,094,882,113

Schedule 5: Capital Work-in-Progress

	As at July 16, 2006 Rs	As at July 15, 2005 Rs
Capital Works	282,227,646	275,765,202
Capital Stock	2,016,763,585	-
Less : Provision for Doubtful Stock	281,130,000	1,470,213,954
Capital Advance	426,714,583	706,599,379
Less : Provision for Doubtful Advance	1,514,551	-
Total	2,443,061,263	2,452,578,535

Schedule 6: Investments

	As at July 16, 2006 Rs	As at July 15, 2005 Rs
A. Government Securities at Cost		
National Saving Bonds	212,500,000	1,452,500,000
B. Pension Fund	270,448,417	269,288,695
C. Debenture	20,000,000	20,000,000
D. Fixed Deposit at Bank	3,654,000,000	1,596,945,000
Total	4,156,948,417	3,338,733,695

Schedule 7 : Inventory

	As at July 16,2006 Rs	As at July 15,2005 Rs
Stores & Spares	612,115,435	577,856,764
Less :Provision for Doubtful Stock	282,800,000	268,000,000
Total	329,315,435	309,856,764

Schedule 8 : Sundry Debtors

	As at July 16,2006 Rs	As at July 15,2005 Rs
Sundry Debtors	3,753,599,979	3,480,047,676
Less : Provision for Doubtful Debt	654,104,030	654,104,030
Total	3,099,495,949	2,825,943,646

Schedule 9 : Cash & Bank Balance

	July 16,2006 Rs	July 15,2005 Rs
Bank Balances	11,908,078,523	9,504,338,649
Cash in hand	16,814,255	16,705,581
Less: Provision for lostcash	108,674	5,408,549
Cash in Transit	97,378,885	1,102,642
Less : Provision for doubtful balance	538,122	66,394,362
Total	12,021,624,867	538,122
		9,574,500,796

Schedule 10 : Loan,Advances & Others

	As at July 16,2006 Rs	As at July 15,2005 Rs
Interest Accrued	39,633,893	42,097,742
Advances Income Tax & Value Added Tax	6,237,157,277	6,661,349,824
Prepaid Exp./Loans/Advances and Others	191,097,693	668,980,001
Advances/Loans to Employees	606,031,358	601,027,399
Less : Provision for Doubtful Advances	5,003,959	513,892,777
Inter-Branch Balance	7,988,568	8,237,122
Less : Provision for Expenses	818,875	10,786,569
Total	7,076,085,955	818,875
		7,888,050,916

Schedule 11 : Current Liabilities

	As at July 16,2006 Rs	As at July 15,2005 Rs
Sundry Creditors	806,414,693	757,211,710
Sundry Creditors (inter-administration)	73,992,947	57,910,293
Interest payable	0	1,227,189
Others Liabilities	389,664,298	198,829,367
Subscriber Deposit	3,089,747,413	2,743,114,207
Others Advances	115,933,731	100,191,259
Total	4,475,753,082	3,858,484,025

Schedule 12 :Provisions

	7,225,515,643	7,225,515,643
Income Tax	6,798,577,557	7,225,515,643
Royalty	755,574,432	534,408,496
Proposed Dividend	889,234,108	633,748,814
Pension & Gratuity	1,632,583,975	1,421,234,850
Accumulated Leave	200,693,128	156,724,466
Incentive	345,852,014	340,129,626
Bonus	567,111,525	552,432,139
Total	11,189,626,739	10,864,194,034

Schedule 13 Deferred Revenue Expenditure

Description	Balance as on July 15,2005 Rs.	Addition during the year Rs.	Last Year Adjustment Written off Rs.	ritten off during the year Rs.	Balance as at July 16,2006 Rs.
Licence Fee	94,491,104	6,000,000	-	17,723,375	82,767,729
Training & Othres	47,698,942	28,287,106	-	22,305,627	53,680,421
			-	-	
Total	142,190,046	34,287,106	-	40,029,002	136,448,150

