

Nepal Doorsanchar Company Limited

# Annual Report

2017-2018



*Dhalke Repeater near Jomsom*

# Nepal Doorsanchar Company Limited

## Annual Report 2017/2018

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# ABOUT THE COMPANY

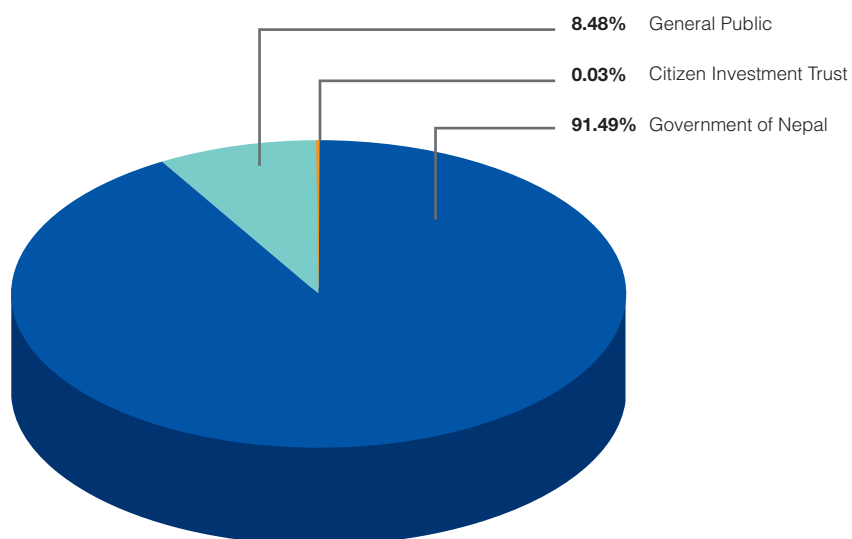


Nepal Doorsanchar Company Limited was incorporated on 5 February 2004 as a continuation of the then Nepal Telecommunication Corporation, a Government of Nepal undertaking, with all assets and liabilities of the corporation transferred to the company. The Government of Nepal and Citizen Investment Trust were the principal promoters of the company. Later the Government of Nepal that substantially owns the company, divested certain portion of its holdings in favor of the company employees and the general public. At present, the Government of Nepal owns 91.49 percent shares of the company and the shares of the company are listed and traded on the Nepal Stock Exchange Limited (NEPSE).

Nepal Telecom is a leading telecom service provider with more than 4,200 employees. The company has its registered office at Bhadrakali Plaza, Kathmandu. Nepal Telecom offers a full range of recent telecom services to a wide range of customers representing individuals, corporate offices, public companies, development organizations and government entities. The main services include GSM, CDMA, PSTN under voice service and 3G, 4G, EVDO, WiMAX, FTTH and ADSL under data service. The company has been the pioneer in introducing 'client focused' products and services, and aspires to continue leadership in introducing new products. It is the first company in Nepal to introduce 4G/LTE service. Nepal Telecom is serving its clients and customers through an extensive network of local and regional offices all over the country with 50.9 percent market share in voice service and 43.6 percent market share in data service.



## OWNERSHIP STRUCTURE



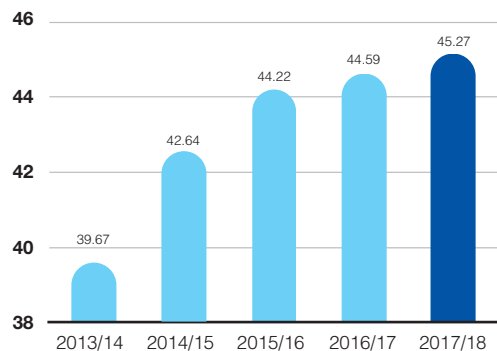
# PERFORMANCE HIGHLIGHTS



# KEY PERFORMANCE INDICATORS

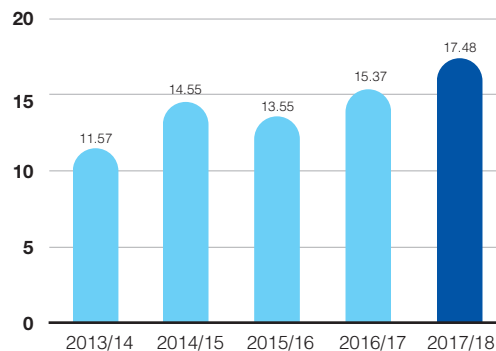
## Revenue

(NPR Billion)



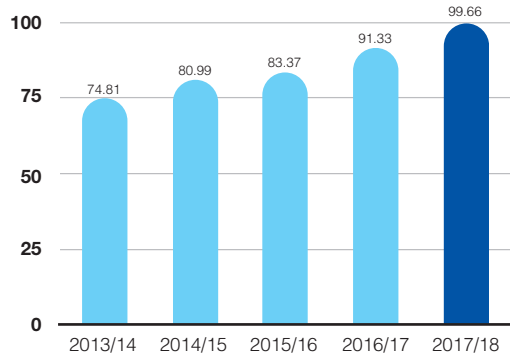
## Profit

(NPR Billion)



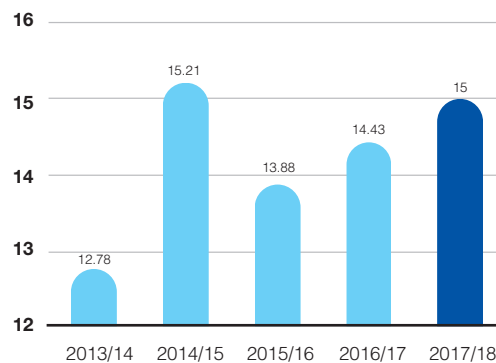
## Net Worth (Shareholder's Fund)

(NPR Billion)



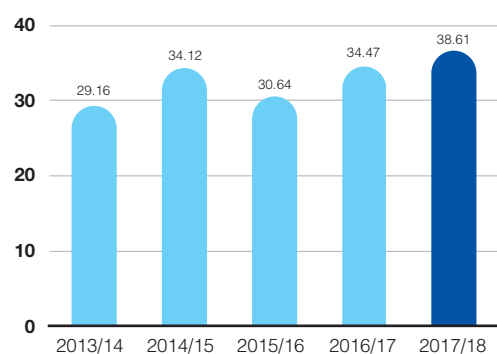
## Return on Capital Employed

(in percent)



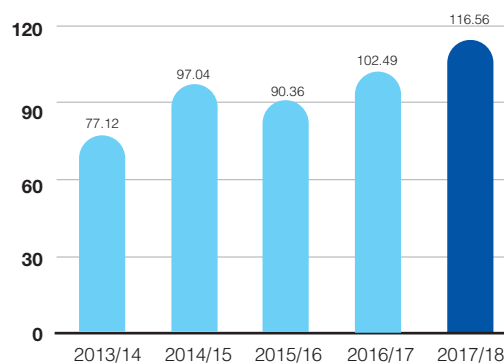
## Net Profit Ratio

(in percent)



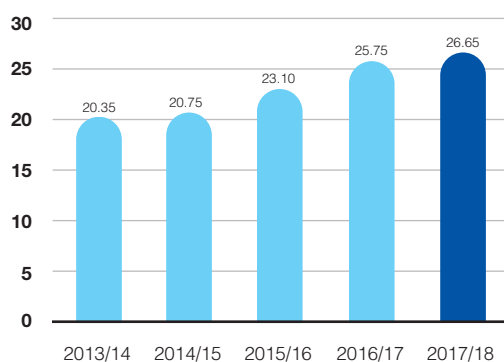
## Earnings Per Share

(NPR)



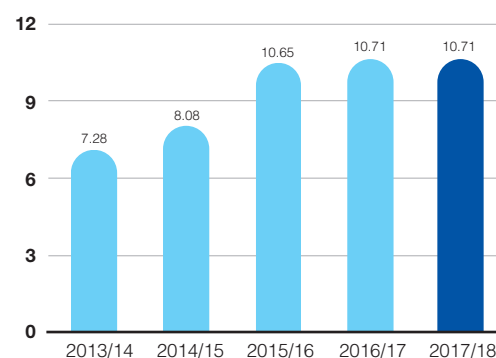
## Contribution to Government Fund

(NPR Billion)



## Average Revenue Per Employee

(NPR Million)





# VISION, MISSION AND GOAL







**VISION**

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.

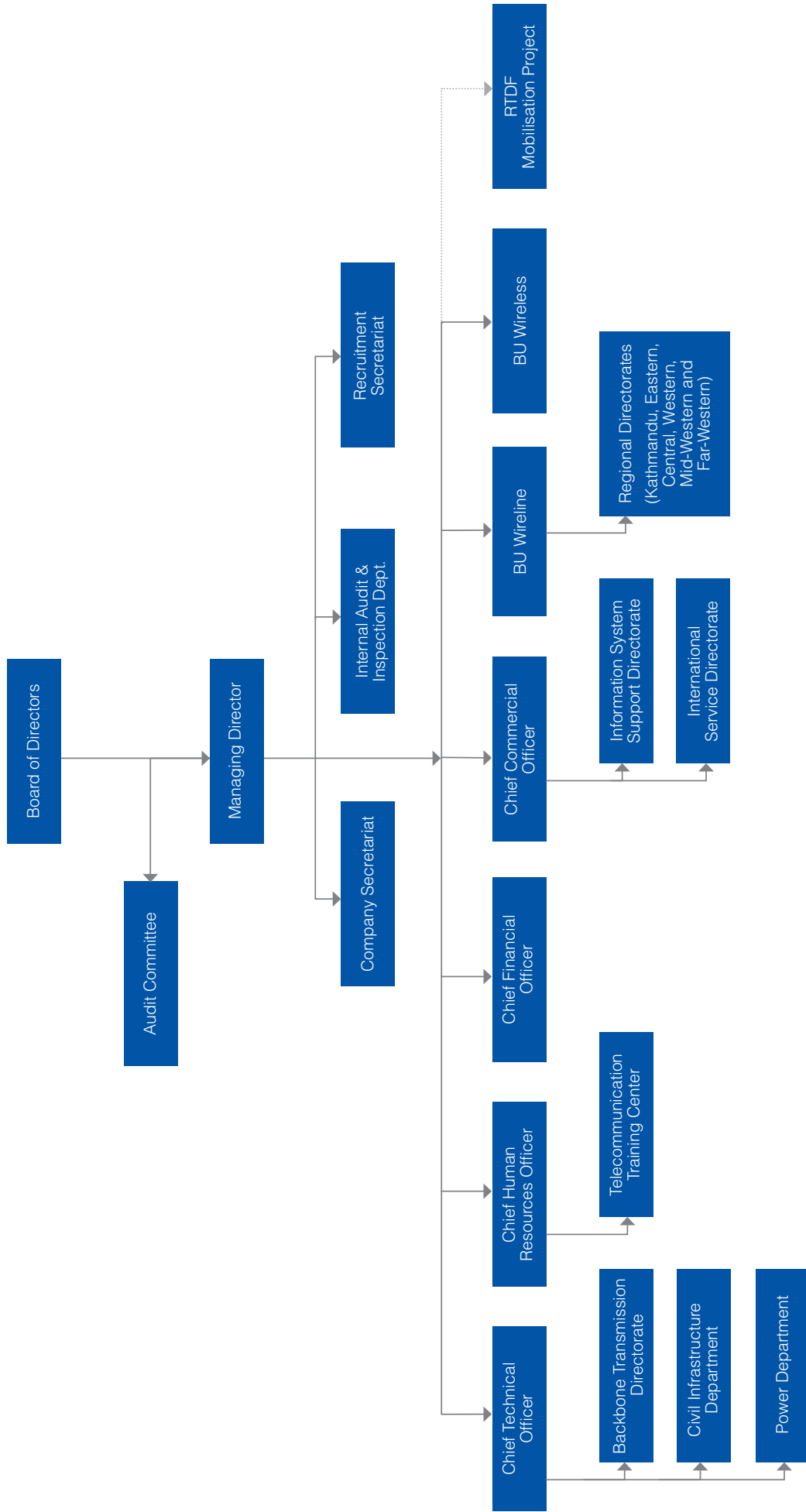
**MISSION**

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.

# ORGANIZATIONAL STRUCTURE



नेपाल दूरसंचार कम्पनी लिमिटेड

# दशौं वार्षिक साधारण सभा

मिति: २०७४ पुष ३० गते आइतबार  
स्थान: काठमाडौं





# BOARD OF DIRECTORS



From Left

**Company Secretary**

Shailja Rai  
Deputy Managing Director  
Nepal Telecom

**Member**

Uttar Kumar Khatri  
Joint Secretary  
Ministry of Finance

**Member**

Dhanraj Gnyawali  
Joint Secretary  
Ministry of Law, Justice and Parliamentary Affairs

**Member**

Surya Bhakta Pokharel  
For Managing Director  
Nepal Telecom



**Chairman**

Mahendra Man Gurung  
Secretary  
Ministry of Communication and Information Technology

**Member**

Radhika Aryal  
Joint Secretary  
Ministry of Communication and Information Technology

**Member**

Vishnu Prasad Kasaju  
Representative  
General Shareholder

**Member**

Raj Bahadur Rawal  
Employee Representative

# MESSAGE FROM THE CHAIRMAN



It is an honour to deliver this Report on behalf of the Board of Directors of the Company. I am equally delighted to report that Nepal Telecom has delivered a strong performance in the FY 2017/18. As in previous years, we have been able to expand our subscriber base and generate attractive profit while significantly contributing to the holistic development and expansion of telecom services in the country. The success stories are possible because of customers' trust, investors' confidence and devotion of its employees. We are utilizing our best effort in order to achieve excellence in whatever we have to offer to our valued customers and stakeholders. We are working fully on the interest of stakeholders, prosperity of the company, and dedicated to provide good return to our shareholders by balancing returns with appropriate investment within our acceptable level of risk.

## **Company's Performance**

With 158 Customer Care Centers and extensive network throughout the country, Nepal Telecom is serving its clients and customers with huge portfolio of its services. NT has 50.9 percent market share in voice service and 43.6 percent in data service. The subscriber base of voice service has increased by 13.51 percent to 19.98 million and subscriber base of data service has increased by 29.24 percent to 10.88 million in FY 2017/18. The increase in use of smart phones and booming data/internet market has allowed customers to use various tech savvy applications. Due to increase in competition, company has been forced to reduce tariff of its services resulting into great challenge to maintain its revenue. In spite of above challenges, the company has been able to increase total revenue by 1.52 percent to NPR 45.27 billion. Similarly, profit of the company has increased from 13.73 to 17.48 percent. The company has contributed NPR 25.65 billion to the government's treasury in FY 2017/18.

We have continued to upgrade PSTN line into new technology in FY 2017/18. During the review period, 167,678 lines have been upgraded to IP based technology. The company has expanded 530KM optical fiber network in FY 2017/18. Till review period, optical fiber network has been expanded in 57 districts. The company



has planned to expand optical fiber network in all 77 districts and optical fiber network in the remaining 20 districts will be expanded phase-wise in the coming year. Total 491 BTS have been brought into operation under 10 million GSM project all over the country in the FY 2017/18. Our obligation is to carry out our business in a way which not only provides returns for our shareholders, but also delivers good things for society, our clients, communities and our people. We have not limited our service expansion to profitable areas and are happily serving remote and otherwise inaccessible areas where profit margin is relatively thin. The expansion efforts are through the deployment of various technologies like VSAT, 3G, WiMAX, and Microwave Radio links.

### **Our Future Plans and Strategy**

The company continues to work hard to identify and seize opportunities as they arise, becoming more competitive, embracing technological change and innovation. We are also building faster and more reliable telecom networks for which we are continuously upgrading our technologies. The use of voice service has been declining and use of data service has been increasing. It is evident that imagining life without Internet is next to impossible. Along with providing access to information, the internet also offers new opportunities for economic, academic and social activities. Considering this fact, we have been paying special attention to develop infrastructure for nationwide expansion and improvement in quality of data service. We have concentrated our efforts towards quantitative expansion and qualitative improvement so as to retain market leadership and achieve our business objectives by making our services reliable and affordable. We are expanding 4G/LTE network all over the country very soon and we have made target to upgrade 4G/LTE equipment to 5G in the years to come. The company has also made plans to expand FTTH service based on Next Generation Network Technology all over the country.

In order to address customer grievances effectively, new customer inquiry and customer care centre has been brought into operation. Currently, this service is through voice, SMS, email and web chat. In future, other social media like Facebook and Twitter will be available for lodging complaints and grievances.

### **Conclusion**

NEPAL TELECOM is working on to draft required changes in its Financial By-laws in-line with the provisions of the Public Procurement Act, 2063 and its First Amendment, 2073. Once the modified by-laws are effective, it is believed that company will be able to provide faster, better quality and more transparent services in the competitive market.

Globally, technology in general and telecom industry in particular is changing at an unprecedented rate. In order to cope with these changes, it is imperative that NEPAL TELECOM has to improve its decision making processes, work culture and organizational structure to retain its leadership position and to establish it as a change oriented, dynamic, professional institution. As per decision of the Government of Nepal (GoN), a consultant has been appointed to facilitate selection of Strategic Partner. The consultant has already submitted Due Diligence Audit (DDA) report. We hope that the Government will take necessary action at the appropriate time.

Implementation of Project Monitoring System is one of our top priorities to make reward and punishment systems effective. We have initiated to include relevant provisions in the procurement related contracts that are important to develop and improve services and to make suppliers, consultants and contractors more responsible towards quality, quantity and timeframe.

We would like to express our sincere gratitude to all stakeholders who have been part of our business success. Our valued customers have been in the heart of our business model and we do appreciate their long-standing loyalty that provides us with the opportunity to serve them in a more meaningful way. We are confident that NEPAL TELECOM will continue to make all round progress in the days to come with the continued trust of shareholders and constructive suggestions from well-wishers.

Let me also take this opportunity to appreciate hard work, diligence and commitment of employees along with the management team. We trust that the dedicated workforce will continue to work with team spirit and make best use of their individual knowledge and skills for betterment of the company.

I would like to extend sincere gratitude to the Government of Nepal, government agencies, Securities Board of Nepal, Nepal Telecommunications Authority, Office of the Company Registrar, all stakeholders and our well-wishers for their generous support and guidance without which we would not, perhaps, be able to make our business ventures successful. In this competitive environment, we heartily appreciate patronage of all well-wishers that has helped us to maintain market leadership and we do expect that the support will be continued in the days to come.

Thank You.

### **Mahendra Man Gurung**

Chairman

14 January 2019

Kathmandu, Nepal



## Glance of a meeting of Board of Directors

From Left:

- Matuk Anand Vaidya** - Chief Technical Officer, Nepal Telecom (Invited)
- Raj Bahadur Rawal** - Member, **Vishnu Prasad Kasaju** - Member, **Surya Bhakta Pokharel** - Member
- Mahendra Man Gurung** - Chairman, **Dhanraj Gnyawali** - Member, **Radhika Aryal** - Member
- Uttar Kumar Khatri** - Member, **Shailja Rai** - Company Secretary



# MANAGEMENT



**Surya Bhakta Pokharel**  
For Managing Director



**Pradeep Raj Upadhyay**  
Chief Commercial Officer &  
Chief Financial Officer



**Shailja Rai**  
Deputy Managing Director  
Company Secretary



**Gokarna Prasad Sitaula**  
Deputy Managing Director  
Internal Audit & Inspection Department



**Matuk Anand Vaidya**  
Chief Technical Officer



**Raju Babu Aryal**  
Chief Human Resources Officer



## Service Directorates



**Arun Prasad Puri**  
Director  
RTDF Mobilisation Project



**Pramod Kumar Parmar**  
Director  
Information System Support Directorate



**Bhanu Raj Shrestha**  
Director  
Backbone Transmission  
Directorate



**Pratul Kumar Sarkar**  
Director  
Wireline and Customer  
Service Directorate



**Ananta Man Singh**  
Director  
Wireless Service Directorate

## Regional Directorates



**Birendra Nath Gongal**  
Director  
Kathmandu Regional Directorate



**Saroj Man Singh Pradhan**  
Director  
Western Regional Directorate  
(Bhairahawa)



**Amar Nath Jha**  
Director  
Eastern Regional Directorate  
(Biratnagar)



**Amalendu Narayan Singh**  
Director  
Central Regional Directorate  
(Birgunj)



**Buddha Krishna Manandhar**  
Director  
Far-Western Regional Directorate  
(Attaria)



**Prakash Man Pradhan**  
Director  
Mid-Western Regional Directorate  
(Nepalgunj)





“ Nepal Telecom is a leading telecom service provider with more than 4,200 employees and a history of more than 100 years. ”

# REPORT OF THE BOARD OF DIRECTORS

Respected Shareholders,

We would like to welcome all shareholders, representatives and staffs in the 11th Annual General Meeting of Nepal Doorsanchar Company Limited. We are delighted to share that company is able to maintain customer trust and render excellent services in the FY 2017/18. We are committed to launch new schemes and services based on customer expectation for being the best brand in telecom sector. We are utilizing our best effort in order to achieve excellence in whatever we have to offer to our valued customers and stakeholders.

## PERFORMANCE OF THE COMPANY

### Financial Performance

The company continues to maintain its premier position in the telecom industry. Revenue of the company has increased by 1.52 percent to NPR 45.27 billion and net profit increased by 13.73 percent to NPR 17.48 billion in the review period. Total expenditure of the company has decreased by 2.79 percent.

The key financial highlights of the company are as follows:

*(Figure in NPR Billion)*

Particulars	Fiscal Year		Increase/(Decrease)	
	2017/18	2016/17	In Amount	In Percent
Total Revenue	45.27	44.59	0.68	1.52
Operating Revenue	39.02	40.34	(1.32)	(3.27)
Employee Benefit Expenses	5.95	5.33	0.62	11.63
Operation and Maintenance Expenses	6.74	6.53	0.21	3.21
Administrative Expenses	1.32	1.29	0.03	2.32
Total Expenses	23.35	24.02	(0.67)	(2.79)
Profit	17.48	15.37	2.11	13.73
Earnings Per Share	116.56	102.49	14.07	13.73
Net Worth Per Share	664.40	608.86	55.54	9.12

### Commercial Performance

#### Voice Service

The subscriber base, which was 17.60 million, has increased by 13.51 percent to 19.98 million in FY 2017/18. Out of total voice service, share of GSM is 88.02 percent. The market share of the voice service has increased by 3.77 percent and reached to 50.9 percent.

The services and subscribers in various voice services are as follows:

Particulars	FY 2017/18	FY 2016/17	Increase/ (Decrease)	% Change	% of Total
PSTN	686,762	681,418	5,344	0.78	3.44
GSM	17,586,214	15,318,147	2,268,067	14.81	88.02
CDMA	1,706,963	1,602,045	104,918	6.55	8.54
Others	592	592	-	-	-
<b>Total</b>	<b>19,980,531</b>	<b>17,602,202</b>	<b>2,378,329</b>	<b>13.51</b>	<b>100</b>
Market Share in Percent	50.9	49.05		3.77	



## Data Service

The subscriber base of data service has increased by 29.24 percent to 10.88 million. Out of total data service, share of GSM is 96.68 percent. The market share of the data service has reached to 43.6 percent.

The services and subscribers in various data services are as follows:

Particulars	FY 2017/18	FY 2016/17	Increase (Decrease)	% Change	% of Total
GSM	10,522,138	8,085,776	2,436,362	30.13	96.68
CDMA	136,573	136,573	-	-	1.25
WiMAX	17,606	16,722	884	5.29	0.16
ADSL	206,217	181,582	24,635	13.57	1.89
FTTH	670	498	172	34.54	0.01
<b>Total</b>	<b>10,883,204</b>	<b>8,421,151</b>	<b>2,462,053</b>	<b>29.24</b>	<b>100</b>

## SERVICE EXPANSION AND QUALITY IMPROVEMENT

We are always in the process of upgrading and improving company's services. Quality helps to retain customers and the company has been continuously working towards enhancing quality of services to bring in new and most recent telecommunications technologies. We are serving our customers with quality and reliable services.

We have continued to upgrade PSTN line into new technology in FY 2017/18. During the review period, 167,678 lines have been upgraded to IP based technology. After this, ADSL service have been provided as per demand of the customers with improved quality of voice and data services. Further, recent value added services like IPTV, Video on Demand can also be provided. To provide both reliable and high speed internet and voice services, expansion of Fiber-To-The-Home (FTTH) service has been continued in the review period.

We stand for progress and prosperity of the community and society around us. We have not limited our service expansion to profitable areas only and are happily serving remote and otherwise inaccessible areas where profit margin is relatively thin through the deployment of NTSAT technology. During the period, telecom service has been brought into operation in the various remote areas of Darchula, Jumla, Kalikot, Mugu, Dolpa and Humla districts using NTSAT technology. The company has continued to extend GSM service in remote areas in review period. In the FY 2017/18, 221 BTS have been installed and brought into operation in the various remote areas of Sindhupalchowk, Gorkha, Syangja, Palpa and Bajura districts. This service has been provided as per the policy of the Government of Nepal and we hope it helps to provide access to telecommunication service in more efficient way.

Customers are at the heart of Nepal Telecom, and we are committed to their satisfaction and maintain good customer relationship. The company has introduced new Inquiry and Customer Care Center in FY 2017/18. In addition to telephone calls, customers can put their grievances through SMS, email and web chat. Further, necessary provisions will be arranged to handle grievances and suggestions received from social media (Facebook, Twitter) through this center in future. The company has started to get IPT service from China route. Before this, company was getting IPLC/IPT services from Indian route only. Due to this it is expected that cost of bandwidth will decrease and there will be no monopoly in the bandwidth service. The company has migrated PSTN billing system to CRTB & CS (Convergent Real Time Billing and Customer Support) System in FY 2017/18. Now, customer can get all customer related services through one window. It has enhanced customer services and we hope it will help to increase overall performance.

The company has focused to enhance quality of service. In FY 2017/18, company has continued expansion of optical fiber network. The company has expanded 530KM optical fiber network in FY 2017/18. Till review period, optical fiber network has been expanded in 57 districts. The company has planned to expand optical fiber network in all 77 districts and optical fiber network in the remaining 20 districts will be expanded phase-wise in the coming year. Considering subscriber base, revenue, geography of the country and cost, the company has focused on quality improvement and network expansion of GSM mobile service. Total 491 BTS have been brought into operation under 10 million GSM project all over the country in the FY 2017/18.

Projects are the key for expansion of the service and improvement in service quality. Considering this fact, technical audit of major projects have been started in the review period. In FY 2017/18, technical audit of FTTH

Implementation, use of Dedicated Feeder, Generator and City Supply, Optical Fiber and KPI of GSM have been done. Technical audit of other major projects will be continued in coming years.

## ECONOMIC ENVIRONMENT

### Global Economy

Global economy is expected to be steady in 2019. According to the World Economic Outlook published by International Monetary Fund (IMF) in October 2018, world economy is expected to grow by 3.7 percent in 2018 and 2019. The economy of developed countries that was estimated to have grown by 2.4 percent in 2018 is projected to decrease marginally and rest at 2.1 percent in 2019. Emerging and developing economies are projected to grow by 4.7 percent in 2018 and 2019. Due to improvement in Indian economic policies and formation of investment environment, the economy of India is projected to grow by 7.3 and 7.4 percent in 2018 and 2019 respectively. The projected growth of another neighbouring country China is 6.6 and 6.2 percent in 2018 and 2019.

Particulars	2017	2018 (Projected)	2019 (Projected)
World Economy	3.7	3.7	3.7
Developed Economy	2.3	2.4	2.1
Emerging and Developing Economy	4.7	4.7	4.7
Emerging and Developing Asia	6.5	6.5	6.3
India	6.7	7.3	7.4
China	6.9	6.6	6.2

### National Economy

Economic growth rate of the review period was very satisfactory. Due to favourable weather, increase in government capital expenditure, energy management, and improvement in investment environment, economic activities have increased. According to Economic Survey of Ministry of Finance, Government of Nepal, Growth Rate is expected to increase by 5.9 percent in FY 2017/18 compared to the growth of 7.4 percent in the previous year. In the review period, the agriculture sector is expected to grow 2.8 percent whereas the non-agriculture sector is expected to remain at 7.1 percent. 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 the rise. National Per-Capita-Income was USD 866 in the previous year and reached USD 1,004 in the review period.

## OVERVIEW OF THE TELECOM INDUSTRY

Telecommunications service has seen both quantitative and qualitative growth together with rise in the number of telecommunication service providers and service users along with access to ultramodern and sophisticated facilities. Currently, Nepal has become a progressive and competitive telecommunication market. Nepal's telecommunications industry has reflected many of the global trends, with rapid growth observed in mobile broadband and internet subscriptions across the country. Due to increase in the use of smart phone, demand of data service has been increasing. There are six telecom operators in Nepal providing services based on various technologies (GSM, CDMA, PSTN, WiMAX, ADSL, EVDO, WCDMA etc.) At the end of FY 2017/18, there were more than 39.22 million voice subscribers and voice telephone penetration reached 133.83 percent. Out of total voice subscribers, share of GSM is 97 percent. Market share of the company has increased by 3.77 percent reaching 50.9 percent in FY 2017/18. Similarly, at the end of FY 2017/18, there were more than 14.98 million data subscribers and data penetration has reached 51.15 percent. Market share of the company in the data service has reached 43.6 percent.

## CORPORATE GOVERNANCE AND TRANSPARENCY

Corporate governance is the key for success of organization. Considering this fact, Board of Directors and company's management are committed to maintain sound corporate governance. 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, introduce the right behaviours and

reinforce good performance. Good governance practices are essential for a sustainable business model to generate long-term value to all of its stakeholders. A strong commitment and adoption of ethical practices are major features of Good Corporate Governance, and this depends upon organization's practices 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 its stakeholders.

The company has been regularly publishing its transactions and financial statements based on requirements of national and international standards. The company has also been adhering to various laws, circulars and directives given by the Government of Nepal and regulatory authority. We are committed to prevent corruption and for this we have put in place effective control measures. Particulars of the property held in the name of staff and their relatives have been obtained after completion of the fiscal year and submitted to Government of Nepal as per prevailing corruption prevention laws. Required authority has been delegated and job description has been provided to all officer level employees. To prevent unlawful activities, adequate provisions have been made in the employee by-laws. In case of unlawful activities necessary action are taken as per employee by-laws. The company has put the code of ethics in place for strict adherence by all of its employees. In order to manage and maintain transparency in purchasing processes, the company has been continuously practicing E-bidding.

## BOARD OF DIRECTORS

The company has formed Board of Directors as per provisions of Companies Act, 2006, Memorandum of Association and Articles of Association of the company. The function of the board is governed by Companies Act, 2006, Memorandum of Association and Articles of Association of the company.

The composition of Board of Directors of the Company as on July 16, 2018 is as under:

S. No.	Name	Position
1.	Mr. Mahendra Man Gurung	Chairman
2.	Ms. Kamini Rajbhandari	Member
3.	Mr. Ramesh Dhakal	Member
4.	Mr. Ramchandra Dhakal	Member
5.	Mr. Uttar Kumar Khatri	Member
6.	Mr. Vishnu Prasad Kasaju	Member
7.	Mr. Raj Bahadur Rawal	Member

### Changes made in Board of Directors and reasons thereof:

Changes in Board of Directors in the FY 2017/18 are as follows:

S. No	Name of Director	Position	Name of Representative institution	Date of appointment	Name of previous person in that post	Reason
1.	Mr. Kedar Bahadur Adhikari	Chairman	Secretary, Ministry of Communication and Information Technology	2074/07/06	Mr. Mahendra Man Gurung	Government Decision
2.	Mr. Mahendra Man Gurung	Chairman	Secretary, Ministry of Communication and Information Technology	2074/12/26	Mr. Kedar Bahadur Adhikari	Government Decision
3.	Mr. Ramesh Dhakal	Member	Joint Secretary, Ministry of Law Justice and Parliamentary Affairs	2074/07/08	Mr. Dilli Raj Ghimire	Government Decision
4.	Mr. Uttar Kumar Khatri	Member	Joint Secretary, Ministry of Finance	2074/05/07	Mr. Ram Krishna Subedi	Government Decision
5.	Mr. Vishnu Prasad Kasaju	Member	General Shareholder	2075/03/25	Mr. Binay Kumar Chalise	Elected from General Shareholders
6.	Mr. Raj Bahadur Rawal	Member	Employee Representative	2075/01/15	Mr. Tanka Lal Shrestha	Elected from Employees



## Remunerations, Allowances and Facilities to the Board of Directors

Total 50 meetings were conducted in the FY 2017/18 and meeting fee is paid as per provisions in Articles of Association.

Please refer to Note 26.2.2 (a) of Notes to Financial Statements for compensation paid to Board of Directors.

## AUDIT COMMITTEE

The company has an Audit Committee as per provision of Companies Act, 2006, under chairmanship of non-executive director of the company for the evaluation of effectiveness of internal control, risk management system and corporate governance. Deputy Managing Director of Internal Audit and Inspection Department of the company is the Member Secretary of the committee. The composition of the Audit Committee is as follows:

Name of Director	Position
Director Ms. Radhika Aryal	Chairman
Director Mr. Dhanraj Gnyawali	Member
Director Mr. Uttar Kumar Khatri	Member
Director Mr. Vishnu Prasad Kasaju	Member
DMD Mr. Gokarna Prasad Sitaula	Member Secretary

The committee functions according to the provisions of Sections 164 and 165 of Companies Act, 2006. The committee meets regularly as per its charter to discuss and oversee the key issues highlighted by the Internal Audit Department. The committee reviews the accounts and financial statements, internal financial control system, risk management system, compliance with applicable regulations, supervise & review internal auditing activity of the company and perform other terms as prescribed by the Board of Directors and provides suggestions to the Board of Directors and management in order to implement/maintain effective & efficient internal control mechanism, risk management and sound financial management system.

Total 13 meetings were conducted during the FY 2017/18 and meeting fee is paid as per provisions in Articles of Association.

Please refer to Note 26.2.2 (b) of Notes to Financial Statements for compensation paid to Audit Committee Members.

Major Agendas discussed & decisions made in the meeting of Audit Committee:

- Discussion on internal control, financial condition and performance of the company.
- Discussion on outstanding dues and revenue of the company.
- Discussion on Technical Audit Report of the company.
- Discussion on progress of the project and other activities of the company.
- Discussion on the issues noted in the Internal and External Audit Reports and directed the management for resolution.
- Recommendation for appointment of External Auditor for FY 2017/18 to Annual General Meeting and fixing remuneration, ToR, and other facilities to the External Auditor.

## INTERNAL CONTROL SYSTEM

The role of internal control is very important to increase efficiency and effectiveness of the organization, reliability, completeness and timeliness of financial and management information, compliance with applicable laws and regulations. To prevent fraud, minimize errors and manage risk, presence of sound internal control system is essential. It is now recognized that a sound internal control process is critical to the company's ability to meet its established goals and to maintain its financial reliability and transparency. The company has put in place a well-established independent internal audit system and structure to ensure adequate internal control for safe and sound operations. The company has independent Internal Audit and Inspection Department which conducts audit under close supervision of audit committee. The Internal Audit and Inspection Department conducts audit based on internal audit manual approved by Board of Directors, prevailing principles and standards of audit. An effective and comprehensive internal audit of the internal control system is carried out by operationally independent, appropriately trained and competent staff. The Internal Audit reports are periodically

forwarded to the Audit Committee and the findings of all audits are reported to the management for initiating immediate corrective measures. Appropriate action has been taken on the issues raised in the audit reports.

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

## STATUTORY AUDITOR

CA. (Dr.) Suvod Kumar Karn and CA. Achyut Raj Joshi have jointly conducted Statutory Audit for the FY 2017/18. This AGM will appoint auditor for FY 2018/19 as recommended by Office of the Auditor General and Audit Committee.

## CUSTOMER SERVICE

We are committed to handle customer complaints and inquiries. The company handles complaints from customers with priority. The company treats customers fairly at all times. Any complaints raised by customers are dealt with courtesy and on time. The company has always been acting in good faith and without prejudice to the interest of the customers. To address the customer complaints on time, we have managed 24/7 customer care centre. The company has an inbuilt system for handling customers' complaints and suggestions on priorities. Customers can place their complaints/inquiry as follows:

- Complaints of GSM, CDMA, and WiMAX through 1498.
- Complaints of PSTN, FTTH, ADSL, Leased line and VSAT through 198.
- Telephone number inquiry of any organization through 197.

Further, customers can place their complaints from company's 158 Customer Care Centres available all over the country. Company's customer care centre is available in 77 districts. The company has also been providing the necessary solutions to their grievances via a help desk named "Hello Sarkar" meaning "Hello Government" in the Prime Minister's Office. The company has designated Spokesperson and Joint Spokesperson, and one Information Officer pursuant to the **Right to Information Act, 2008**, which provides access to information to every citizen as per the prevailing laws. Moreover, the company has been providing necessary information through media for the information to the public.

## RISK MANAGEMENT

We are committed to managing risks and controlling its operations and financial activities in a manner, which enables it to maximize profitable business opportunities, avoid or reduce risks, ensuring compliance with applicable laws and regulations. For this, the company has adopted appropriate policy and processes for identification, appraisal, removal and control of risk. The increase in use of smart phones and booming data/internet market has allowed customers to use various tech savvy applications to communicate both verbally as well as in writing at cheap price. Similarly, increase in the use of smart phone, demand of data service and change in technology, customer interests and choices are changing. Company has considered this as an opportunity, and have introduced pocket friendly data packages. We have also been providing data services by increasing bandwidth capacity at competitive price. The use of such applications has hampered revenue of the company to some extent. To compete with this situation, the company has focused to expand its network, availability and quality of its services throughout the country. The company has been investing heavily to develop dependable optical fiber network and microwave radio infrastructure throughout the country. This effort has helped to provide telecommunication services all over the country even in remote regions and extremely difficult terrains.

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 control and minimize such illegal activities by closely collaborating with the government, regulatory and security agencies.

It has been great challenge to the telecom company to maintain the revenue due to OTT players. However, as use of data is increasing, we have made strategy to recover the lost revenue by encouraging data service. Moreover, to increase the average revenue per user, we have been providing recent value added services and content at competitive price.

## CONTRIBUTION AND RESPONSIBILITY OF THE COMPANY TO EMPLOYEE

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 improve the works and 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. Company has been continuously providing training to its employees for human resource development.

### Recruitment

The company's recruitment process follows a strictly structured and competitive procedure with clear criteria with regards to job descriptions, qualifications, experiences and aptitudes, where the selection is made solely based on merit. Moreover, the company's recruitment policy is set on the principle of inclusion as per spirit of the Constitution of Nepal.

### Benefits and Facilities

The remuneration packages of the company are aligned with current status of the country's economy. The package normally includes basic pay, allowances, incentives and bonus etc. Besides regular salary and allowance, vehicle facility has been provided to level 10 & 11. The packages are reviewed to ascertain that they are in line with the current economic condition of the country. The company also provides Dress Allowance, Medical Expense, Accidental Insurance and Loans. In addition to financial benefits, company provides various types of leaves to employees. Similarly, employees completing 20 years of service are rewarded with gold medal as a part of employee recognition. In FY 2017/18 total NPR 5.95 billion has been incurred for employee benefits. Details of employee benefits have been disclosed in Notes to Financial Statement section of Audit Report.

### Awards and Recognition

The company always aims to improve and encourage high performance not only on the individual level but as a team as well. In order to support such policy, the company has in place a well structured process to evaluate employee performance on an annual basis. Performance evaluation is assessed through certain criteria, such as knowledge, dedication, discipline, punctuality and attitude. There is also provision of awarding staffs based on performance as per specified criteria approved by the Board of Directors.

### Training and Development

The company believes that employees are its core strength and they play a very significant role in the success of the company. Therefore, the employees are periodically provided with training opportunities in order to develop necessary skills to not only survive but also compete in this dynamic industry. Employees are provided with sufficient opportunities to participate in advanced level trainings and workshops abroad to enhance their knowledge and skills required for the operation of installed equipment based on the type of service. In addition, with the changing scenario and change in technology the company provides various opportunities for international trainings, seminars, conferences etc. Total 178 staffs have participated in international trainings, seminars, conferences in FY 2017/18. Further, to enhance skill and capacity of the staff, various national level trainings have been provided on Financial Management, Audit, Revenue Assurance, Risk Management and New technology.



## Staff Composition

The composition of staff is as follows:

Particulars	Fiscal Year		Increase/(decrease)
	FY 2017/18	FY 2016/17	
Officer Level	1,841	1,488	353
Assistant Level	2,383	2,669	(286)
<b>Total</b>	<b>4,224</b>	<b>4,157</b>	<b>67</b>

Staff composition as per Gender group:

Particulars	Fiscal Year		% of Total
	FY 2017/18	FY 2016/17	
Female	529	506	12.52
Male	3,695	3,651	87.48
<b>Total</b>	<b>4,224</b>	<b>4,157</b>	<b>100</b>

## RELATION WITH STAKEHOLDERS

We have maintained and developed good and professional business relationship with all of our stakeholders. We have continued to maintain good and professional relationship with Telecom / IT equipment suppliers, consultants, and service providers. In addition, we have maintained good and professional relationship with Employee Unions, regulatory body, government entity and international organizations (e.g. International Telecommunications Union, GSM Association, Asia Pacific Telecommunity).