Schedule 14 : Operating Revenue

Sources	Year ended July 16,2006 Rs	Year ended July 15,2005 Rs
<i>Basic Telephone</i>		
Local	2,653,070,246	2,320,197,448
Domestic Trunk	1,762,365,992	1,658,630,836
Int.Trunk	1,469,364,754	1,235,289,405
Leased Circuits	24,872,359	961,329
Telex,Telegraph, Inmarsat	4,908,748	34,337,203
Interadministration	1,893,299,704	1,663,860,074
Payphone,PCC card	89,745,542	41,052,239
Sub Total	7,897,627,345	6,954,328,534
<i>Mobile & Internet</i>		
Rental	553,865,803	279,489,998
Domestic Trunk	116,724,987	95,804,773
Int.Trunk	84,441,587	44,433,982
Air time	231,264,068	271,088,409
Email/ Internet	28,475,346	20,968,444
Roaming	97,440,700	56,568,308
Pre-paid card	139,265,207	24,444,806
Re-charge card	663,823,044	441,236,588
Sub Total	1,915,300,742	1,234,035,308
<i>CDMA</i>		
Local	25,712,766	0
Domestic Trunk	10,374,476	0
Int.Trunk	11,835,953	0
SMS	225,348	0
Data Services	2,375,958	0
Sub Total	50,524,501	-
PSTN , Mobile & CDMA Total	9,863,452,588	8,188,363,842
Others	550,202,479	395,780,493
Grand Total	10,413,655,067	8,584,144,335

Schedule 15 : Non Operating Revenue

	Year ended July 15,2006 Rs	Year ended July 15,2005 Rs
Interest from National Saving Bond / T.Bill	21,647,839	47,025,541
Interest from Debenture	1,700,000	1,700,000
Interest from Bank Deposits	560,546,928	402,884,275
Interest from Pension fund	12,942,915	12,217,834
Others	48,422,075	146,325,207
Total	645,259,757	610,152,857

Schedule 16 : Employees Costs

	Year ended July 16,2006 Rs	Year ended July 15,2005 Rs
Salaries & Wages	485,635,531	419,453,914
PFContribution	36,594,521	31,787,225
Earned leave salary	65,980,439	24,236,908
Clothing & other allowances	257,016,863	284,237,964
Overtime Allowances	12,994,153	8,946,168
Medical Expenses	65,199,562	55,550,335
Pension & Gratuity	241,389,693	312,606,943
Total	1,164,810,762	1,136,819,457



Schedule : 17 Operation and Maintenance Costs

	Year ended July 16,2006 Rs	Year ended July 15,2005 Rs
Maintenance - Office Equipment	13,641,111	15,082,791
Maintenance - Buildings	24,181,280	22,280,078
Maintenance - Plants/ Machinery	184,585,916	151,985,567
Power, Heating & Lighting	196,091,332	151,649,386
Fuel for Vehicles	39,156,161	28,925,773
Vehicles Maintenance	20,702,179	19,716,773
Freight & Carriages	5,176,904	3,122,189
International Channel Rent	171,592,170	159,398,971
Total	655,127,053	552,161,528

Schedule 18 :Administrative Expenses

	Year ended July 16,2006 Rs	Year ended July 15,2005 Rs
Travelling Expenses	36,442,453	43,493,039
Rent, Rates Taxes	49,850,131	50,859,591
Meeting Fees	8,460,197	8,212,407
Printing and Stationery	73,197,758	32,887,155
Advertisement	23,583,227	13,728,601
Bank Charges	3,658,837	3,191,633
Training Expenses	10,198,040	38,341,322
Entertainment	5,363,312	3,830,397
Office Furnishing	2,820,052	2,863,165
Insurance	43,382,630	41,844,576
Statutory & Tax Audit Fee and Expenses	1,804,000	1,696,208
Commission	22,690,918	20,138,115
Postage	1,704,469	1,561,541
Books & Periodicals	1,961,671	1,687,807
Legal and Professional fees	3,155,615	668,067
Expenses on loss of goods	14,671,828	10,520,394
Obsolete and Damaged Fixed Assets	-	1,224,800
Security Expenses	60,166,540	58,341,361
Membership fee	1,038,404	1,044,704
Telephone expenses	56,409,878	54,200,910
Anniversary Expenses	9,154,976	9,701,145
Miscellaneous Expenses	13,105,505	8,754,063
Total	442,820,441	408,791,001