## CONTRIBUTION TO NATIONAL ECONOMY

The company has made 2.9 percent contribution to GDP (Service) in review period. It shows significance of the company in the growth of national GDP. Similarly, as in previous years, company has played imperative role in the government treasury. In the review period, company has contributed 58 percent of its total revenue to government treasury and company's share in government treasury is 3.66 percent. In FY 2017/18, the company has contributed NPR 26.65 billion for tax and non-tax in the government treasury.

## FUTURE PLAN AND CURRENT YEAR PROGRESS

### Future Plan and Program

To provide most recent technology based quality and reliable services to our valued customers, we have set following targets:

- Expansion of network and improvement of service quality.
- Considering the need of data, the company has focused to provide reliable and high-speed data services.
- Nationwide expansion of wire line broadband (ADSL/FTTH) and Wireless broadband (3G/4G/LTE, EVDO, WiMAX) will be continued.
- Expansion of 3G/4G service and addition of recent value added services.
- Enhancement of Capacity, Quality and market of Wire line services.
- Expansion of required infrastructure in the new cities.
- Operation of Mobile Financial Services.

## Current Year Progress

Major achievements of the company in the last three months are as follows:

Particulars	Target for FY 2018/19	First Quarter for FY 2018/19	
		Progress	Progress in %
<b>Line Distribution</b>			
PSTN	42,261	6,755	15.98
GSM Mobile	2,609,830	693,498	26.57
CDMA Mobile	81,602	27,030	33
FTTH	100,000	356	0.35
WiMAX	1,500	253	16.87

Particulars	Target for FY 2018/19	First Quarter for FY 2018/19	
		Progress	Progress in %
<b>Financial</b>			
Revenue figure in NPR billion			
Revenue	49.16	10.85	22
Profit	16.08	4.49	27

## SHARE TRANSACTIONS

Summary of share transactions of the company for the FY 2017/18 are as follows:

Quarter	Number of Transactions	Traded share	Traded amount	Maximum (NPR)	Minimum (NPR)	Closing (NPR)	Trading day
First	1,328	366,156	259,750,804	790	660	780	54
Second	4,159	1,641,799	1,398,411,173	952	770	798	59
Third	1,474	308,230	2,27,004,974	790	687	738	57
Fourth	1,529	478,775	354,949,357	818	710	721	62
<b>Total</b>	<b>8,490</b>	<b>2,794,960</b>	<b>2,240,116,308</b>	<b>952</b>	<b>660</b>	<b>721</b>	<b>232</b>

Source: Nepal Stock Exchange ([www.nepalstock.com.np](http://www.nepalstock.com.np))

## STRENGTHS, CHALLENGES, OPPORTUNITIES AND THREATS (SCOT)

- Strong brand name.
- Strong goodwill and trust amongst the people.
- Wide range of service portfolio covering voice and data.
- Nationwide branches and network coverage.
- Massive skilled and technical manpower.
- Huge infrastructure and assets.
- Good financial health.
- More than 158 Customer Care Centres.



### STRENGTHS

- Inadequate infrastructure in rural regions.
- Delay in adoption of technology.
- Lengthy decision making process.
- Delay in completion of project.
- Service quality and reliability issues.
- Government owned company hence bound by government rules and regulations.
- Increasing capex costs for continuous upgrading of network infrastructure.
- High cost of capital but no debt element in capital structure of the company.



### CHALLENGES



### OPPORTUNITIES

- Untapped telecom market.
- New business opportunities using m-commerce, m-wallet, VAS, content business.
- Increasing demand of data services.
- Expansion of network in rural areas.
- Investment diversification.
- Infrastructure sharing.
- Emphasis on telecommunications and IT solutions and broadband internet services.
- International Lease and Enterprise Business.



### THREATS

- Fast changing technology.
- Increasing competition and competitive pricing.
- Large investment in license renewals and spectrum.
- Difficulty in understanding evolving customer perceptions.
- Low growth in economy.
- Customer churning.
- Threat of new entrants.



## LEGAL PROCEEDINGS

In FY 2017/18, five law suits have been filed by the company and 17 law suits have been filed against the company. No law suit has been filed by or against the promoter or director of the company involving statutory or criminal offence. Similarly, no law suit has been filed by or against the promoter or director of the company for committing financial crimes.

## ADDITIONAL INFORMATION

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### DISCLOSURE OF INFORMATION UNDER SECTION 109 OF COMPANIES ACT (FIRST AMENDMENT), 2006

#### Remunerations and Facilities to the Managing Director and other Office-bearers:

NPR 21,410,234 as remuneration and travelling allowances has been paid to level 11 and above in the FY 2017/18.

#### Effect of internal and external factors on the company's business:

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

- Increasing competition and competitive pricing have negatively affected revenue of the company.
- Due to rapid change in telecom technology, company is facing problem to provide most recent technology based services.
- Late adoptions of technology and delay in the completion of projects have affected quality and reliability of service.
- Customers interests and choices are changing and demands of the customers are also boundless. Due to this, there is problem to provide service as per demand of the customer.
- Being a government owned company, it is the obligation of Nepal Telecom to follow all the rules and regulations applicable to government agencies.
- Geographical diversity and challenges have heavily affected the speed of deployment and expansion of services. In addition to this, the inherent characteristics of wireless technology make it difficult to provide comparable quality of service even in nearby places.
- Slow growth economy and unstable political situation have affected overall economy of the country.

#### The amount recommended for distribution as dividend:

The Board has recommended cash dividend of NPR 55 per share after taking approval from the Government of Nepal as per requirement of Companies Act, 2006.

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

The company has not forfeited any shares.

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

Transaction and progress of the company are disclosed in the Board of Director's Report. Financial positions of the company are disclosed in the financial statement section. The company does not have any subsidiary company.

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

Major transactions of the company have been disclosed in the Board of Director's Report. The Company does not have any subsidiary company and there is no significant change in the business of the company during the period.

#### Any information given to the Company by its substantial shareholders during the fiscal year:

No such information received from substantial shareholders.

#### Particulars of the ownership of shares taken up by the Directors and office-bearers of the company during the previous fiscal year, and information received by the company from them about their involvement, if any, in the transactions of the shares of the company:

Directors and office bearers were not involved in the shares transactions of the company in FY 2017/18 as per the declaration provided by them to the company.

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

The company has not received any such information.

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

The company has not bought back any share during the period.

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

Please refer Report of the Board of Directors.

**Details of management expenses incurred during the year:**

The management expense of the fiscal year is NPR 14,022,986,120. Please refer Notes to Financial Statement section of Audit Report for details of management expenses.

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

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

**Payments due, if any, to the company from any Director, Managing Director, Executive Chief or basic shareholder of the company or any of their close relatives, or from any firm, company or corporate body in which he is involved:**

The company has no such dues.

**Dividends yet to be collected by Shareholders:**

Total dividends yet to be collected by the shareholders are NPR 281,650,932 at the end of the FY 2017/18. Company is constantly using various mediums such as banks in order to ease the process of dividend payment to its shareholders. Company has been publishing notices in national level newspapers to collect remaining dividend.

**Detail of buy or sell of property with subsidiary company as per Clause 141:**

The company does not have a subsidiary company.

**Any matter to be mentioned in the Board of Directors' report under Companies Act, 2006:**

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

**Acknowledgement**

The Board of Directors is grateful to the valued customers, shareholders, employees, regulatory authorities for their support and guidance. We would like to thank you to all for their support and guidance. We have a good and valuable financial strength, customer trust, support, and the right team of staff. We promise to utilize our all resources to improve service quality, network expansion, and most recent technology based services in future. We promise to be more committed to increase our strong relationship with our stakeholders and deliver better service in future. We believe that shareholders are our partners in each endeavour we take. We need your suggestions for overall progress of the company. Finally, we would once again like to thank our clients and shareholders for their continued support and our staff for their tremendous effort and dedication.

Thank you.

**Mahendra Man Gurung**  
Chairman

**Surya Bhakta Pokharel**  
For Managing Director

**Dhanaraj Gnyawali**  
Director

**Uttar Kumar Khatri**  
Director

**Radhika Aryal**  
Director

**Vishnu Prasad Kasaju**  
Director

**Raj Bahadur Rawal**  
Director

Date: January 14, 2019  
Place: Kathmandu

# BUSINESS PERSPECTIVE







Communication is a vital and critical infrastructure of modern society as it provides a means for dissemination of information and connecting people together. The communication industry and infrastructure provides valuable contribution towards overall national development and social welfare.

Nepal Telecom has been the vanguard of development of communication technology, infrastructure and services in the country. With a journey spanning more than a century in different identities, the company has played a pivotal role in the development of telecommunication and IT sector in the country.

First as a fully government owned entity and at present as a company with major stake owned by the government, the company has been able to maintain its business viability, market leadership and customer confidence despite tough competition from the private and multinational sector. The company takes pride in its achievements and is committed to provide transparent, affordable and quality services across the nooks and corners of the country. Dedication of employees, trust of the valued customers, commitment of the shareholders and the cooperation of business partners have been the driving force behind continued success of the company. With the most diverse service portfolio and the largest customer base among the service providers in the country, Nepal Telecom has been introducing the latest and the most advanced technologies and services.

Despite the challenges posed by rapidly evolving technology, need to get quick return on investment, stiff and growing competition in the market and consistently decreasing revenue per user, the company has been able to maintain its leading position in the market. The company is committed to maintain trust and confidence extended by its valued customers and well-wishers.

At the end of Poush 2075 (i.e. mid-January 2019), the total subscriber base of Nepal Telecom has exceeded 21.29 million and the tele-density has reached 73.17 percent. Out of the total subscriber base, the GSM Mobile base was 18.86 million, CDMA was 1.75 million and PSTN was 0.67 million. The total Internet subscriber base including mobile data, ADSL, FTTH, WiMAX and Lease lines stood at 12.23 million. Nepal Telecom has earned reputation as a transparent service provider committed more to the service and national development than mere profit making. This has helped the company to retain its status as the chosen and preferred service provider across the length and breadth of the country.

## COMPANY'S PRIORITIES

Nepal Telecom prioritizes expanding services to cover remote and financially less attractive areas with its services. The company is driven more by an obligation to national development rather than pure profit making. It is also committed to provide reliable services at uniform and affordable prices across the country, irrespective of the remoteness or easy accessibility.

Providing contribution towards national development by bringing people and places closer together through communication technologies, Nepal Telecom puts a lot of emphasis on fulfilling its obligations as a responsible public entity.





**“ Nepal Telecom has been the vanguard of development of communication technology, infrastructure and services in the country. ”**



## **CONTRIBUTION TOWARDS NATIONAL DEVELOPMENT**

Nepal Telecom is continuously investing significant financial and human capital for introducing the latest technologies, services and facilities in the sector of telecommunication and information technology. The company plays a pivotal role in enhancing connectivity and bridging the digital divide.

While playing a critical role in development of one of the most important aspects of national and social development, the company also provides significant contribution towards national treasury in terms of income taxes, dividends, other taxes and duties. In that way, the company makes a significant contribution towards generation of revenue for the government and prop up the economy.

## **CUSTOMER SERVICE**

Being a service provider, customers are at the foundation of the success of Nepal Telecom. Accordingly, the company puts maximum effort in providing reliable service at affordable price to its customers across the country. The services of the company have connected people and transformed lives in cities, towns, villages and communities in very remote villages as well as urban population centers of the country. It is committed to provide the latest, state-of-the-art technologies and services at affordable price through continued investment, technology transformation and adoption of the best practices.

## **TRANSPARENCY**

As a responsible public entity, Nepal Telecom transparently publishes relevant information and data about its services, financial status, commercial activities, financial transactions, project operations and activities of corporate social responsibilities. It also transparently publishes and strictly follows the tariff, packages and plans offered to the customers as per the prevailing rules and regulations.

All the procurement activities are conducted according to the public procurement regulations of the country and the company follows competitive national and international bidding procedures for all its major purchases. As a result, there are a lot of business entities that can do business with the company in free and fair manner according to the public procurement rules and procedures. In this manner Nepal Telecom plays an important role in promoting small and medium sized businesses and enterprises in the country.

## **LATEST TECHNOLOGY**

Nepal Telecom is a commercial business organization in the rapidly evolving and high-tech sector of telecommunications and IT. As a result, Nepal Telecom has to continuously invest money and manpower in introducing the latest technologies and services in the market to stay competitive and provide the latest services to its valued customers.

Along with its services and infrastructures, the company also invests in the latest technologies, systems and services to enhance its operational practices, improve employee productivity and enhance overall productivity. Operational automation, training and vocational development of employees, use of the latest systems and applications in HR management, project management, customer relationship management etc are some of the important examples of use of the latest technologies in its operational practices.

# **BUSINESS STRATEGY**

## **CUSTOMERS**

Nepal Telecom is committed to provide quality customer service according to the evolving market trends, technologies and customer expectations. With a customer base of more than 20 million, Nepal Telecom is committed to maintain that trust and confidence of customers in the days to come. For this, the company shall continuously invest its money, material and manpower.

## **MEDIUM OF SERVICE AND INFORMATION DISSEMINATION**

Nepal Telecom has a wide network of branch offices and outlets across the country. More than 164 branch offices across the country work diligently in provisioning of services to customers including sales, revenue collection, maintenance, after sales support and dealer management.

Along with the branch offices and outlets, the company also employs the latest technologies such as electronic media, bank outlets, electronic wallets, web portals and others to provide prompt services to its customers.



“ With a customer base of more than 20 million, Nepal Telecom is committed to maintain the trust and confidence of customers. ”

*Maintenance work in PSTN Cabinet at Pokhara*



Nepal Telecom also uses various media to make its customers aware of its services, tariff and offerings. All major news media including radio, TV and print media are used to spread the messages through advertisements and other means. Modern media such as social networking, web portals, online media etc are also being increasingly utilized to enhance visibility in the market. Company is continuously working to enhance effectiveness and relevance of its promotional activities.

## **CUSTOMER RELATIONSHIP**

Customers are at the foundation of the company's business success. As a result, the company is working diligently to enhance customer engagement and make it easier for the customers to avail its services. Moreover, the company has been working continuously to enhance overall relationship and engagement with the customers. New tools have been deployed to enable customers to avail Nepal Telecom service without having to go to the company's office and other outlets. For this, the channels such as SMS, web, USSD and mobile app have been developed and deployed. The dedicated customer complaint numbers such as 198 and 1498 are deployed for quick and convenient complaint lodging for various services of Nepal Telecom. Both these channels are empowered by the high-tech Customer Complaint Center (CCC) system deployed by the company. Similarly, 197 inquiry service has been effective in providing efficient inquiry service to customers across the nation.

## **INCOME SOURCES**

Company's various services including wired, wireless and value added services are the major sources of revenue. These include Voice, SMS, Internet, broadband and other value added and content-based services.

92.6 percent of the total revenue is from services and the remaining revenue is from other sources. Since an overwhelming majority of services are provided on prepaid credit-limit basis, the revenue risk for the company is minimal. To improve revenue stream and diversify income sources, the company has been investing in some projects of national pride such as Trishuli 3B, Upper Tamakoshi and Hydropower Investment and Development Company Limited (HIDCL). Faced with diminishing revenue from traditional services and continuous evolution of new services, reducing price and revenue per user of existing services and rapid evolution in technology, the company has taken up strategy of diversifying its investment and ensuring long term revenue sources. At the same time, the company is also making significant contribution in development of critical power sector in the country.

## **MAJOR TASKS**

Nepal Telecom puts high priority in developing and maintaining high quality telecom infrastructure in the country to provide reliable and quality services to customers across the country. Accordingly, the company has been continuously developing robust transmission network, mobile tower infrastructure and other infrastructure across the country. Similarly, parallel projects and activities are continued for the development of core networks, equipment and systems such as mobile network, fixed network, billing systems, enterprise resource management, customer relationship management and others. Regular training and motivational programs to enhance skill, efficiency and effectiveness of the workforce are also major activities for the company.

## **MAJOR RESOURCES**

Major resources for the company include manpower, financial liquidity, countrywide physical infrastructure, equipment, systems, frequency spectrum etc.

Manpower is an essential resource for the company to run and manage its systems, develop and maintain infrastructure, manage customers, collect revenue, provide customer service and work with suppliers and business partners in various projects. Similarly, manpower is needed in accounting, financial management, procurement, project management and running the daily administration of the company. The company is working continuously to motivate the staff and enhance their overall productivity.

The financial liquidity in the company helps in conducting financial transactions smoothly. It also helps in making timely investment in development and expansion of services and thereby create more revenue sources. Healthy financial liquidity is critical in ensuring that the company can invest in various sectors without difficulty and thus create more avenues of revenue generation and business expansion.

The national network and service infrastructure is vital for making the services available to consumers across the country. The smooth operation of the services is the single most important factor to ensure continued customer satisfaction and uninterrupted revenue inflow for the company. Hence, continuous effort is put to make



**Door to door marketing campaign of FTTH service**



sure that the networks and infrastructures are properly and timely managed and maintained so that the service interruptions are minimized. The national network of branch offices and outlets is vital for this activity as well.

For the operation of wireless services and for the operation of wireless transmission network, frequency spectrum is needed. The various frequency bands obtained from the regulators for various purpose are also a vital resource for the company.



## MAJOR STAKEHOLDERS AND PARTNERS

A lot of different entities have to join hands and work together to make sure the telecom industry thrives and the users get maximum benefit. For efficient development, operation and maintenance of telecom services, the company gets important cooperation from various suppliers, service providers, consultants and others from within and outside the country. Those partners are of vital importance and Nepal Telecom always strives to maintain a healthy relationship with each of them. Similarly, the national and international operators, regulators and other agencies also play important role in the operations of the company's services and other activities.

Moreover, the authorized dealers, sub-dealers and retailers across the country play a vital role in making the company's services, products and facilities easily available across the country. They also play a significant role in ensuring timely and smooth flow of company's products and services.

## OPERATIONAL EXPENSE

The major operational expenses of the company are in operations and maintenance of services, administrative and employee expenses. The company has also adopted a strategy of outsourcing its major business activities to reduce operational expenditure and streamline operations. Similarly, various measures have been taken to reduce administrative and operational expenses. Transportation policy, power management initiatives, activities towards financial discipline, technical audit etc are directed towards reducing expenses and enhancing overall efficiency of the organization.