Statement of Changes in Equity of F/Y 2062/63

Particulars	Share Capital	Capital Reserve	Retained Earning	Total
Opening Balance	15,000,000,000	160,448,332	5,665,406,685	20,825,855,017
Net profit after tax for the year 2062/63			4,936,647,252	4,936,647,252
Adjustment relating to earlier years			1,268,656	1,268,656
Proposed Dividend			(688,995,510)	(688,995,510)
Tax Adjustment			(344,612,510)	(344,612,510)
Repayment of retained earnings to Nepal Govt.			(1,611,651,503)	(1,611,651,503)
Tax Adjustment to retained earnings			569,834,221	569,834,221
Capital reserves adjusted to retained earnings		(76,790,298)	74,471,556	(2,318,742)
Closing Balance of 2062/63	15,000,000,000	83,658,034	8,602,368,847	23,686,026,881

Schedule-19

NOTES FORMING PART OF THE ACCOUNTS

I. Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared under the historical cost convention in accordance with Nepal Accounting Standards.

B. Revenue

- Revenue earned from telephone related services is operating income and non-operating income comprises mainly interest on investments and bank deposits. Inter administration revenue is accounted for as per statement/ invoice provided/ received to/ from inter administrator. These types of revenues are accounted for on accrual basis.
- Revenue from Internet, E-Mail, Prepaid Card, Recharge card, Payphone card services, OYT Fees are accounted for on cash basis.
- Value Added Tax and Telecom service charge are accounted for on cash basis.

C. Fixed Assets

- Fixed assets are stated at cost and are inclusive of all expenses, which are incidental to commissioning/ putting the assets to use.
- Gain and/or loss on disposal of fixed assets arising in the ordinary course of business are taken into profit and loss account as non-operating income/expenditure for the year.
- Assets, such as Furniture and Office Equipment costing less than Rs 5000.00 per unit are fully charged to expenses. Quantitative records of such assets are maintained.
- Assets, which are damaged beyond economic repair or become obsolete due to change in technology, are written off wherever identifiable.

D. Capital work-in-progress

Capital work in progress includes capital stock, advances to contractor and suppliers on capital account.

E. Depreciation

- Depreciation is provided on the straight-line method on all the items of fixed assets at the rates shown in schedule 4 of the balance sheet which have been determined by the management based on the useful life of the assets.
- Depreciation on assets has been charged from the following month of capitalization for assets, which are added during the year.
- No depreciation is charged on the assets under work-in-progress until they are transferred to fixed assets.

F. Investment

- Investment comprises of National Saving Bonds, Treasury Bills, and Fixed Deposits with banks, Debenture and is stated at cost.

G. Foreign Currency Conversion

- Foreign currency balances relating to current assets, Loan are booked at original value and any profit or loss arising from exchange rate fluctuation on such assets at balance sheet date is recorded in the profit and loss account as foreign exchange loss/gain.
- In the case of long-term liabilities incurred for the acquisition of assets, gain or loss, if more than 2% is normally regarded as an adjustment of cost and included in the carrying amount of the related fixed assets. Otherwise the gain or loss is dealt with in the profit and loss account.



H. Provision for doubtful debt/advances/Transit items

- Debtors are reviewed each year and one hundred percent provision is made in respect of debtors outstanding for more than a year except the dues from the government and inter-administrations.
- Provision is made against doubtful advances, cash-in-transit, stock-in- transit and claims if management deems it necessary.

I. Pension & Gratuity

- Provision for pension eligible employees has been made on the basis of approved years fixed by the company. Transaction related to Provision for pension and gratuity in financial year 2062/63 is as follows:

Provision for Pension & Gratuity	Amount(Rs.)
Balance as on Shrawan 2062	1,421,234,850
Addition during the year 2062/63	241,389,693
Gratuity Refund	8,251
Payment made during the year	30,048,819
Balance as on Ashadh 2063	1,632,583,975

- Provision for gratuity has been made on actual basis.