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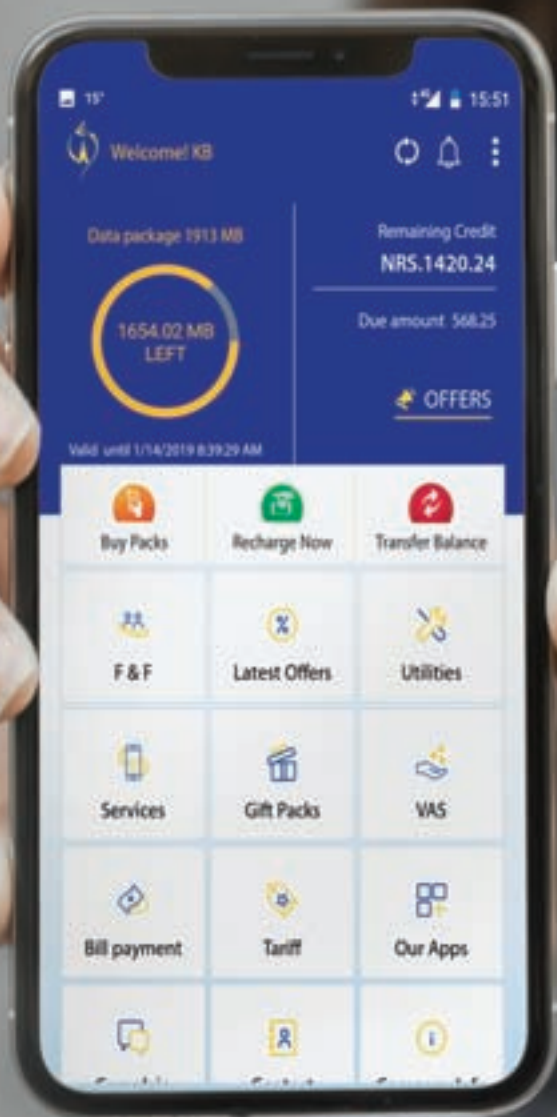
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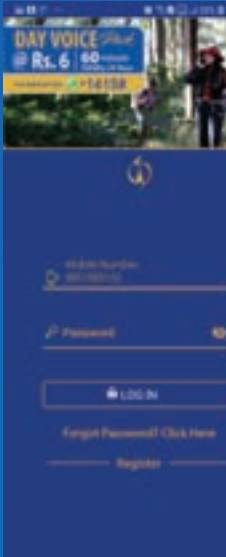


# OUR SERVICES

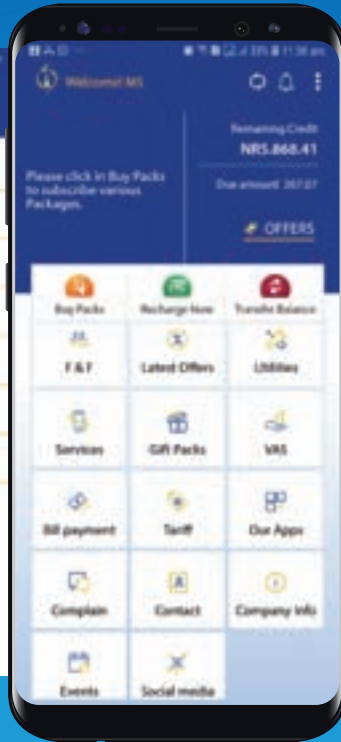
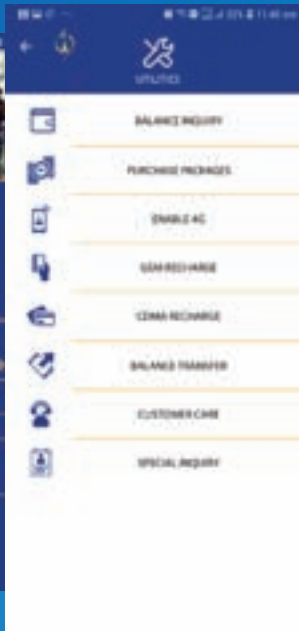


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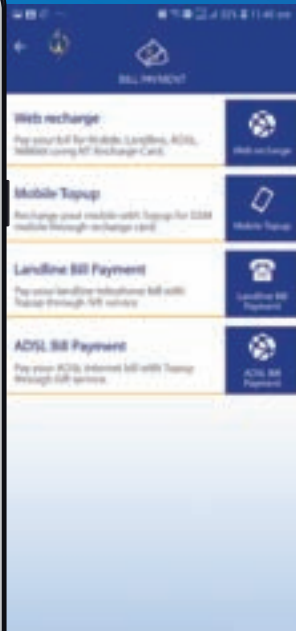
LOGIN



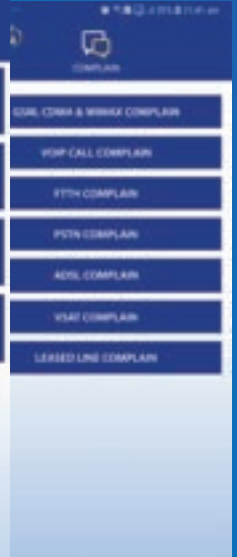
UTILITIES



RECHARGE



SUPPORT



STAY MOBILE

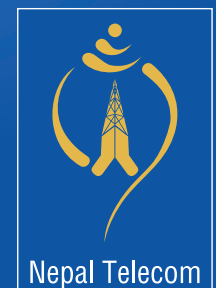
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For more information please visit [www.ntc.net.np](http://www.ntc.net.np)

राष्ट्रको सञ्चार



Nepal Telecom

Nepal Doorsanchar Company Limited is the flag bearer of the development of telecom sector in the country. It has served the country and its people in different capacities to provide quality telecom services with the use of the latest technologies and innovations. Continued innovation, technology adoption and consumer-oriented business models have helped the company to maintain its leadership position in the market.

Doing business in a fast-moving technological landscape is very challenging. Because of the rapid technological evolution, the return on investment has to be obtained within a few years of the inception of any new project. It is a challenge to maintain continued investment in the latest technologies and still ensure continued profitability. On the other hand, not investing makes the service provider obsolete and irrelevant. In this context, Nepal Telecom has been able to continuously evolve, upgrade and enhance its services and the underlying infrastructures to keep pace with technological and business dynamics.

During the review period, the voice subscriber base of the company is increased by 13.51% to reach subscriber base of 19.9 million. Within the same period, the data subscriber base has increased by 29.24% to reach 10.8 million. Despite various challenges posed by technological evolution and market dynamics, the company was able to increase operational income by 1.52% to Rs. 39.02 billion. Similarly, the profit has increased by 13.73% to Rs. 17.48 billion.

## PSTN Service

- Started in 1913 AD
- 1,031 exchanges across Nepal
- First digital switch in South Asia was introduced in Nepal
- Project is ongoing to transform the PSTN network into fully-IP based modern digital network that can provide high speed broadband and voice services.
- Customer base: 686K as of FY 2017/18

### Services available on PSTN

- Caller ID (CLIP)
- Locking Code
- Call Hunting
- 3-party Conference
- Call Transfer
- Call Waiting
- Home Metering
- Abbreviated Dialing
- Wakeup Call
- STD and ISD

### NGN

- Fully IP-based Next Generation Network technology
- Ongoing Transformation of PSTN Network
- 621 Nodes installed and operational
- Serves as a platform for High-speed Broadband over Fiber (FTTH)

### Value-Added Services on PSTN

- Intelligent Network (IN) Services (PCC Easy Call, Toll Free, SIP Voice over IP, Notice Board Service etc)
- IVR Services (1600 for SLC/SEE result, 1601 for +2 result, 1603 for TU result, 1607 for GSM/CDMA bill inquiry, 198 for PSTN/ADSL/VSAT/FTTH/Lease Complaint registration, 188 for call bypass notification etc.)
- Helpdesk Services (197 Inquiry Service, 1498 for Mobile Inquiry, 1698 for Fixed IN Inquiry etc)

### Emergency Service

- 100 for Police
- 101 for Fire Brigade
- 102 for Ambulance
- 103 for Kathmandu Valley Traffic Police
- 104 for Missing Child Search Service



### **Easyphone (IP Call) Service**

- Based on Session Initiation Protocol
- Enables voice communication over Internet
- Uses mobile or PC based soft client
- Useful while travelling abroad
- Standard SIP App on mobile can be used

### **Cheap International Calls over 1424**

- Used from PSTN, GSM, CDMA numbers.
- Used from PCC, PCL accounts
- Call charges much more economical than the standard '00' access code for international calls

### **Notice Board Service**

- Useful to provide repetitive messages to callers calling on a PSTN number
- Useful for corporates, schools, colleges etc
- Customers can record their messages and store in the system to playback to callers
- Available for all PSTN users without adding any equipment or license

### **Advanced Free-phone Service (AFS) or Toll-free**

- Used by corporates to encourage customers, potential clients and other people call into the corporate number.
- Free for the caller.
- Various value added features and flexibilities to make this service attractive and useful for different types of corporate users.

## **Mobile Service**

- Largest customer base and most widespread network.
- Started with 2G and now expanding from 3G network to 4G.
- Consists of GSM, CDMA technologies
- Nationwide data network of GPRS, 3G, EVDO
- 4G entering next phase of nationwide expansion
- Different types of value-added services
- Biggest revenue earner for company
- Total customer base in FY 2017/18: 20 million

### **Mobile Value Added Service**

Within the review period, the company focused its attention on continuation of existing value added services as well as introducing new ones. The airtime credit service is one of the major value added services started in this period. It is provided free of cost to GSM Prepaid users to make sure they can continue their call even after their balance becomes zero.

During this period, the Missed Call Alert (MCA) service was resumed after in-house development of the system. Earlier, the service was run in partnership with a VAS provider and was discontinued due to unavoidable circumstances.

### **NT Service found to be better in Service Quality Survey by NTA**

In a detailed report published by Nepal Telecom Authority based on extensive drive tests, the mobile service quality of Nepal Telecom was found to be better than the competitors in terms of quality and coverage. The study was conducted between 11 and 25 Ashwin 2075 and included detailed drive test in 38 locations in Kathmandu. The tests were conducted in busy hours of morning and evening. The study analyzed quality indicators such as call success rate, grade of service, call setup time and data connection quality.

## **Internet Service**

- Started with Dialup in 2000 AD.
- Comprises of mobile as well as fixed broadband services. Expansion of optical broadband FTTH service and transformation of ADSL into FTTH is ongoing.
- Company's share in domestic Broad Band Internet Service market is 46.34% based on reports of Nepal Telecommunications Authority (NTA, MIS Mansir 2075).
- Total customer base: 12.23 million.

## Inter-operator and International Service

### Domestic Inter-operator connectivity

- Ncell
- Smart
- UTL
- Nepal Satellite
- CG Communications

### International inter-operator connectivity

- Direct and pop-based interconnections
- Nepal Telecom POP in Singapore, Hong Kong and Doha

### Trend of International Interconnection Business

With the rapid technological development in telecom equipment as well as bringing in state-of-the-art smartphones within the reach of the masses, the evolving trend of Over-The-Top (OTT) applications and changing user behavior, Telecom Industry worldwide is experiencing turmoil. Telcos worldwide is seeing a shift in the revenue pattern, with the revenue from the voice service gradually moving in to data service revenue. Nepal Telecom is also experiencing the same. Nepal Telecom is adapting to the changing dynamics and introducing more data-centric and other value-added services as per the changing user-behavior. In addition, Nepal Telecom is also adapting to the changing trend of fraudsters.

Nepal Telecom has been studying on newer avenues for business, through the current trend of operators worldwide and the changing user-behavior. With the understanding that content and data are the demand for today and the future, Nepal Telecom has initiated various new data and content services. One of such new ventures is the International Lease Service targeted for the enterprises, to connect them to some location overseas. Nepal Telecom started International Lease Service on November 1, 2018 for Honxi Shivam Cement situated in Nawalparasi, in cooperation with China Telecom in China. Nepal Telecom is in process of providing other similar services in coordination with other partners. Similarly, NT has also been in process to implement new attractive Value Added Services based on content, as per the changed user behavior and the subsequent huge requirement.

### Controlling Illegal Call Bypass

- Coordination with CBI
- Revenue Vigilance Unit formed to monitor and control fraud
- Using the latest automated technologies to detect and control illegal call bypass.
- Use of technologies has shown positive impact on overall standing of international inter-operator business and revenue protection.

### Enhancing Connectivity and Traffic Exchange with Neighboring Countries

With the continued consolidation in the inter-operator relationships and timely review of tariff, there has been significant positive impact in traffic with neighboring countries. This has been beneficial to hundreds of thousands of users including Nepalese expats living and working in those countries.

## Useful Information about NT Services

### Services available over SMS Short Code

Service	Syntax
Outstanding balance query	Type "CB" and send to 1415
Data Volume query	Type "VL" and send to 1415
Free Resource query	Type "FR" and send to 1415
Night call Package (CDMA only)	Type "Night" and send to 1415
Friends and Family (FNF) service subscription	Type "FNFSUB*MDN" and send to 1415
Friends and Family (FNF) add member Note: 1 MDN at a time	Type "FNFADD*" and send to 1415
Friends and Family (FNF) modify member Note: Maximum 5 MDN numbers	Type "FNFMOD*oldMDN*newMDN" and send to 1415 and send to 1415

Friends and Family (FNF) delete member	Type "FNFDEL*MDN" and send to 1415
Friends and Family (FNF) member inquiry	Type "FNFINQ" and send to 1415
For Help	Type "Help" and send to 1415
Different Package Subscription (Voice, Data, SMS etc.)	Type sub_code and send SMS to 1415. (Visit NT website to view different sub_code)
Subscribe to NT Wi-Fi Hotspot	Connect to Available Hotspot to subscribe package.Based on information send SMS to 1416
NTPro service	Type Sub ntpro and send SMS to 1428
Caller Ring Back Tone Service	Type Sub and send SMS to 1455 to start service Type Unsub and send SMT to 1455 to stop service
SEE Result Inquiry	Type SEE Symb.No and Send SMS to 1600
Missed Call Alert Service	Type sub and send SMS to 1400 to START Type unsub and send SMS to 1400 to STOP
Secutity code	Type SCODE & Send SMS to 1415
Namaste Credit ( Prepaid Only )	Type STATUS & Send SMS to 1477 to check STATUS Type START & Send SMS to 1477 to START Type STOP & Send SMS to 1477 to STOP

### Services available over IVR

IVR Number	Charge	Service
1412		Bill payment by using Recharge Card
1415	Free	Balance query/ credit limit query/ recharge/ missing claim/ cancel missing claim/ first call activation/ PUK query/ data volume query
1607	Airtime	PUK number Inquiry
1498	Free	Mobile (GSM/CDMA/WiMAX) Service and General Inquiry
197	Free	PSTN Number Inquiry
198	Free	Line Maintenance (PSTN, ADSL, VSAT, Lease & FTTH)
1600	Airtime	SEE Result Inquiry
1455	Airtime	Caller Ring Back Tone Service

### Services available over USSD

GSM Mobile Balance Inquiry	Dial *400#
4G Activation	Dial *444# (If SIM change is required to upgrade to 4G, please visit nearest NT Office)
Package Subscription	Dial *1415# (For Subscription of various offers provided by NT)
GSM Mobile Recharge (from Recharge Card)	Dial *412*Pin Number#
Balance Transfer (Prepaid)	Dial *422*security_code*Mobile Number*Amount#
Missed Call Alert Service	Dial *1400#
Caller Ring Back Tone(CRBT)	Dial *1455#

### Services available form Website

Service	Link
Recharge from Recharge Card	<a href="http://webrecharge.ntc.net.np">http://webrecharge.ntc.net.np</a>
Package subscription	<a href="http://offer.ntc.net.np">http://offer.ntc.net.np</a>
Volume Query	<a href="http://offer.ntc.net.np/VolumeQuery.aspx">http://offer.ntc.net.np/VolumeQuery.aspx</a>
Gift Packages	<a href="http://offer.ntc.net.np/GiftPack.aspx">http://offer.ntc.net.np/GiftPack.aspx</a>



# CORPORATE SOCIAL RESPONSIBILITY (CSR)



*Maitighar-Tinkune Greenery maintained by NT*

“ Our contribution for the betterment of society has positive impact on the organizational image and that leads to better business prospects and prosperity. ”





As a responsible organization, we are aware of our duty and responsibility towards society. Driven more by a sense of responsibility towards national development and benefit of the community, we have shown continued commitment towards the plans, projects and activities in the various sectors such as social welfare, health, education, environment, culture, sports, literature and others. We feel that our contribution for the betterment of society has positive impact on the organizational image and that leads to better business prospects and prosperity.

In the review period, Nepal Telecom has continued various programs and involvements in CSR activities. As expected, these activities have helped bolster company's solid image as a responsible and society-oriented organization. We are confident that this improved social image shall be instrumental in maintaining and improving business viability of the organization.

## Programs continued from previous years

### Free Calls

100 for Nepal Police  
101 for Fire Brigade  
102 for Ambulance  
103 for Metropolitan Traffic Police  
104 for Child Search Coordination Center  
105 for Nepal Army  
106 for Nepal Army  
1098 for CWIN Helpline  
1111 for Hello Sarkar  
1114 for Armed Police Force  
1144 for Tourist Police Unit

## New Programs

- Distributed blankets to five regional hospitals including Koshi Zonal Hospital Biratnagar, Narayani Zonal Hospital Birgunj, Bhaktapur Cancer Hospital, Bheri Zonal Hospital Nepalgunj and Mahakali Zonal Hospital Mahendranagar.
- Distributed blankets to the fire victims of Nepaltar and Udaypur.
- Created free wifi hotspots in three hospitals including Gangalal Cardiac Center, Maternity Hospital Thapathali and Bhaktapur Cancer Hospital.
- Provided 8 large dustbins for the famous tourist area of Rara Lake in Mugu district.
- Distributed 20000 free prepaid SIM cards in the Tarai districts.

## Free SMS

Nepal Telecom provided free SMS service to broadcast mass information on following occasions:

- World Environment Day : 5 June 2018
- Fourth BIMSTEC Summit : 14 to 15 Bhadra 2075
- Student Admission Campaign : 2075
- Anniversary of Civil Service Commission : 1 Asadh 2075
- Shivratri Festival : 1 Falgun 2074
- Republic Day : 15 Jestha 2075
- Constitution Day : 2 Ashwin 2075

## Establishment of ICT Centers in Schools

- Thanpokhari Secondary School, Jyamire Jhor, Udaypur
- Shanti Niketan Secondary School, Surya Vinayak, Bhaktapur
- Amar Secondary School, Khudi, Lamjung
- Sheetal Secondary School, Chaurjahari, West Rukum
- Janata Secondary School, Mahatgaon, Jumla
- Ghatal Secondary School, Nuwakot, Dadeldhura

## Sports Activities

Nepal Telecom has been sponsoring various sports and sports teams for betterment of sports in the country. The company has been sponsoring Nepal Police Football team since 2068. We are confident that this association with the reputed team shall help us get important presence and exposure in the market.





*Plantation at NT Head Office premise*



*NT Stall at CAN InfoTech*



*3rd Nepali Music Video Award sponsored by NT in Malaysia*

# FINANCIAL STATEMENTS









## Suvod Associates

Chartered Accountants  
357/55 Ganesh Marg, Shankhamul  
Kathmandu, Nepal  
Phone no: 977-1-524224

## A.R. Joshi & Co.

Chartered Accountants  
5th Floor, Nirdhan Bhawan, Naxal  
Kathmandu, Nepal  
Phone no: 977-1-4412201

### Independent Auditor's Report

Nepal Doorsanchar Company Limited (Nepal Telecom)

Financial Year 2074-2075 (2017-2018)

We have audited the accompanying Statement of Financial Position of Nepal Doorsanchar Company Limited (Nepal Telecom) as at Ashadh 32, 2075 (July 16, 2018), the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and the 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 (NFRS). This responsibility includes: Designing, Implementing, and Maintaining Internal Controls relevant to the preparation and fair presentation of the 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 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 upon auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of the accounting estimates made by the management, as well as evaluating the overall preparation 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 has not used professionally qualified valuer for the purpose of revaluation of property, plant and equipment for measurement after recognition. This is not in conformity with the requirements of Accounting Standards.



## Suvod Associates

Chartered Accountants  
357/55 Ganesh Marg, Shankhamul  
Kathmandu, Nepal  
Phone no: 977-1-524224

## A.R. Joshi & Co.

Chartered Accountants  
5th Floor, Nirdhan Bhawan, Naxal  
Kathmandu, Nepal  
Phone no: 977-1-4412201

### 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 a true and fair view of the financial position as at Ashadh 32, 2075 (July 16, 2018), 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 (NFRS) and comply with the requirements of the Companies Act, 2063.

### Other Matter

For the audited year, the company benefited from the services of ninety one contract staffs and other outsourced manpower without implementing the provisions of Labour Act, 2074 and Labor Regulation, 2075. The company has not implemented the applicable provisions which have been effective from Bhadra 19, 2074. Considering the materiality of the non-compliance, our opinion is not modified with respect to this matter.

### Report on other legal and regulatory requirements:

On the basis of our examination, we would like to further report that:

- i. We have obtained all the information and explanation which were necessary, to the best of our knowledge and belief, for the purpose of our audit.
- ii. The Statement of Financial Position as at Ashadh 32, 2075 (July 16, 2018), the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and the Notes to the Financial Statements have been prepared, to the best of our knowledge and belief, in accordance with Nepal Financial Reporting Standards and are in agreement with the books of accounts maintained by the company.
- iii. To the best of our knowledge and belief, the company has maintained proper books of accounts as required by the law.
- iv. During our examination of the books of account of the company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the company has acted contrary to the provisions of law or caused loss or damage to the company.
- v. We have not come across any fraudulence in the accounts on our sample examination of the books of account of the current year.
- vi. We have issued a separate management letter comprising of our strategic and other recommendations.



C.A. (Dr.) Suvod Kumar Karn  
Managing Partner  
Suvod Associates  
Chartered Accountants

Kathmandu, Nepal  
Date: 2075/08/27

C.A. Achint Raj Joshi  
Proprietor  
A.R. Joshi & Co.  
Chartered Accountants

## Statement of Financial Position

As at Ashadh 32, 2075 (As at 16 July, 2018)

Figures in NPR

	Notes	FY 2017/18	FY 2016/17
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible Assets	1	99,262,899	163,999,899
Property, Plant and Equipment	2	38,733,730,193	37,143,110,564
Capital Work-in-Progress	3	4,952,312,366	6,131,524,342
Investment in Associates	4	402,071,453	227,155,465
Investments in Corporate Shares	7.1.1	765,400,000	685,400,000
Term Deposits and Investments in Bonds	7.1.5	8,838,327,440	7,244,152,564
Deferred Tax Asset	21.3	6,066,490,432	4,347,506,855
Employee Loan	7.1.2	2,007,559,317	1,922,858,554
<b>Total Non-Current Assets</b>		<b>61,865,154,100</b>	<b>57,865,708,243</b>
<b>Current Assets</b>			
Inventory	5	424,996,011	459,033,801
Prepayments	6	57,990,617	71,555,816
Current Tax Assets	21.1	1,457,205,166	1,109,036,836
Employee Loan	7.1.2	178,373,671	190,281,085
Accruals, Advance & Others Receivables	7.1.3	515,235,385	592,425,391
Trade Receivable	7.1.4	2,711,487,540	2,673,822,703
Term Deposits and Investments in Bonds	7.1.5	41,270,740,000	34,389,750,000
Cash & Cash Equivalents	7.1.6	23,410,997,112	24,255,209,289
<b>Total Current Assets</b>		<b>70,027,025,502</b>	<b>63,741,114,921</b>
<b>Total Assets</b>		<b>131,892,179,602</b>	<b>121,606,823,164</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share Capital	9	15,000,000,000	15,000,000,000
Reserve and Surplus	10	84,665,117,700	76,330,848,229
<b>Total Equity</b>		<b>99,665,117,700</b>	<b>91,330,848,229</b>
<b>Non-Current Liabilities</b>			
Post Employment Benefits	8.2.2	11,305,643,764	9,180,167,297
Subscriber Deposits	7.2.1	1,939,289,820	2,037,519,310
GSM License Fee Renewal	7.2.2	1,958,161,866	3,942,742,468
<b>Total Non-Current Liabilities</b>		<b>15,203,095,450</b>	<b>15,160,429,075</b>
<b>Current Liabilities and Provisions</b>			
<b>Current Tax Liabilities</b>			
GSM License Fee Renewal	7.2.2	2,500,000,000	2,500,000,000
Provisions	7.2.3	2,282,601,893	2,109,700,681
Current Liabilities	7.2.4	12,241,364,559	10,505,845,179
<b>Total Current Liabilities and Provisions</b>		<b>17,023,966,452</b>	<b>15,115,545,860</b>
<b>Total Equity and Liabilities</b>		<b>131,892,179,602</b>	<b>121,606,823,164</b>

As Per Our Report of Even Date

Mahendra Man Gurung  
Chairman

Surya Bhakta Pokharel  
For Managing Director

Dhanaraj Gnyawali  
Director

Uttar Kumar Khatri  
Director

CA. (Dr.) Suvod Kumar Karn  
Suvod Associates  
Chartered Accountants

CA. Achyut Raj Joshi  
A.R. Joshi & Co.  
Chartered Accountants

Radhika Aryal  
Director

Vishnu Prasad Kasaju  
Director

Raj Bahadur Rawal  
Director

Pradeep Raj Upadhyay  
Chief Financial Officer

Ganga Sagar Matanchhea  
Manager

Date: December 13, 2018  
Place: Kathmandu



## Statement of Profit or Loss

As at Ashadh 32, 2075 (As at 16 July, 2018)

Figures in NPR

Particulars	Notes	FY 2017/18	FY 2016/17
<b>Revenue from contract with customers</b>	<b>11</b>	<b>39,023,259,738</b>	<b>40,346,817,951</b>
Finance Income	12	6,003,579,127	4,080,898,200
Other Income	13	242,646,092	161,272,971
<b>Total Income</b>		<b>45,269,484,957</b>	<b>44,588,989,122</b>
Employee Benefit Expenses	8.1	(5,957,877,286)	(5,328,759,585)
Operation and Maintenance Costs	14	(6,745,601,781)	(6,533,320,864)
Sales Channel, Marketing and Promotion	15	(1,643,028,335)	(1,593,405,851)
Costs Administrative Costs	16	(1,319,507,053)	(1,289,039,635)
Regulatory Fees, Charges and Renewals	17	(3,536,544,689)	(3,431,043,250)
Foreign Exchange (Loss)/Gain	20	635,555,131	(424,340,523)
Shares of results of associates	4	(12,584,012)	(8,618,802)
<b>Earning Before Interest , Taxes, Depreciation, Amortisation (EBITDA)</b>		<b>26,689,896,932</b>	<b>25,980,460,612</b>
Finance Cost	18	(509,679,737)	(810,278,845)
Depreciation	2	(4,200,105,820)	(4,372,057,501)
Amortisation of License Fee	1	(64,737,000)	(64,737,000)
Impairments - net of reversals	19	10,730,977	(157,531,918)
<b>Profit Before Tax</b>		<b>21,926,105,352</b>	<b>20,575,855,348</b>
Income Tax Expenses			
Current Income Tax	21.4	(5,851,328,465)	(5,734,012,684)
Deferred Taxes	21.3	1,409,024,940	530,921,460
<i>Deferred Taxes - Normal</i>		397,943,201	530,921,460
<i>Deferred Taxes - Due to change in Corporate Tax Rate</i>		1,011,081,739	-
<b>Profit For the Year</b>		<b>17,483,801,827</b>	<b>15,372,764,124</b>
Earnings Per Share (Basic)		116.56	102.49
Earnings Per Share (Diluted)		116.56	102.49

As Per Our Report of Even Date

**Mahendra Man Gurung**  
Chairman

**Surya Bhakta Pokharel**  
For Managing Director

**Dhanaraj Gnyawali**  
Director

**Uttar Kumar Khatri**  
Director

**CA. (Dr.) Suvod Kumar Karn**  
Suvod Associates  
Chartered Accountants

**CA. Achyut Raj Joshi**  
A.R. Joshi & Co.  
Chartered Accountants

**Radhika Aryal**  
Director

**Vishnu Prasad Kasaju**  
Director

**Raj Bahadur Rawal**  
Director

**Pradeep Raj Upadhyay**  
Chief Financial Officer

**Ganga Sagar Matanchhea**  
Manager

Date: December 13, 2018  
Place: Kathmandu

## Statement of Other Comprehensive Income

As at Ashadh 32, 2075 (As at 16 July, 2018)

Figures in NPR

Particulars	Notes	FY 2017/18	FY 2016/17
<b>Profit for the year</b>		<b>17,483,801,827</b>	<b>15,372,764,124</b>
<b>Other comprehensive income/(expense)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange difference of translation of foreign operation			
Cash Flow Hedges			
Income Taxes relating to items that may be reclassified			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Gains on Property Revaluation	1	-	2,166,382,142
Investments in Equity Instruments (FV changes)			
Remeasurements of defined retirement benefit plans of employees	8.2.2	(1,033,195,455)	(1,837,383,106)
Shares of Other Comprehensive Income of Associates			
Income Taxes relating to items that will not be reclassified	21.3	309,958,637	459,345,777
<b>Total Comprehensive Income for the Year</b>		<b>16,760,565,009</b>	<b>16,161,108,937</b>

As Per Our Report of Even Date

<b>Mahendra Man Gurung</b> Chairman	<b>Surya Bhakta Pokharel</b> For Managing Director	<b>Dhanaraj Gnyawali</b> Director	<b>Uttar Kumar Khatri</b> Director	<b>CA. (Dr.) Suvod Kumar Karn</b> Suvod Associates Chartered Accountants	<b>CA. Achyut Raj Joshi</b> A.R. Joshi & Co. Chartered Accountants
<b>Radhika Aryal</b> Director	<b>Vishnu Prasad Kasaju</b> Director	<b>Raj Bahadur Rawal</b> Director	<b>Pradeep Raj Upadhyay</b> Chief Financial Officer	<b>Ganga Sagar Matanchhea</b> Manager	Date: December 13, 2018 Place: Kathmandu

## Statement of Changes in Equity

As at Ashadh 32, 2075 (As at 16 July, 2018)

Figures in NPR

Particulars (FY 2073-74)	Share Capital	Retained Earning	Deferred Tax Reserve	FVtOCI Reserve	Revaluation Reserve	Total
<b>Balance as on Shrawan 1, 2073</b>	<b>15,000,000,000</b>	<b>49,095,259,017</b>	<b>3,357,239,618</b>	<b>-</b>	<b>15,922,088,389</b>	<b>83,374,587,024</b>
Previous Period Adjustments		(68,103,388)				(68,103,388)
Prior Period Income		291,498,495				291,498,495
Prior Period Expenses		(417,904,596)				(417,904,596)
Amended Assessment Tax		(347,588,660)				(347,588,660)
Adjustment of Stock (Note 30.4)		(12,639,909)				(12,639,909)
Adjustment of Unearned Sales (refer note 30.3)		(109,673)				(109,673)
<b>Restated Opening Balance</b>	<b>15,000,000,000</b>	<b>48,540,411,286</b>	<b>3,357,239,618</b>	<b>-</b>	<b>15,922,088,389</b>	<b>82,819,739,293</b>
Profit for the year		16,161,108,937				16,161,108,937
Dividend for FY 2072-73		(7,650,000,000)				(7,650,000,000)
Transfer Revaluation Reserve		(2,166,382,142)			2,166,382,142	-
Transferred To Deferred Tax Reserve		(990,267,237)	990,267,237			-
<b>Balance as on Ashadh 31, 2074</b>	<b>15,000,000,000</b>	<b>53,894,870,844</b>	<b>4,347,506,855</b>	<b>-</b>	<b>18,088,470,531</b>	<b>91,330,948,230</b>
<b>Particulars (FY 2074-75)</b>	<b>Share Capital</b>	<b>Retained Earning</b>	<b>Deferred Tax Reserve</b>	<b>FVtOCI Reserve</b>	<b>Revaluation Reserve</b>	<b>Total</b>
<b>Balance as on Shrawan 1, 2074</b>	<b>15,000,000,000</b>	<b>53,894,870,844</b>	<b>4,347,506,855</b>	<b>-</b>	<b>18,088,470,531</b>	<b>91,330,948,230</b>
Previous Period Adjustment		(58,182,688)				(58,182,688)
Prior Period Income		150,078,653				150,078,653
Prior Period Expenses		(86,542,996)				(86,542,996)
Amended Assessment Tax		(250,593,310)				(250,593,310)
Adjustment of Stock		68,944,802				68,944,802
<b>Restated Opening Balance</b>	<b>15,000,000,000</b>	<b>53,718,575,305</b>	<b>4,347,506,855</b>	<b>-</b>	<b>18,088,470,531</b>	<b>91,154,552,691</b>
Profit for the year		16,760,565,009				16,760,565,009
Dividend for FY 2073-74		(8,250,000,000)				(8,250,000,000)
Transfer Revaluation Reserve		-				-
Transfer To Deferred Tax Reserve		(1,718,983,577)	1,718,983,577			-
<b>Balance as on Ashadh 32, 2075</b>	<b>15,000,000,000</b>	<b>60,510,156,737</b>	<b>6,066,490,432</b>	<b>-</b>	<b>18,088,470,531</b>	<b>99,665,117,700</b>

As Per Our Report of Even Date

**Mahendra Man Gurung**  
Chairman

**Surya Bhakta Pokharel**  
For Managing Director

**Dhanaraj Gnyawali**  
Director

**Uttar Kumar Khatri**  
Director

**CA. (Dr.) Suwood Kumar Karn**  
Suwood Associates  
Chartered Accountants

**CA. Achyut Raj Joshi**  
A.R. Joshi & Co.  
Chartered Accountants

**Radhika Arya**  
Director

**Vishnu Prasad Kasaju**  
Director

**Raj Bahadur Rawal**  
Director

**Pradeep Raj Upadhyay**  
Chief Financial Officer

**Ganga Sagar Matanchheha**  
Manager

Date: December 13, 2018  
Place: Kathmandu



## Statement of Cash Flows

As at Ashadh 32, 2075 (As at 16 July, 2018)

Figures in NPR

Cash Flow from Operating Activities	FY 2017/18	FY 2016/17
<b>Net Profit for the Year</b>	<b>17,483,801,827</b>	<b>15,372,764,124</b>
<b>Adjustments</b>		
Income Tax expense recognised in profit or loss	5,851,328,465	5,734,012,684
Deferred Tax expense recognised in profit or loss	(1,409,024,940)	(530,921,460)
Depreciation	4,200,105,820	4,372,057,501
Finance Income	(5,863,232,555)	(4,080,898,200)
Impairment Loss/(Reversal of Impairment Loss)	(10,730,977)	(58,068,006)
Finance Costs	474,248,252	762,239,463
Actuarial (Gain)/Loss	(1,033,195,455)	-
Amortization of License	64,737,000	64,737,000
Equity loss on Associate	12,584,012	8,618,802
<b>Movements in Working Capital</b>		
Decrease/(Increase) in Inventory	34,037,790	(58,610,035)
(Increase)/Decrease in Prepayments	13,565,199	(55,459,528)
(Increase)/Decrease in Employee Loan	(72,793,349)	(369,243,322)
(Increase)/Decrease in Other Advances	129,640,390	416,615,648
(Increase )/Decrease in Trade Receivable	105,996,817	256,987,563
(Increase )/Decrease in Deferred Taxes	-	(459,345,777)
Increase /(Decrease) in Non-Current Liability	42,666,375	129,849,781
Increase /(Decrease) in Provisions	172,901,212	(163,045,654)
Increase /(Decrease) in Current Liability	1,188,924,439	(617,432,400)
NFRS Adjustments		
Previous Year Adjustments	(176,295,537)	563,419,891
Income Taxes Paid	(6,251,947,179)	(5,785,424,937)
<b>Total Adjustments</b>	<b>(2,526,484,221)</b>	<b>130,089,014</b>
<b>Net Cash flow from Operating Activities (A)</b>	<b>14,957,317,606</b>	<b>15,502,853,138</b>
<b>Cash Flow from Investing Activities</b>		
PSTN License Fee Renewal		
Internet License Fee Renewal		
Acquisition of Property, Plant and Equipment	(5,923,656,126)	(5,937,374,028)
Decrease/ (Increase) in Capital Work in Progress	1,179,211,976	(2,213,404,159)
Decrease/ (Increase) in Investment	(8,742,664,876)	(14,707,372,540)
Income from Investment & Bank Deposit	5,863,232,555	3,941,219,399
<b>Net Cash Flow from Investing Activities (B)</b>	<b>(7,623,876,471)</b>	<b>(18,916,931,328)</b>
<b>Cash Flow from Financing Activities</b>		
Increase/ (Decrease) in Capital		
Dividend Paid	(8,177,653,312)	(7,725,851,839)
<b>Net Cash Flow from Financing Activities ( C )</b>	<b>(8,177,653,312)</b>	<b>(7,725,851,839)</b>
<b>Net Increase in Cash (A+B+C)</b>	<b>(844,212,177)</b>	<b>(11,139,930,029)</b>
<b>Cash &amp; Cash Equivalents at Beginning of the Year (Note 7.1.6)</b>	<b>24,255,209,289</b>	<b>35,395,139,318</b>
<b>Cash &amp; Cash Equivalents at the End of the Year (Note 7.1.6)</b>	<b>23,410,997,112</b>	<b>24,255,209,289</b>

As Per Our Report of Even Date

Mahendra Man Gurung  
Chairman

Surya Bhakta Pokharel  
For Managing Director

Dhanaraj Gnyawali  
Director

Uttar Kumar Khatri  
Director

CA. (Dr.) Suvod Kumar Karn  
Suvod Associates  
Chartered Accountants

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Radhika Aryal  
Director

Vishnu Prasad Kasaju  
Director

Raj Bahadur Rawal  
Director

Pradeep Raj Upadhyay  
Chief Financial Officer

Ganga Sagar Matanchhea  
Manager

Date: December 13, 2018  
Place: Kathmandu

## Notes to Financial Statements

### i. General Information

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

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

The Government of Nepal and Citizen Investment Trust have been the principal promoters of the company. The Government of Nepal, who substantially owns the company, divested certain portion of its holdings in favour of the company employees and general public. The current shareholding structure is as per note 9.

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 of the country

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](http://www.ntc.net.np)

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

### ii. Basis of Preparation

The financial information has been prepared under the historical cost convention, as modified by the revaluation of property plant and equipment, fair value measurement of financial assets and liabilities.

The financial statements are prepared on accrual basis. As exception, income and expenses are accounted on cash basis, for practical reasons, in case of revenue from internet services and revenue from pole rentals. Management believes that had those revenues been recognised on accrual basis the impact would not have been materially different from the amounts recognised in the financial statements. (Refer Note 11)

### iii. Compliance with NFRS

The financial statements of Nepal Telecom have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by Accounting Standards Board Nepal (ASB) and pronounced by the Institute of Chartered Accountants of Nepal (ICAN) as effective on 13 September 2013.

### iv. Approval of Financial Statements

The accompanied financial statements have been approved and authorised for issue by the Board of Directors (BoD) of the company in its meeting held on Manghsir 27, 2075 (13 December 2018).

### v. Future Accounting and Reporting Developments

#### *IFRS 16 Leases*

On 13 January 2016 the IASB issued IFRS 16 to replace IAS 17 Leases. IFRS 16 requires lessees to recognise a right of use of asset and a liability for future payments arising from a lease contract. Lessor accounting requirements remain aligned to the current approach under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

#### *Amendments to IAS 7 Statement of Cash Flows and IAS 12 Income Taxes*

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows, which require additional disclosure about an entity's financing activities, and IAS 12 Income Taxes, which clarify when a deferred

tax asset should be recognised for unrealised losses. These revised requirements, are not expected to have a significant impact on the company.

## **vi. Presentation of Financial Statements**

1. The statement of profit or loss has been prepared using classification 'by nature' method.
2. The cash flows from operation within the statement of cash flows have been derived using the 'indirect' method.

## **vii. Presentation Currency**

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

## **viii. Current and Non-Current Distinction**

Assets and liabilities, wherever applicable, are bifurcated in current and non-current based on their respective maturity. Such information has been disclosed in respective notes as applicable.

## **ix. Discounting**

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

Weighted Average Cost of Capital (WACC), with risk adjustment, is 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 has been used in determining the discount rate to be applied for preparation of the financial statements. The rate derived for discounting the liabilities is 8%.

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 8%.

## **x. Accounting Polices, Critical Accounting Estimates and Judgements**

### **Accounting Policies**

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

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, if any, have been disclosed.

### **Accounting Estimates and Judgements**

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



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

#### **xi. Going Concern**

The management considers that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

#### **xii. Investments in Subsidiaries, Associates and Joint Ventures**

The company does not have control over any other entity for consolidation of financial statements. Investments in shares made by the company are financial investments and have been described under non-trading financial investments in note 7.1 and investment in associates in note 4.

#### **xiii. Reporting Dates**

<b>Particulars</b>	<b>Nepalese Calendar Date / Period</b>	<b>Gregorian Calendar Date / Period</b>
Comparative SFP* Date	31 Ashadh 2074	15 July 2017
Comparative reporting period	1 Shrawan 2073 - 31 Ashadh 2074	16 July 2016 - 15 July 2017
NFRS SFP* Date	32 Ashadh 2075	16 July 2018
NFRS reporting period	1 Shrawan 2074 - 32 Ashadh 2075	16 July 2017 - 16 July 2018

\* SFP = Statement of Financial Position

#### **xiv. Materiality**

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

## **Accounting Policies and Explanatory Notes**

### **1. Intangible Assets**

#### **Accounting Policies**

Identifiable intangible assets are recognised when the company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the company and the cost of the asset can be reliably measured.

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

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

#### **Explanatory Notes**

Software are considered to be integral to an item of hardware equipment and is classified as property, plant and equipment and depreciated over the useful life of the hardware.

#### **Licence Fees**

The net carrying amount of intangible assets pertains to the unamortised portion of various license fees paid to Nepal Telecommunications Authority (NTA). 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 statements as intangible assets. The amortisation is done, on the time apportion basis, over the validity period of the license as specified by NTA.