J. Provision for Accumulated leave

A provision has been made to meet the cost of home and sick leave accumulated up to the year on actual basis.

K. Inventory

- Cost of spare parts, the unit price of which is less than Rs 100.00 is directly charged to profit and loss account at the time of purchase. A quantitative record of such items is maintained.
- Inventory is valued at cost on the basis of the FIFO method of inventory accounting.
- Provision is made for slow moving, non-moving and obsolete items at the rate of 25%,50% and 100% respectively.

L. Royalty:

Royalty has been calculated at 4% and 2% for Contribution to Rural Development Fund on operating revenue including sharing items.

M. Provision for Bonus

Provision for bonus has been calculated on lower basis of 6% of profit or bonus receivable calculation done by multiplying number of eligible employees by average monthly salary and number of bonus receivable months as per the bonus act.

N. Provision for Incentives

Provision for Incentives has been made at the rate of 5% on the amount arrived after subtracting non-operating Income, OYT, and 10% of share capital from Profit after tax.

O. Cash and Bank Balances

- For reporting of Cash flows, cash and cash equivalent is equal to cash balance, bank balance and transit balances.
- Foreign currency bank balances are converted into Nepalese rupees at the exchange rate prevailing on the balance sheet date and the difference is adjusted in Profit/Loss account.
- Margin money on L/C has been shown under the head Supplier Advances.

I Other Notes:

II Other Notes

A. Dividend

Dividend has been provided at the rate of 15% of net profit after tax.

B. Insurance

Insurance of assets has been made by the management considering the value and importance of assets and also after considering the review and recommendations made by the senior management committee.

C. Interest

Interest payable on subscriber's deposits is provided at the rate of 3%.

D. Prior year Adjustments

Transactions relating to previous years are shown separately in profit and Loss account.

E. Deferred Expenditure

Deferred expenditures like system and equipment training are amortized over the average period of 3-5 years in which the related benefits are expected to realize. However, deferred expenditure like license fees and similar expenses are amortized over the period covered. Particulars related to deferred expenditure for financial year 2062/63 is as follows:

Deferred Revenue Expenditure	Amount (Rs)
Balance as on Shrawan 2062	142,190,046
Addition during the year 2062/63	34,287,106
Expensed during the year	40,029,002
Balance as on Ashadh 2063	136,448,150

F. Income Tax

Income Tax advances related to FY.2050/51 to 2057/58 were incorrectly booked as expenses. In current financial year, assessments of income tax was completed, advances amounting Rs.569, 834,221 is booked as advance by adjusting the retained earnings.

G. Adjustments in capital reserves

Following adjustments were made in capital reserves in this financial year.

Particulars	Amount(Rs.)
Opening Balance	160,448,332
Less: Intelsat Reserve adjusted to Retained Earnings	74,741,556
Less: Damage Tower compensation received from Necon Air	2,318,742
Closing Balance	83,658,034

H. Capital Commitment and Contingent liability

- Capital Commitment

Commitments on capital account not provided for: Amount Rs

- Letter of Credit	872,184,826
- Building construction contract	6,118,165

- Contingent liability amounting Rs. 51,85,277 could arise in respect of Income tax assessment of FY.2058/59 against which administrative review petition to Director General (IRD) has been made by the company.

- Seven cases against the company are lying with Supreme Court for which if decision is made against the company, financial impact may occur which has not been evaluated.

I. Events after the balance sheet date

Head office land has been registered in company's name in financial year 2063/64, hence registration fee has been capitalized in that financial year only.