	PSTN	GSM	Internet	NPR
Valid from	2072.10.13	2071.01.29	2072.01.15	
Valid to	2077.10.12	2076.01.27	2077.01.13	
Life (in years)	5	5	5	
Total Fee	134,415,000	189,000,000	270,000	323,685,000
<b>Balance as on 31.03.2074</b>	<b>95,084,803</b>	<b>68,764,932</b>	<b>150,164</b>	<b>163,999,899</b>
Payment during FY 2074-75	-	-	-	-
Amortisation for FY 2074-75	(26,883,000)	(37,800,000)	(54,000)	(64,737,000)
<b>Balance as on 32.03.2075</b>	<b>68,201,803</b>	<b>30,964,932</b>	<b>96,164</b>	<b>99,262,899</b>

#### Further information – GSM renewal fee

The GSM License renewal fee of NPR 20 billion has been recognised as expense for the 5 years period from the due date. However, the 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 as well as the modality of payment is yet to be decided. The GoN has constituted a committee to make a recommendation on the matter. If the liability is confirmed and quantified, and subject to possible future legal proceedings, it may result in further cost to the company. (also Refer note 25.1.1)

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

### Accounting Policies

Property, plant and equipment are stated in the statement of financial position at their cost and are inclusive of all expenses necessary to bring the assets to working condition for its intended use less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable. Property, plant and equipment are recognised as 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 on pro rata basis in the year of acquisition. The residual values, useful lives and the depreciation methods of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates are accounted for as a change in accounting estimates in accordance with NAS 8.

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

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

Freehold land held by the company is recognised and reported at fair value conducting periodic revaluation.

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

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 or loss.

## Depreciation

Depreciation is charged so as to expense off the cost of assets, other than land, using straight line method over their estimated useful lives. The 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 Section 1.

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

## De-recognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from the use of that asset. 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.

## Impairment

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

## Explanatory Notes

### 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 approximation of fair value. The fair value of land was determined using Level II information as required by NFRS 13, in absence of active real estate market but considering the recent transaction value of the similar land in the similar locality.

Considering the company's intention to hold the land for a foreseeable future, fair market value was considered taking into account weightage of 50% for prevalent market prices and 50% price determined for government's land revenue charges.

In FY 2073-74, 29 lands were transferred in the ownership of Nepal Telecom and revalued amount of those lands amounting NPR 2,166,382,142 is recognized in the books after revaluation to the approximation of fair value.

### 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 has 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 (NPR)
<b>1</b>	<b>Land</b>	<b>238</b>	<b>482,549.61</b>	<b>Not Available</b>
	a. Land under Forest for tower structure	97	132,295.36	
	b. Land under previous Nepal Doorsanchar Sansthan	-	-	
	c. Land under Nepal Govt.	103	219,018.38	
	d. Land registered in the name of other offices of GoN	19	65,240.87	
	e. Land under process of ownership (Government decision for ownership transfer already made)	19	65,995.00	
<b>2</b>	<b>Building</b>		<b>Not Available</b>	<b>372,727,329</b>

### Buildings and Physical Structure

All physical infrastructures have been classified on the basis of their construction type (such as RCC pillar structure, Load bearing, Stone masonry, Shed and other structures etc.). Historical cost of the physical



structures reduced by accumulated depreciation computed on the basis of management's estimation of useful life, for each type, have been recognised as asset on the date of the opening NFRS SFP.

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 construction completion certificate from concerned authorities. There are building that do not have either approved design or construction completion certificate. These entail risk from regulatory authority including fines and possible demolitions.

### Plant and Equipment

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

### Furniture, Fixtures and Other Office Equipment

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

### 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.

### Useful Life (Section 1)

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

Classification	Sub-Classification	Useful life
<b>Building</b>	RCC Frame Structure	50
	Load bearing structure (brick/stone) -Official Purpose	25
	Load bearing structure (brick/stone) -Equipment Purpose	15
	Metal Structure	15
	Shelter	15
	Compound Wall	15
<b>Plant &amp; Machinery</b>	Underground Network	15
	Overhead Network	10
	Earth Station	7
	Telephone set	5
	ADSL and Internet System	5
	Optical fiber	10
	Billing System (Billing, WIN, AAA Server, VoMS etc.)	7
	RAN Equipment (BSC, BTS, BTS VAN, Node B, RRU, BBU etc.)	7
	Core Equipment (MSC, HLR, OMC, VLR, IN, RSN, MGW, SMSC, USSD, PS, CS, WGW, IP Clock etc.)	7
	Transmission Equipment (Satellite, Microwave etc.)	7
	Power – Battery	4
	Power – Others	6
	Tools (Subscribers Equipment, Planning / Testing / Loose tools etc.)	5
Others	5	
<b>Other Items</b>	Heating, Lighting, Air-conditioning	5
	Furniture and Fixtures	5
	Office Equipment	5
	Vehicle- Motorcycle/car/jeep/truck	10
	Vehicle- Tricycle, cycle and others	5

Description	LAND	BUILDINGS	PLANT & MACHINERY	HEATING, LIGHTING & AIR-CONDITION	FURNITURE & FIXTURE	OFFICE EQUIPMENT	VEHICLES	TOTAL
Original Cost (NPR)								
<b>As at Ashadh 31, 2074 (July 15, 2017)</b>	18,655,397,334	3,590,081,034	43,585,160,580	274,950,555	327,037,820	1,543,928,751	926,916,283	68,903,472,357
Adjustment for prior year capitalization								
<b>Restated as At Ashadh 31, 2074 (July 15, 2017)</b>	18,655,397,334	3,590,081,034	43,585,160,580	274,950,555	327,037,820	1,543,928,751	926,916,283	68,903,472,357
Additions During the Year	-	180,736,520	5,579,262,313	68,390,254	23,529,754	71,013,790	732,392	5,923,665,022
Disposal During the Year			(1,139,269,889)	(38,243,149)				(1,177,513,038)
Adjustment			(8,894)					(8,894)
<b>As at Ashadh 32, 2075 (July 16, 2018)</b>	18,655,397,334	3,770,817,554	48,025,144,110	305,097,660	350,567,574	1,614,942,541	927,648,675	73,649,615,447
<b>Depreciation and Impairment (NPR)</b>								
<b>Depreciation as At Ashadh 31, 2074 (July 15, 2017)</b>	1	718,876,197	28,467,291,502	207,018,122	232,953,612	1,354,066,701	683,493,377	31,663,699,512
Adjustment of depreciation up to previous year								
Accumulated Impairment Loss as At Ashadh 31, 2074 (July 15, 2017)			96,662,282					96,662,282
Adjustment of Impairment loss (write back) up to previous year								
<b>Restated as At Ashadh 31, 2074 (July 15, 2017)</b>	1	718,876,197	28,563,953,784	207,018,122	232,953,612	1,354,066,701	683,493,377	31,760,361,794
During the Year Depreciation	-	102,315,421	3,917,762,810	19,647,234	30,703,379	69,747,509	59,929,467	4,200,105,820
During the year Impairment Loss (write back)			132,930,677					132,930,677
Written back on Disposal			(1,139,269,889)	(38,243,149)				(1,177,513,038)
<b>Adjustment</b>	-	-	-	-	-	-	-	-
<b>As at Ashadh 32, 2075 (July 16, 2018)</b>	1	821,191,618	31,475,377,382	188,422,207	263,656,991	1,423,814,210	743,422,844	34,915,885,253
<b>Net Block</b>								
<b>As at Ashadh 32, 2075 (July 16, 2018)</b>	18,655,397,333	2,949,625,936	16,549,766,728	116,675,453	86,910,583	191,128,331	184,225,831	38,733,730,193
<b>As at Ashadh 31, 2074 (July 15, 2017)</b>	18,655,397,333	2,871,204,837	15,117,869,078	67,932,433	94,084,208	189,862,050	243,422,906	37,143,110,564

The company has conducted extensive physical verification of Property, Plant and Equipment (PPE) of FY 2074/75 and identified some PPE as decommissioned or damaged beyond economic repair or rendered useless and no economic benefit is expected from the use of these assets. Therefore, carrying amount of those assets are recognized as impairment loss during the year and the gross carrying amount of those assets are derecognized. Details are disclosed under;

Figures in NPR

Particulars	Plant & Machinery	Heating, Lighting & Air-Condition	Total
Gross Carrying Amount	1,139,269,889	38,243,149	1,177,513,038
Accumulated Depreciation	1,130,096,163	38,240,817	1,168,336,980
Carrying Amount	9,173,726	2,332	9,176,058
<b>Impairment recognized during the year</b>	<b>9,173,726</b>	<b>2,332</b>	<b>9,176,058</b>

### 3. Capital Work in Progress (CWIP)

#### Accounting Policies

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.

The expenditure incurred in acquisition and installation of new systems and equipment till the date of commissioning or civil works under construction till the date of completion is recognised as Capital work in progress. The value of capital work in progress includes stock of equipment lying in store or in transit for the purpose of getting used in such installation or construction. The value also includes balances with contractors and suppliers of the systems and equipment for the value to be received. Equipment are capitalised upon commissioning and civil works are capitalised upon handing over after being capable of use.

#### Explanatory Notes

Figures in NPR

Capital Work in Progress	Capital Works	Capital Inventory under installation	Advance to Suppliers and Contractors	Total
<b>CWIP Balance as at Ashadh end 2074</b>	<b>401,680,655</b>	<b>5,216,612,133</b>	<b>1,099,773,428</b>	<b>6,718,066,216</b>
Net Addition / (Net Transfer) for 2074-75	(23,410,675)	(671,650,580)	(484,150,721)	(1,179,211,976)
<b>CWIP Balance as at Ashadh end 2075</b>	<b>378,269,980</b>	<b>4,544,961,553</b>	<b>615,622,707</b>	<b>5,538,854,240</b>
Accumulated Impairment as at Ashadh end 2074		580,692,257	5,849,617	586,541,874
Impairment for 2074-75	-	-	-	-
Accumulated Impairment as at Ashadh end 2075	-	580,692,257	5,849,617	586,541,874
<b>Net Balance as at Ashadh end, 2075</b>	<b>378,269,980</b>	<b>3,964,269,296</b>	<b>609,773,090</b>	<b>4,952,312,366</b>
Net Balance as at Ashadh end, 2074	401,680,655	4,635,919,876	1,093,923,811	6,131,524,342

### 4. Investments in Associates

#### Accounting Policies

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but do not have control or joint control over those policies.

At the date of acquisition, any excess of the cost of acquisition over the company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results, assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post- acquisition changes in the company's share of the net assets of the associate, less any impairment in the value of the investment. The company's share of post-tax profits or losses are recognised in the statement of profit or loss. Losses of an associate in excess of the company's



interest in that associate are recognised only to the extent that the company has incurred legal or constructive obligations or made payments on behalf of the associate.

## Explanatory Notes

Figures in NPR

Investment in Associates	FY 2017/18	FY 2016/17
Investment in Trishuli 3B Hydro Project		
at cost	440,000,000	252,500,000
Equity adjustments	(37,928,547)	(25,344,535)
<b>Total</b>	<b>402,071,453</b>	<b>227,155,465</b>
<b>Share in income/(loss) of associates</b>	<b>(12,584,012)</b>	<b>(8,618,802)</b>

### Trishuli 3B Hydro Project Background

Upper Trishuli 3B Hydroelectric Project (UT3B HEP) is a run-of-river type hydroelectric project located at Rasuwa and Nuwakot district of Nepal. The project is cascade of Upper Trishuli 3A Hydroelectric Project (60 MW) and has an installed capacity of 37 MW. The gross head of the project is 90 m, design discharge is 51 m<sup>3</sup>/sec (at 70% PoE), length of headrace tunnel is 3791 m and the average annual energy generation is estimated to be 292.59 GWh.

### Current Status: Trishuli 3B Hydro Project

The Contractor has completed the Topographic Survey, Geotechnical Investigation, Core Drilling of the Project. After the approval of Basic Design of major components, the Contractor has submitted the Detail Design of the components of the Project which is currently under review by the Employer and the Consultant. Camp facilities and office buildings of both Contractor and Employer have been completed. Acquisition of around 96 Ropanies of project land area has been completed and permission for using around 5.10 hectares of Forrest Area for 30 years has been granted. The approval for purchasing of Explosives from Nepal Army has been granted by Ministry of Defense, Nepal and the Contractor is on process of purchasing the explosives. Explosive Bunker for storage of the explosives is almost complete. The Contractor is currently working on leveling the ground for installation of Batching Plant and Crushing Plant & construction of labor camp at Intake Area, Adit Tunnel Area and Powerhouse Area. Likewise, the construction of access road up to Surge Tank area and purchasing of equipment from China, India and Nepal is going on. As per the project schedule, the construction of Headrace Tunnel will be started from the end of December, 2018 and the project will be completed on 29th of Falgun, 2077.

## 5. Inventory

### Accounting Policies

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

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

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

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

### Explanatory Notes

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

Figures in NPR

<b>Inventory</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
<b>Gross Inventory</b>		
Telephone sets, Drop Wire & Accessories	90,782,481	107,609,878
Cash Cards	145,957,699	242,811,913
Spares and other Inventories	532,672,888	453,029,067
<b>Total</b>	<b>769,413,068</b>	<b>803,450,858</b>
<b>Allowance Adjustments</b>		
Telephone sets, Drop Wire & Accessories	27,684,421	12,772,199
Cash Cards	960,540	428,926
Spares and other Inventories	315,772,096	331,215,932
<b>Total</b>	<b>344,417,057</b>	<b>344,417,057</b>
<b>Inventory net of allowances</b>		
Telephone sets, Drop Wire & Accessories	63,098,060	94,837,679
Cash Cards	144,997,159	242,382,987
Spares and other Inventories	216,900,792	121,813,135
<b>Total</b>	<b>424,996,011</b>	<b>459,033,801</b>

## 6. Prepayments and Other Non-Financial Assets

### Accounting Policies

Instances where the payments have been made and where the expense pertain to the future period(s) are recognised as prepayments. These amounts are charged to statement of profit or loss in the period to which they relate with.

### Explanatory Notes

Figures in NPR

<b>Prepayments</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Prepaid expenses	57,990,617	71,555,816
<b>Total</b>	<b>57,990,617</b>	<b>71,555,816</b>

## 7. Financial Instruments

### Accounting Policies

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

### 7.1. Financial Assets

#### (I) Classification

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

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

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

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

## **(II) Measurement**

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

### **Investments and Other Financial Assets**

#### **Debt Instruments**

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

1. **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
2. **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.
3. **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

#### **Equity Instruments**

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## **(III) Impairment of Financial Assets**

The company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 19 details how the company determines whether there has been a significant increase in credit risk.

For trade receivables only, the company applies the simplified approach permitted by NFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The company has applied NFRS 9 retrospectively, and has elected to restate comparative information. As a result, the comparative information provided have been accounted for in accordance with the new policies.



The company has four types of financial assets subject to NFRS 9's new expected credit loss model. The company was required to revise its impairment methodology under NFRS 9 for each of these classes of assets.

**(i) Employee Loans**

For loans and receivables already in place at Ashadh end 2075, the company has determined that reliably assessing the probability of default at the initial recognition of each loan or receivable would result in undue cost and effort. As permitted by NFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised.

**(ii) Accruals Advance and Other Receivables**

For Accruals, Advances and Other Receivables, the company applies the simplified approach to providing for expected credit losses prescribed by NFRS 9, which requires the use of the lifetime expected loss provision.

**(iii) Trade Receivables**

For trade receivables, the company applies the simplified approach to providing for expected credit losses prescribed by NFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

**(iv) Term Deposits & Investments in Bonds**

These are debt investments at amortised cost and are considered to be low risk, and thus the impairment provision is determined as 12 months expected credit losses.

*Figures in NPR*

Financial Assets (FY 2074/75)	FVtPL	FVtOCI		Amortised cost	Total
		Debt	Equity		
Investments in Corporate Shares	-	-	765,400,000	-	765,400,000
Employee Loan	-	-	-	2,185,932,988	2,185,932,988
Accruals, Advance & Others Rec	-	-	-	515,235,385	515,235,385
Trade Receivable	-	-	-	2,711,487,540	2,711,487,540
Term Deposits & Investments in Bonds	-	-	-	50,109,067,440	50,109,067,440
Cash & Cash Equivalents	23,410,997,112	-	-	-	23,410,997,112
<b>Total</b>	<b>23,410,997,112</b>	<b>-</b>	<b>765,400,000</b>	<b>55,521,723,353</b>	<b>79,698,120,465</b>

Financial Assets (FY 2073/74)	FVtPL	FVtOCI		Amortised cost	Total
		Debt	Equity		
Investments in Corporate Shares	-	-	685,400,000	-	685,400,000
Employee Loan	-	-	-	2,113,139,639	2,113,139,639
Accruals, Advance & Others Rec	-	-	-	592,425,391	592,425,391
Trade Receivable	-	-	-	2,673,822,703	2,673,822,703
Term Deposits & Investments in Bonds	-	-	-	41,633,902,564	41,633,902,564
Cash & Cash Equivalents	24,255,209,289	-	-	-	24,255,209,289
<b>Total</b>	<b>24,255,209,289</b>	<b>-</b>	<b>685,400,000</b>	<b>47,013,290,297</b>	<b>71,953,899,586</b>

### 7.1.1 Investments in Corporate Shares

#### Accounting Policies

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

#### Explanatory Notes

*Figures in NPR*

<b>Investments in Corporate Shares</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Upper Tamakoshi Hydropower Co.	635,400,000	635,400,000
Vidhyut Utpadan Company Ltd.	130,000,000	50,000,000
<b>Total</b>	<b>765,400,000</b>	<b>685,400,000</b>

These investments are not yet listed in the stock exchange. The company has made these investments under long term investment strategy. These companies are yet to be in full operation to generate revenue. However, company believes, considering other similar investments in the market, that the long-term return from the investments and the future value will more than sufficiently cover the cost of the investments. The cost value currently represents the fair value of the investments.

### 7.1.2. Employee Loans

#### Accounting Policies

Employee loans are accounted for at amortised costs using effective interest rate.

#### Explanatory Notes

Employee loans are benefits provided by the company to its employees. Company's business model is to hold on to these assets until maturity solely for the purpose of collecting principal and interest only. The company collects interest at the time of disbursement and principal is collected over the period in accordance with the repayment schedule. The intrinsic effective interest is taken to profit or loss and the principal outstanding is reported at the amortised cost. These loans have the recoverable period from 1 to 19 years. The discount rate that has been considered for computing amortised cost is the notional interest rate used for determining the taxable benefit. The rate also approximates the company's return from the term deposits.

*Figures in NPR*

<b>Employee Loan</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Gross Disbursement and Outstanding	4,238,724,721	4,306,277,944
Amortised cost adjustment	(2,052,791,733)	(2,193,138,305)
<b>Total Employee Loan at amortised cost</b>	<b>2,185,932,988</b>	<b>2,113,139,639</b>
Employee Loan - Current Portion	178,373,671	190,281,085
Employee Loan - Non-Current Portion	2,007,559,317	1,922,858,554
<b>Total Employee Loan at amortised cost</b>	<b>2,185,932,988</b>	<b>2,113,139,639</b>

These assets are considered to have nominal risk of recovery as the employee's current and retirement benefits adequately secures the receivables

### 7.1.3. Accruals, Advances and Other Receivables

#### Accounting Policies

Accruals, Advances and Other Receivables are classified as financial assets carried at amortised cost using effective interest rate.

#### Explanatory Notes

These are non-interest bearing short term receivables and are expected to be recovered within next 12 months with insignificant risk. Therefore, the carrying value, which is at cost, is considered to represent the amortised cost.

Interest Accrued represent the amount pertaining to the period but with the payment timing beyond the reporting dates. The risk of non-recovery is considered to be nominal.

Advance To and Claims Against Others pertains to advances made to the supplies and contractors for procurement of goods and services. These amounts are adequately secured by performance guarantees.

Figures in NPR

<b>Accruals, Advances and Other Receivables</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Interest Accrued	35,701,949	145,106,479
Advance To and Claims Against Others	412,365,936	388,145,113
Advance To and Claims Against Employees	67,167,500	59,173,799
<b>Total</b>	<b>515,235,385</b>	<b>592,425,391</b>

#### 7.1.4 Trade Receivables

##### Accounting Policies

Trade receivables comprise of amounts owed to the company by the 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 affected by way of write-downs based on the estimated irrecoverable amount. The company estimates the Expected Credit Loss (ECL) on these instruments in the form of impairments.

Individual trade receivables are written off when management deems them not to be collectible. Write-offs of trade receivables are recognised in some cases using the allowance accounts.

##### Explanatory Notes

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

<b>Trade Receivable</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
<b>Gross Trade Receivable</b>		<b>Previous Year</b>
General Public	2,439,672,679	2,607,355,953
Government offices	47,045,029	99,331,370
International Inter- connection	1,602,402,608	1,481,273,330
Domestic Inter- connection	356,104,435	363,260,916
<b>Total</b>	<b>4,445,224,751</b>	<b>4,551,221,569</b>
<b>Expected Credit Loss</b>		
General Public (Stage 2)	1,463,803,607	1,596,871,898
Government offices (Stage 2)	11,761,257	24,832,843
International Inter- connection (Stage 1)	80,120,130	74,063,666
Domestic Inter- connection (Stage 2)	178,052,217	181,630,458
<b>Total</b>	<b>1,733,737,211</b>	<b>1,877,398,865</b>
<b>Trade Receivables net of impairment</b>		
General Public	975,869,072	1,010,484,055
Government offices	35,283,772	74,498,527
International Inter- connection	1,522,282,478	1,407,209,663
Domestic Inter- connection	178,052,218	181,630,458
<b>Total</b>	<b>2,711,487,540</b>	<b>2,673,822,703</b>

##### International Inter Connection Receivables

The company believes that the International interconnection receivables do not have any credit risk for possible losses. Therefore Stage 1 impairment of expected loss within the next 12 months is considered, which is considered to be nominal. However, it is international practice of allowing 5% variation of the settlement of international interconnection between the service providers and the company has estimated write-downs on these accounts to be maximum 5% and the same rate has been applied for impairment.

These are not overdue accounts and the company expects these accounts to be settled in the normal course of business.

### Other Trade Receivables

Receivables from the general public, government offices and domestic interconnections are overdue accounts and company has assessed credit risk on the recovery of these accounts over the life time of the outstanding credit. The company has a dedicated team to follow up for the collection of these overdue amounts, some of which are backed by guarantees. The risk of non-recovery for expected loss is considered to be 60% on receivable from General Public, 25% on receivables from Government Offices and 50% on Domestic Inter-connection receivables and impairment has been charged accordingly. The company believes that the impairment covers adequately for expected credit loss and loss due to the time value of money.

## 7.1.5 Term Deposits and Investment in Bonds

### Accounting Policies

The company recognises term deposits and investments initially at fair value and subsequently at amortised cost using effective interest rate. The company has capacity and intention to hold on to these investments until maturity. It is company's business model to hold on to these investments solely for the purpose of receiving principal and interest.

### Explanatory Notes

The company only invests in term deposits and bonds of the government and class A commercial banks in Nepal. The Banks are regulated and are under strict monitoring of the central bank of Nepal therefore the risk of non-recovery on these instruments are considered nominal. Under the company's business model, the company intend to receive only the contractual cash flows from these financial assets. Further in absence of any other incremental costs the interest rate inherent in these instruments are the effective interest rate and adjust for the credit risk and time value of money

*Figures in NPR*

Term deposits and Investments in Bonds	FY 2017/18	FY 2016/17
<b>Government and Corporate Bonds</b>		
Siddhartha Bank Debentures	100,000,000	100,000,000
Upper Tamakoshi Hydropower Co.	8,738,327,440	7,144,152,564
Government Bonds	-	-
Term Deposits		
With Commercial Banks	41,270,740,000	34,389,750,000
<b>Total</b>	<b>50,109,067,440</b>	<b>41,633,902,564</b>
Current	41,270,740,000	34,389,750,000
Non-Current	8,838,327,440	7,244,152,564
<b>Total</b>	<b>50,109,067,440</b>	<b>41,633,902,564</b>

Loan amounting to NPR 784,974,292 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% (Net of TDS) amounting to NPR 809,494,949 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 8,738,327,440.

## 7.1.6 Cash and Cash Equivalents

### Accounting Policies

Cash and cash equivalents are reported at their carrying value. The carrying amount of cash and cash equivalents approximate their fair value.



## Explanatory Notes

Figures in NPR

Cash and Cash Equivalents	FY 2017/18	FY 2016/17
<b>Bank Balances</b>		
Interest Bearing	22,995,689,901	24,707,418,709
Non-Interest Bearing	199,909,574	40,286,972
Cash Balance	1,426,308	1,364,561
<b>Total</b>	<b>23,197,025,783</b>	<b>24,749,070,242</b>
Effect of Exchange rate changes on cash and cash equivalent	213,971,329	(493,860,953)
<b>Total</b>	<b>23,410,997,112</b>	<b>24,255,209,289</b>

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 majority of the company's cash and cash equivalents comprise of interest bearing call deposits with commercial banks 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 equivalents classification are converted into reporting currency using the closing rates.

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.

## 7.2 Financial Liabilities

### (I) Classification

Financial liabilities are categorised under two categories

- Those carried at amortised cost through profit or loss
- Those carried at amortised cost using effective interest rate

### (II) Measurement

On initial recognition all financial liabilities are recognised at their fair value. The subsequent measurement depends on the classification of the financial liabilities.

## Explanatory Notes

Financial liabilities of the company are reported at amortised cost using effective interest rate.

Figures in NPR

Financial Liabilities (FY 2074-75)	FVtPL	Amortised cost	Total
Subscriber Deposits	-	1,939,289,820	1,939,289,820
GSM License First Renewal Fee	-	4,458,161,866	4,458,161,866
Provisions	-	2,282,601,893	2,282,601,893
Current Liabilities	-	12,241,364,559	12,241,364,559
<b>Total</b>	<b>-</b>	<b>20,921,418,138</b>	<b>20,921,418,138</b>

Financial Liabilities (FY 2073-74)	FVtPL	Amortised cost	Total
Subscriber Deposits	-	2,037,519,310	2,037,519,310
GSM License First Renewal Fee	-	6,442,742,468	6,442,742,468
Provisions	-	2,109,700,681	2,109,700,681
Current Liabilities	-	10,505,845,179	10,505,845,179
<b>Total</b>	<b>-</b>	<b>21,095,807,638</b>	<b>21,095,807,639</b>

### 7.2.1. Subscriber Deposits

#### Explanatory Notes

Subscribers' deposits are deposits taken from customers for the services they have subscribed in accordance with the company's service policies. The company pays nominal interest of 3% on these

deposits. In absence of the maturity period of these deposits these are considered to have the maturity of 5 years and effective interest rate has been applied, considering the 8% of the discount rate which is the average rate that company earns from the term deposits. The effective interest is taken to statement of profit or loss.

*Figures in NPR*

<b>Subscriber Deposits</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Gross Amount	2,441,714,771	2,498,773,116
Discount	(502,424,951)	(461,253,806)
<b>Total</b>	<b>1,939,289,820</b>	<b>2,037,519,310</b>

Only nominal value of subscriber deposit is reversed, normally as the result of discontinuance by the subscribers and it is not possible to estimate the probable future payments. Therefore, the entire subscriber deposit is classified as non-current.

## 7.2.2. GSM License Fee First Renewal Liability

### Explanatory Notes

The company was obligated to pay NPR 20 billion as the first renewal for its GSM License. However, the Government of Nepal rescheduled the payment of the first renewal fee to be paid over the next eight years by annual instalments of NPR 2,500,000,000. The liability is accounted for at amortised cost using effective interest rate. The company has considered 8% as the discount rate for the future payments and computation of amortised cost. The rate is the company's average return from the term deposits. The effective interest is recognised in the statement of profit or loss.

*Figures in NPR*

<b>GSM License Fee First Renewal</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Gross Amount	5,000,000,000	7,500,000,000
Discount	(541,838,134)	(1,057,257,532)
<b>Total</b>	<b>4,458,161,866</b>	<b>6,442,742,468</b>
Current Portion	2,500,000,000	2,500,000,000
Non-Current Portion	1,958,161,866	3,942,742,468
<b>Total</b>	<b>4,458,161,866</b>	<b>6,442,742,468</b>

## 7.2.3. Provisions

### Explanatory Notes

Provisions are obligations with uncertain timing and amount. The company has legal and constructive obligation for disbursements. The provisions have been computed based on the legal provisions and company's bylaws. The timing and actual payment is subject to further approvals. The company estimates that these obligations will be settled within the next 12 months, therefore no discounting has been applied. The carrying amount represents the amortised cost.

The amount of provision recognised is the management's best estimate of expenditure required to settle the present obligation at the reporting date. Management reviews provisions at each balance sheet date and is adjusted to reflect the best current estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

*Figures in NPR*

<b>Provisions</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Provision for Telecom Allowance	1,363,729,820	1,196,273,820
Provision for Staff Bonus	918,872,073	913,426,861
<b>Total</b>	<b>2,282,601,893</b>	<b>2,109,700,681</b>

## 7.2.4. Other Current Liabilities

### Explanatory Notes

Figures in NPR

Current Liabilities	FY 2017/18	FY 2016/17
Sundry Creditors - Suppliers	7,511,969,598	6,380,609,786
Sundry Creditors -Inter -Administration	391,283,054	328,524,264
VAT Payable	88,003,671	(177,237,499)
Other Fee Collection Payable	318,055,010	174,060,159
Royalty and Contribution to RTDF (Note 17)	2,339,617,551	2,419,145,611
Advance from Subscribers	902,481,148	723,478,334
Others Liabilities	689,954,527	657,264,524
<b>Total</b>	<b>12,241,364,559</b>	<b>10,505,845,179</b>

## 7.3. Risk Management

The Board has overall responsibility for the company's risk management and internal controls system. The Audit Committee, under delegation from the Board, monitors the nature and extent of risk exposure against risk appetite for our principal risks.

Identifying our principal risks

Nepal Telecom identifies its principal risks through annual 'bottom up' and 'top down' exercises.

Our principal risks

The company's principal risks in this Fiscal Year are comparable to those of the previous years. The risks are categorized and explained as shown below:

SN	Risk	Category	Mitigation
1	Malicious attack on the network, systems and IT infrastructure	Operational Risk	NT manages the risk of malicious attacks on its infrastructure and systems by proactively monitoring and timely responding to such unwanted activities.
2	Misuse or leakage of Customer Data & Information	Operational Risk	NT considers data privacy as one of its top priorities aimed at ensuring prevention of data misuse and leakage. All data in its possession are used and stored appropriately.
3	Failure in network/IT systems and infrastructures	Operational Risk	Specific back-up and resilience policies are built in NT's networks and systems in conformance to standard international practices. Any failures in network including those arising due to road expansion and natural causes like earthquake are instantly taken care of by the experts.
4	Competition from emerging technology and services	Strategic Risk	NT has developed strategies that strengthen its relationships with customers by accelerating the introduction of integrated voice, messaging and data price plans to avoid customers reducing out of bundle usage through internet/Wi-Fi-based substitution.
5	Customer's Preferences and high expectations	Strategic Risk	Customer's preferences and demands are properly taken care of in NT's plans and programs so as to avoid possible churning and prevent any reduction in revenue. Although some of the expectations are difficult to address, NT considers those are positive feedback and tries to incorporate those in the next programs.
6	Delay in Convergence of billing and customer services	Strategic Risk	The beauty of having a huge portfolio of services is further enhanced by completion of migration activities of the different systems. Convergence in billing and customer services is expected to be realized soon.
7	Major Contracts and contractual obligations	Compliance Risk	NT has created consistent and coordinated KPI reporting that enhances its ability to identify possible delay in implementation of projects, rectify deficiencies and compensate for liquidated damages, etc.
8	External pressure	Compliance Risk	NT monitors and carefully responds to public sentiments and changes in external environment to ensure that its plans and programs can be realized even in the presence of adverse external pressures.

9	Poor return on investment	Financial Risk	NT has well established policies and procedures to monitor investments and that support its investment diversification efforts to ensure cushion to its revenue streams.
10	Unstable economic conditions	Financial Risk	NT closely monitors economic and currency fluctuations in the market so as to respond effectively to country's economic crisis.

## 7.4. Fair Value Measurements of Assets and Liabilities

In accordance with NFRS 13 Fair Value Measurement, the Company categorises assets or liabilities carried on the reporting sheet at fair value using a three level hierarchy. Assets or liabilities are categorised as Level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of Assets or liabilities categorised as Level 2 and, in particular, Level 3 is determined using valuation techniques including discounted cash flow analysis and other valuation models. In addition, in line with market practice, the company applies credit, debit and funding valuation adjustments in determining the fair value of its uncollateralised assets. A description of these adjustments is set out as under.

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

### Valuation of Financial Assets and Liabilities

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine the fair values.

#### Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 predominantly comprise equity shares, treasury bills and other government securities.

#### Level 2

Level 2 valuations are those where quoted market prices are not available, for example where the assets or liabilities is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Examples of such assets or liabilities include most over-the-counter derivatives, financial institution issued securities, certificates of deposit and certain asset-backed securities.

#### Level 3

Level 3 portfolios are those where at least one input, which could have a significant effect on the valuation, is not based on observable market data. These are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

### 7.4.1. Assets and Liabilities Carried at Fair Value

*Figures in NPR*

Assets and Liabilities FY 2074-75	Carrying amount	Quoted market prices	Observable Inputs	Unobservable inputs
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
Land	18,655,397,333	-	18,655,397,333	-
Cash and Cash Equivalent	23,410,997,112	1,426,308	23,409,570,804	-
<b>Total</b>	<b>42,066,394,445</b>	<b>1,426,308</b>	<b>42,064,968,137</b>	<b>-</b>



<b>Assets and Liabilities FY 2073-74</b>	<b>Carrying amount</b>	<b>Quoted market prices</b>	<b>Observable Inputs</b>	<b>Unobservable inputs</b>
	(Fair Value)	(Level 1)	(Level 2)	(Level 3)
Land	18,655,397,333	-	18,655,397,333	-
Cash and Cash Equivalent	24,255,209,289	1,364,561	24,253,844,728	-
<b>Total</b>	<b>42,910,606,622</b>	<b>1,364,561</b>	<b>42,909,242,061</b>	<b>-</b>

Land revaluation has been periodically done to report the value of the land at fair value. Value of similar land in similar locality is considered for fair value determination. (also refer note 2)

Cash and cash equivalent is also presented at the fair value. The cash balance is the quoted price of the denominated currency. Further the company considers the short-term deposits maintained with the commercial banks to represent the fair value of the balances.

#### 7.4.2. Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

The financial assets and financial liabilities carried at amortized cost has been assessed for their fair values. Since these assets and liabilities are not quoted in the active market and observable inputs for those assets and liabilities are not available, the management has used discounted cash flow to estimate their fair value, applying level 3 assumption under NFRS 13. Details are disclosed under.

*Figures in NPR*

<b>Assets and Liabilities (FY 2074/75)</b>	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Quoted prices</b>	<b>Observable Inputs</b>	<b>Unobservable inputs</b>
			<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Assets</b>					
Employee Loan	2,185,932,988	2,185,932,988	-	-	2,185,932,988
Accruals, Advance & Others Receivables	515,235,385	515,235,385	-	-	515,235,385
Trade Receivable	2,711,487,540	2,711,487,540	-	-	2,711,487,540
Term Deposits and Investments in Bonds	50,109,067,440	50,109,067,440	-	-	50,109,067,440
<b>Liabilities</b>					
Subscriber Deposits	1,939,289,820	1,939,289,820	-	-	1,939,289,820
GSM License Fee Renewal	4,458,161,866	4,458,161,866	-	-	4,458,161,866
Provisions	2,282,604,674	2,282,604,674	-	-	2,282,604,674
Current Liabilities	12,241,364,559	12,241,364,559	-	-	12,241,364,559

<b>Assets and Liabilities (FY 2073/74)</b>	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Quoted prices</b>	<b>Observable Inputs</b>	<b>Unobservable inputs</b>
			<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Assets</b>					
Employee Loan	2,113,139,639	2,113,139,639	-	-	2,113,139,639
Accruals, Advance & Others Receivables	592,425,391	592,425,391	-	-	592,425,391
Trade Receivable	2,673,822,703	2,673,822,703	-	-	2,673,822,703
Term Deposits and Investments in Bonds	41,633,902,564	41,633,902,564	-	-	41,633,902,564
<b>Liabilities</b>					
Subscriber Deposits	2,037,519,310	2,037,519,310	-	-	2,037,519,310
GSM License Fee Renewal	6,442,742,468	6,442,742,468	-	-	6,442,742,468
Provisions	2,109,700,681	2,109,700,681	-	-	2,109,700,681
Current Liabilities	10,505,845,179	10,505,845,179	-	-	10,505,845,179

## 8. Employee Benefits

### Accounting Policies

Short-term employee benefits, such as salaries, paid leave, performance-based awards and social security costs are recognised over the period in which the employees provide the related services.

The company operates a number of post-retirement benefit schemes for its employees including both defined benefit and defined contribution plans.

1. A defined benefit scheme is a plan that defines an amount of pension, gratuity or leave compensation benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary.
2. A defined contribution plan is a pension plan into which the company pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

Full actuarial valuations of the company's defined benefit schemes are carried out periodically with interim reviews in the intervening years; these valuations are updated by qualified independent actuaries. For the purposes of these annual updates scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using actuarial assumptions. The defined benefit scheme liabilities are discounted using rates equivalent to the market yields at the reporting date. The company's profit or loss charge includes the current service cost, past service costs, net interest expense (income), and plan administration costs that are not deducted from the return on plan assets. Remeasurements, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest expense (income) and net of the cost of managing the plan assets), and the effect of changes to the asset ceiling (if applicable) are reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are reflected immediately in retained profits and will not subsequently be reclassified to profit or loss.

The company's Statement of Financial Position includes the net surplus or deficit, being the difference between the fair value of scheme assets and the discounted value of scheme liabilities at the reporting date. Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. In assessing whether a surplus is recoverable, the company considers its current right to obtain a refund or a reduction in future contributions and does not anticipate any future acts by other parties that could change the amount of the surplus that may ultimately be recovered.

### Explanatory Notes

#### 8.1. Short Term Employee Benefits

	<i>Figures in NPR</i>	
<b>Employee Benefit Expenses</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
<b>Short term employee benefits</b>		
Salaries & Wages	1,480,909,429	1,431,408,235
Allowances	1,229,731,164	995,952,142
Uniform Allowances	42,675,000	42,694,099
Overtime Allowances	29,097,514	48,073,182
Medical Expenses	350,595,087	337,886,779
Telecom Allowances	728,157,301	642,415,488
Employee Statutory Bonus	465,311,200	453,560,873
<b>Defined Contribution Plan</b>		
Contribution to Provident Fund	141,230,797	136,278,885
Contributory Pension Fund	13,820,632	11,371,357
<b>Defined Benefit Plan</b>		
Leave Encashment	245,382,816	251,299,805
Pension and Gratuity	1,230,966,346	977,818,740
<b>Total</b>	<b>5,957,877,286</b>	<b>5,328,759,585</b>

## 8.2. Post-Employment Benefits

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

### 8.2.1. Defined Contribution Plan

The company operates two defined contribution plans.

1. The provident fund contribution, where fixed percentage of 10% of the salary is paid into the fund as and when the salaries become due.
2. Contributory pension fund – which is in lieu of pension and gratuity whereby company pays fixed amount to the individual pension fund account that will be available to the employees on retirement

### 8.2.2. Defined Benefit Plan

The company provides pension for employees completing 20 years of service with the company and gratuity for employees who have not completed 20 years of service at the time of retirement / severance. The employees are also entitled for compensatory leave payments at the time of retirement.

The company has been conducting actuarial assessment of defined benefit plans periodically. The discounted value of liabilities net of benefit plan investments is presented as noncurrent liabilities. The current service cost, past service cost and net interest (net of unwinding interest and return on plan assets) are charged to statement of profit or loss. The net actuarial remeasurements are charged or credited to the statement of other comprehensive income. The company pays retirement benefits partly from the plan assets and partly directly from the company. The company also pays the retirement benefits in advance as prepayments up to maximum of 7 years pension. Such prepayments have been deducted from the closing actuarial liabilities.