J. Previous year's figures are regrouped/ reclassified in line with current year figures, wherever deemed necessary.

K. All amounts are rounded off to nearest rupee.



Telecom Services

Local Calls
 Domestic Telex
 Local Leased Lines
 National Trunk Calls
 International Trunk Calls
 International Telegram
 International Telex
 Operator-Assisted Int'l Telephone
 ISDN (Integrated Services Digital Network)
 Pay Phone

Intelligent Network Services

PCC (EasyCall Prepaid Calling Card Service)
 AFS (Advanced FreePhone Service)
 PCL (PSTN Credit limit Service)
 HCD (Home Country Direct Service)

GSM

Post-paid NTC Mobile
 Pre-paid Namaste Mobile
 Roaming (Incoming & Outgoing)
 SMS, CRBT, GPRS, WebSMS

E-mail and Internet

Yearly email Package
 Dial-up Internet Access
 PSTN Dial-up
 Fixed hour Package
 Night Surfing package
 Fixed hour / month Package
 Unlimited Single User Package
 PSTN Bills in the Internet
 Post-Paid Mobile Bills
 Telephone Inquiry

Leased Line Connectivity (n*64Kbps)

CDMA

Post-paid C-Phone
 Pre-paid C-Phone
 Post-paid SkyPhone
 Pre-paid SkyPhone
 SkyData Service
 Domestic Roaming
 SMS

PSTN IVR Services

198, 188, 1600, 1601, 1606



Milestones

- 1913 Establishment of first telephone lines in Kathmandu
- 1914 Establishment of Open Wire Trunk Link from Kathmandu to Raxaul (India)
- 1935 Installation of 25 lines automatic exchange in Palace
- 1936 Installation of Open Wire Trunk line from Kathmandu to Dhankuta
- 1950 Establishment of Telegram service
- 1950 Introduction to High Frequency Radio System (AM)
- 1950 Establishment of CB telephone exchange (100 lines) in Kathmandu
- 1951 Installation of Open Wire Trunk line from Kathmandu to Palpa
- 1955 Distribution of telephone line to general public
- 1957 Registered as an ITU State member on 5th December 1957
- 1962 First Public Telephone Exchange in Kathmandu (300 lines CB)
- 1964 Beginning of International Telecommunications Service using HF Radio to India and Pakistan
- 1965 First Automatic exchange in Nepal (1000 lines in Kathmandu)
- 1974 Microwave transmission links establishment for internal trunk
- 1982 Establishment of Standard "B" Type Earth Station for international circuits
- 1982 Establishment of SPC telex exchange
- 1983 Establishment of Digital Telephone Exchange
- 1984 Commencement of STD service
- 1984 Reliable Rural Telecom Service (JICA)
- 1987 Commencement of ISD service
- 1995 Installation of Optical Fibre Network
- 1996 Conversion of all Transmission link to Digital transmission link
- 1996 Automation of the entire Telephone Network
- 1996 Independent Int. Gateway Exchange established
- 1996 Introduction of VSAT services
- 1997 Digital Link with D.O.T. India through Optical fibre in Birgunj-Raxaul
- 1999 GSM NTC Mobile service
- 2000 Implementation of SDH Microwave Radio
- 2000 Internet Service
- 2001 Payphone Service
- 2002 East West Highway Optical Fiber Project
- 2003 GSM Namaste Pre-paid Service
- 2004 Transformation to NEPAL TELECOM (Nepal Doorsanchar Company Limited) from NTC corporation
- 2004 Prepaid Calling Card (PCC) Service (Intelligent Network Services)
- 2005 Advanced FreePhone (AFS) Service (Intelligent Network Services)
- 2005 Soft launch of CDMA
- 2005 Access Network Services
- 2005 Outsourcing of Enquiry Service (197)
- 2006 PSTN Credit Limit Service – PCL Service (Intelligent Network Services)
- 2006 Home Country Direct Service – NepalDirect (Intelligent Network Services)
- 2006 MCC (198) Complain Registration via IVR in Kathmandu Valley
- 2006 CDMA Limited Mobility Service in Kathmandu Valley
- 2007 CDMA Full Mobility Service
- 2007 Cheap calls @NRS 8.00/min to USA & Canada using PCC Service
- 2007 188 IVR Service

Farewell to Senior Executives



Hari Karmacharya
 DMD
 (2036-07-19 to 2064-06-22)



Laxmi Kanta Shrestha
 Director
 (2031-06-10 to 2064-03-20)



Babu Ram Sharma
 Director
 (2034-11-11 to 2063-10-24)