The defined benefit plans expose the company to actuarial risks such as longer than expected longevity of members, lower than expected returns on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

*Figures in NPR*

<b>Defined Benefit Plan Obligation</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Opening DBP Obligations	12,357,797,336	9,626,553,956
Current Service Costs	562,574,630	682,980,392
Finance Cost	1,070,906,766	790,194,233
Benefits Paid	(448,029,137)	(545,059,807)
Actuarial Re-measurements	1,033,195,457	1,803,128,562
<b>Closing DBP Obligation</b>	<b>14,576,445,052</b>	<b>12,357,797,336</b>

<b>Defined Benefit Plan Assets</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Opening DBP Assets	3,177,630,039	3,133,573,594
Contribution during the period	-	-
Investment returns	196,395,961	244,056,080
Benefits Paid	(63,960,985)	(165,745,090)
Less return booked in previous years	(39,263,727)	-
Actuarial Re-measurements	-	(34,254,544)
<b>Closing DBP Assets</b>	<b>3,270,801,288</b>	<b>3,177,630,039</b>
<b>Net Defined Benefit Plan Obligation</b>	<b>11,305,643,764</b>	<b>9,180,167,297</b>
<b>Charged / (credited) to P&amp;L</b>	<b>1,476,349,162</b>	<b>1,229,118,545</b>
<b>Charged / (credited) to OCI</b>	<b>1,033,195,457</b>	<b>1,837,383,106</b>

## Actuarial Assumptions

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

	FY 2017/18	FY 2016/17
Discount Rate	8.5%	8.5%
Salary Escalation Rate	7%	7%
Pension Inflation Rate	4%	4%
Expected Return on Assets	7%	5.5%
<b>Mortality Rate</b>	<b>Nepal Assured Mortality 2009</b>	<b>Nepal Assured Mortality 2009</b>
Spouse age difference	5 years	5 years
Withdrawal Rate 20-58		
20-58 years Age<45	5%	5%
20-58 years Age>45	0%	0%

## Sensitivity Analysis

	FY 2017/18	FY 2016/17
<b>Discount Rate</b>		
Effect on DBO – increase of discount rate by 1%	-12.8%	-13.3%
Effect on DBO – decrease of discount rate by 1%	16.1%	16.7%
<b>Salary Escalation Rate</b>		
Effect on DBO – increase of salary rate by 1%	5.5%	5.8%
Effect on DBO – decrease of salary rate by 1%	-5.0%	-5.2%
<b>Pension Inflation Rate</b>		
Effect on DBO – increase of pension inflation rate by 5%	10.1%	10.3%
Effect on DBO – decrease of pension inflation rate by 5%	-8.5%	-8.7%

## 9. Share Capital

### Accounting Policies

The Company applies NAS 32, Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the company having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

### Explanatory Notes

The company's registered capital structure is as follows

	FY 2017/18	FY 2016/17
<i>Figures in NPR</i>		
<b>Share Capital</b>		
<b>No of Shares</b>		
Authorised	250,000,000	250,000,000
Issued	150,000,000	150,000,000
<b>Paid Up</b>	<b>150,000,000</b>	<b>150,000,000</b>
Face Value	100	100
<b>Share Capital</b>		
Authorised	25,000,000,000	25,000,000,000
Issued	15,000,000,000	15,000,000,000
<b>Paid Up</b>	<b>15,000,000,000</b>	<b>15,000,000,000</b>



The shareholding pattern on the company is as follows

Shareholding Pattern	FY 2017/18	FY 2016/17
The Government of Nepal	91.49%	91.49%
Citizen Investment Trust (CIT)	0.03%	0.03%
General Public	8.48%	8.48%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## 10. Reserves and Surpluses

### Accounting Policies

#### Deferred Tax Reserve

It is company's policy to appropriate the equivalent portion of the deferred tax assets when a net deferred tax asset arises. In event where, deferred tax liability arises such amounts are reclassified within the equity to retained earnings.

#### Revaluation Reserve

The company has adopted revaluation model to present the value of its freehold land properties. The upward movement in the value of the land is adjusted by creating an equivalent amount of revaluation reserve. In the cases where there is decrease in the value of the land such decrease is first charged to the revaluation reserve to the extent reserve is available and remaining is charged to profit and loss as impairment

### Explanatory Notes

Figures in NPR

Reserves and Surpluses	FY 2017/18	FY 2016/17
Retained Earning	60,510,156,737	53,894,870,843
Revaluation Reserve	18,088,470,531	18,088,470,531
Deferred Tax Reserve	6,066,557,101	4,347,506,855
Fair Value through OCI Reserve	-	-
<b>Total</b>	<b>84,665,117,700</b>	<b>76,330,848,229</b>

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

## 11. Revenue from Contract with Customers

### Accounting Policies

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control over a product or service is rendered to a customer.

The company follows the following 5 stage process in recognition of revenue from contract with customers.

1. Identify contract with the customer
2. Identify the performance obligation within the contract
3. Determine the transaction price
4. Allocate the transaction price to each of the performance obligations
5. Recognise revenue when (or as) the performance obligations are satisfied

### Explanatory Notes

Figures in NPR

Revenue from contract with customers	FY 2017/18	FY 2016/17
Revenue from rendering services	38,993,625,853	40,319,093,509
Revenue from sale of goods and merchandise	29,633,885	27,724,442
<b>Total</b>	<b>39,023,259,738</b>	<b>40,346,817,951</b>

<b>Revenue from contract with customers</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
<b>Fixed Line</b>		
Local/ Domestic	2,803,276,229	2,900,070,044
International Trunk	61,853,973	89,788,537
Leased Circuits	190,887,954	146,168,768
IN Service	6,867,416	20,434,667
ADSL	1,511,270,640	1,855,229,349
SIP	121,909	60,191
FTTH	7,331,150	4,195,634
Others	141,890,377	159,282,095
<b>Fixed Line Total</b>	<b>4,723,499,648</b>	<b>5,175,229,285</b>
<b>CDMA</b>		
Local/ Domestic	809,286,215	1,046,222,433
International Trunk	1,251,938	1,723,496
Data Service	82,461,577	70,354,207
SMS	9,292,175	13,528,976
Others	12,404,367	18,141,025
<b>CDMA Total</b>	<b>914,696,272</b>	<b>1,149,970,137</b>
<b>GSM</b>		
Voice	17,705,451,031	17,760,482,957
Data	5,977,391,433	5,768,849,061
SMS	666,452,185	778,585,544
International Trunk	115,951,121	138,994,285
Roaming	14,269,659	16,269,472
Others	141,869,110	125,848,120
<b>GSM Total</b>	<b>24,621,384,539</b>	<b>24,589,029,439</b>
<b>Inter-connection Revenue</b>	<b>8,044,132,154</b>	<b>9,031,295,821</b>
<b>International Roaming (Sharing)</b>	<b>140,661,583</b>	<b>155,723,601</b>
<b>Value Added Services (VAS)</b>	<b>505,262,085</b>	<b>154,182,005</b>
<b>WiMAX Revenue</b>	<b>43,989,573</b>	<b>63,663,221</b>
<b>Total - Revenue from rendering services</b>	<b>38,993,625,853</b>	<b>40,319,093,509</b>

Revenue from ADSL service is being accounted on cash basis and the management believes that impact of cash basis of accounting of ADSL service is not materially different from the revenue if recognized on accrual basis.

Part of revenue from Value Added Service (VAS) which was previously reported as revenue of GSM and CDMA services, has been reported as a separate revenue line from FY 2074/75 and due to unavailability of data from the system, comparatives of the revenue could not be separately presented in the financial statements.

## 12. Finance Income

### Accounting Policies

The finance income from the financial instruments are recognised in accordance with NFRS 9.

### Explanatory Notes

*Figures in NPR*

<b>Finance Income</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Interest Income on Government Bonds	-	-
Interest on Corporate Bonds	8,000,000	8,000,000
Interest on Term Deposits with Banks	5,855,232,555	3,933,219,399
Interest on employee loan	140,346,572	139,678,801
<b>Total</b>	<b>6,003,579,127</b>	<b>4,080,898,200</b>

### 13. Other Income

#### Accounting Policies

Dividend income is recognised when there right to receive dividend is established. Other incomes are recognised when the amounts can be reliably measured and the amount is probably received.

#### Explanatory Notes

Figures in NPR

Other Income	FY 2017/18	FY 2016/17
Dividend Income	-	-
Performance Bond, LQD and others	242,646,092	161,272,971
<b>Total</b>	<b>242,646,092</b>	<b>161,272,971</b>

### 14. Operational and Maintenance Costs

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

Figures in NPR

Operation and Maintenance Costs	FY 2017/18	FY 2016/17
Maintenance - Office Equipment	115,641,480	127,361,776
Maintenance – Buildings	154,605,557	212,337,211
Maintenance - Plants/ Machinery	843,194,485	682,178,932
Power, Heating & Lighting	1,149,775,193	1,121,442,239
Fuel for Vehicles	67,932,102	84,882,739
Maintenance vehicles	68,188,845	72,218,380
Freight & Carriages	12,497,466	14,203,838
International IP Lease & Transit Cost	1,391,909,673	1,378,466,492
Cost of Telephone Sets and Other goods	19,679,583	26,771,689
Cost of Cash Card	269,346,246	291,769,065
Inquiry Service Expenses	20,256,609	16,375,908
Value Added Services Expenses	142,735,317	48,802,919
Data Entry Expenses	815,108	1,283,202
Interconnection Expenses	2,489,024,117	2,455,226,474
<b>Total</b>	<b>6,745,601,781</b>	<b>6,533,320,864</b>

### 15. Sales Channel, Marketing and Promotion Costs

Figures in NPR

Sales Channel, Marketing and Promotion Costs	FY 2017/18	FY 2016/17
Commission on Sales	1,475,850,892	1,430,234,632
Advertisement and Trade Promotion	167,177,443	163,171,219
<b>Total</b>	<b>1,643,028,335</b>	<b>1,593,405,851</b>

### 16. Administrative Expenses

Figures in NPR

Administrative Expenses	FY 2017/18	FY 2016/17
Travelling Expenses	122,062,659	164,703,622
Rates and Local Taxes	35,988,737	34,804,275
Rent and Leasehold Cost of Land and Buildings	383,837,249	361,478,968
Board Meeting Allowance	1,340,000	1,340,000
Other Meeting Allowances and Expenses	48,975,842	46,323,821
Printing and Stationery	43,237,221	43,501,268

Bank Charges	9,865,220	11,326,645
Training Expenses	118,896,884	109,492,449
Hospitality Expenses	21,342,915	20,712,670
Office Furnishing	12,033,069	15,804,180
Insurance	114,134,629	138,040,558
Statutory Audit Fee	1,600,000	1,000,000
Tax Audit Fee	442,478	442,478
Audit Expenses	2,158,523	3,155,119
Postage	1,052,895	1,078,652
Books and Periodicals	5,586,748	5,899,131
Professional fees	89,626,409	47,320,328
Security Expenses	136,047,762	126,488,449
Outsourcing Service expenses	3,807,850	-
Membership Fee	6,147,021	5,331,207
Telephone Expenses	77,754,764	79,632,817
Anniversary Expenses	12,272,765	14,176,160
Annual General Meeting Expenses	1,956,521	1,984,489
Donation	-	342,400
Miscellaneous Expenses	69,338,892	54,659,950
<b>Total</b>	<b>1,319,507,053</b>	<b>1,289,039,636</b>

## 17. Regulatory Fees, Charges and Renewals

### Explanatory Notes

Figures in NPR

Regulatory Fees, Charges and Renewals	FY 2017/18	FY 2016/17
Royalty	1,559,745,034	1,612,763,740
Rural Telecommunication Development Fund (RTDF)	779,872,517	806,381,870
Frequency Fee	1,196,927,138	1,011,897,640
<b>Total</b>	<b>3,536,544,689</b>	<b>3,431,043,250</b>

The liabilities have been provided for on account of 4% Royalty as per Telecommunication Rules, 2054 and 2% 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 NPR 38,993,625,854 (Note 11).

## 18. Finance Costs

### Explanatory Notes

These are the finance costs calculated using effective interest rate on the GSM first renewal fee payable and Subscriber deposit payable.

Figures in NPR

Finance Costs	FY 2017/18	FY 2016/17
Unwinding of GSM first renewal fee payable	515,419,397	662,425,368
Unwinding of Subscriber deposits payable	(5,739,660)	147,853,477
<b>Total</b>	<b>509,679,737</b>	<b>810,278,845</b>

## 19. Impairment Costs and Reversals

### Accounting Policies

Impairment of non-financial assets

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

#### Impairment of financial assets

NFRS 9 establishes a three-stage impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition. These three stages then determine the amount of impairment to be recognised as expected credit losses (ECL) (as well as the amount of interest revenue to be recorded) at each reporting date:

1. **Stage 1:** Credit risk has not increased significantly since initial recognition – recognise 12 months ECL, and recognise interest on a gross basis.
2. **Stage 2:** Credit risk has increased significantly since initial recognition – recognise lifetime ECL, and recognise interest on a gross basis.
3. **Stage 3:** Financial asset is credit impaired (using the criteria currently included in NAS 39 Financial Instruments: Recognition and Measurement) – recognise lifetime ECL, and present interest on a net basis (i.e. on the gross carrying amount less credit allowance).

### Explanatory Notes

Figures in NPR

Impairments/( Reversal of Impairments)	FY 2017/18	FY 2016/17
Property Plant and Equipment	132,930,677	(58,068,006)
Capital Work in Progress		
Financial Instruments		
Trade Receivables	(143,661,654)	215,599,924
<b>Total</b>	<b>(10,730,977)</b>	<b>157,531,918</b>

## 20. Effects of Changes in Foreign Exchange Rates

### Accounting Policies

Foreign currency transactions are converted into functional currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated in to the reporting currency of the company using the rates prevailing on the reporting date. The resulting gain or loss due to translation is taken to statement of profit or loss. Non-monetary assets are recorded using the rate of exchange prevalent as on the date of initial recognition.

### Explanatory Notes

Figures in NPR

Effect of Changes in foreign currency rates	FY 2017/18	FY 2016/17
Realized gain / (Loss)	(160,273,995)	(179,522,912)
Translation gain / (Loss)	795,829,126	(244,817,611)
<b>Total Gain (Loss)</b>	<b>635,555,131</b>	<b>(424,340,523)</b>

## 21. Taxes

### Accounting Policies

The company applies NAS 12 for accounting and reporting income taxes. Income tax expenses represent the sum of the current tax and deferred taxes. Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

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 it is probable that the temporary differences or taxable profit will be available against which deductible temporary differences can be utilised.

Current tax assets and liabilities are offset only when there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Explanatory Notes

### 21.1 Net Tax Asset / (Liability)

The company's final income tax assessment has been completed for the Income Year 2070/71 (2013-14). For the remaining financial years, the assets and liabilities have been recognised and carried as under.

*Figures in NPR*

	Tax Liability	Advance Tax Paid	Net Tax Asset/(Liability)	Cumulative
2071/72	6,101,385,634	5,994,806,017	(106,579,617)	(106,579,617)
2072/73	4,564,292,367	5,728,496,567	1,164,204,200	1,057,624,582
2073/74	5,734,012,684	5,785,424,938	51,412,254	1,109,036,836
2074/75	5,903,778,849	6,251,947,179	348,168,330	1,457,205,166

### 21.2 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 of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Company's current tax liabilities are calculated using the Income Tax Act, 2058 (2002 AD) enacted and as applicable in Nepal.

*Figures in NPR*

Income Taxes expenses	FY 2017/18	FY 2016/17
Provision for Tax		
For current year	5,851,328,465	5,734,012,684
For prior years	-	-
Deferred Tax	(1,409,024,940)	(530,921,460)
<b>Total</b>	<b>4,442,303,525</b>	<b>5,203,091,224</b>

### 21.3 Deferred Taxes

*Figures in NPR*

Particulars FY 2074/75	Carrying Amount	Tax Base	Temporary Diff
<b>Assets</b>			
Property, Plant & Equipment	20,078,332,860	26,711,721,977	(6,633,389,117)
<b>Liability and Provisions</b>			
Defined Benefit Plan Liability	11,305,643,764	-	(11,305,643,764)
Provision for Telecom Allowance	1,363,729,820		(1,363,729,820)
Provision for Staff Bonus	918,872,073		(918,872,073)
		<b>Total</b>	<b>(20,221,634,774)</b>
		Tax Rate @ 30%	(6,066,490,432)
	<b>Deferred Tax Liability / (Asset) – As at Ashadh 31, 2074</b>		<b>(4,347,506,855)</b>
	Deferred Tax Expense / (Income) - FY 2074/75		(1,718,983,577)
	<b>Deferred Tax liability / (Asset) - As at Ashadh 32, 2075</b>		<b>(6,066,490,432)</b>
	Deferred Tax Expense / (Income) - FY 2074/75 PL		(1,409,024,940)
	Deferred Tax Expense / (Income) - FY 2074/75 OCI		(309,958,637)

Corporate tax rate has been changed from 25% to 30% which was enacted by the Government of Nepal through Finance Act, 2075 with effect from 1st Shrawan 2075. As per Nepal Accounting Standard 12 "Income Taxes" deferred tax shall be measure at the tax rate that are expected to apply to the period when the assets is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. Therefore, deferred tax for FY 2074/75 is measured at the new tax rate of 30% enacted by the Government of Nepal, total impact due to change in corporate tax rate from 25% to 30% is NPR 1,011,081,739.

Figures in NPR

Particulars FY 2073-74	Carrying Amount	Tax Base	Temporary Diff
<b>Assets</b>			
Property, Plant & Equipment	18,487,713,230	24,587,872,673	(6,100,159,443)
<b>Liability and Provisions</b>			
Defined Benefit Plan Liability	9,180,167,297	-	(9,180,167,297)
Provision for Telecom Allowance	1,196,273,820		(1,196,273,820)
Provision for Staff Bonus	913,426,861		(913,426,861)
		<b>Total</b>	<b>(17,390,027,421)</b>
		Tax Rate @ 25%	(4,347,506,855)
	<b>Deferred Tax Liability / (Asset) – As at Ashadh 31, 2073</b>		<b>(3,357,239,618)</b>
	Deferred Tax Expense / (Income) - FY 2073/74		(990,267,237)
	<b>Deferred Tax liability / (Asset) - As at Ashadh 31, 2074</b>		<b>(4,347,506,855)</b>
	Deferred Tax Expense / (Income) - FY 2073/74 PL		(530,921,460)
	Deferred Tax Expense / (Income) - FY 2073/74 OCI		(459,345,777)

## 21.4 Reconciliation of reported in the financial statements and as reported to the tax authorities

Figures in NPR

Reconciliation with Tax Profit	FY 2017/18	FY 2016/17
Profit before tax as per Financial Statements	21,926,105,352	20,575,855,350
Net Adjustments under Income Tax Act, 2058	1,479,208,507	2,360,195,386
Profit for Tax Purpose	23,405,313,859	22,936,050,736
Tax rate	25%	25%
<b>Total</b>	<b>5,851,328,465</b>	<b>5,734,012,684</b>

## 22. Assets Held for Sale

### Explanatory Notes

Company holds dismantled assets, mainly in the nature of maintenance returns and scraps that are in the process to be sold. In addition to the scraps and dismantled assets there are some assets that are already notified for auction sale. These assets have been retired from the books and are represented at zero or Re 1 carrying amount. As per the requirement of NFRS 5 these are to be valued at fair value less cost of sale.

Considering the significance of such assets, which management feels are low in terms of materiality these have not been recognised in the financial statements. Furthermore, there are practical difficulties in determining the value of such assets. Management assumes that the impact of such assets in terms of company's financial position and performance will be negligible.

There is no discontinued operation of the company.

## 23. Interest in Other Entities

### Accounting Policies

The company follows NFRS 12 Disclosure of Interest in Other Entities for disclosing the extent of the investment, control and influence.

## Explanatory Notes

Interest in Other Entities - % of shareholding	FY 2074/75	FY 2073/74
Trishuli Jalvidyut Company Limited	50.00%	46.12%
Upper Tamakoshi Hydropower Co.	6.00%	6.00%
Vidhyut Utpadan Company Ltd.	4.10%	2.96%
	<b>Treatment</b>	<b>Treatment</b>
Trishuli Jalvidyut Company Limited	Associate	Associate
Upper Tamakoshi Hydropower Co.	Trade Investment	Trade Investment
Vidhyut Utpadan Company Ltd.	Trade Investment	Trade Investment

The company holds 50% of equity investment as at reporting date in Trishuli Jalvidyut Company Limited. However the company does not hold control of Trishuli Jalvidyut Company Limited, therefore Trishuli Jalvidyut Company Limited is continued to be recognized as an associates. The Capital structure of Trishuli Jalvidyut Company Limited is structured in such a way that the company will ultimately hold 30% and the current equity holding is just a temporary effect.

## 24. Earnings Per Share

### Accounting Policies

Basic earnings per share are calculated by dividing the net profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

### Explanatory Notes

NAS 33 Earnings per Share requires that earnings per share (EPS) information be presented in the financial statements. The company's ordinary shares or potential ordinary shares are traded in a public market and the company files its financial statements with the securities board.

*Figures in NPR*

Earnings Per Share	FY 2017/18	FY 2016/17
Profit Attributable for shareholders	17,483,801,827	15,372,764,124
Number of Shares (weighted average)	150,000,000	150,000,000
<b>EPS (Basic)</b>	<b>116.56</b>	<b>102.49</b>

There are no instruments of the company, current or prospective that will have any bearing on dilution of Earning Per Share. Therefore, the company has same basic and diluted EPS.

## 25. Contingencies and Capital Commitments

### Explanatory Notes

#### 25.1 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.

##### 25.1.1 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 and amount the ascertainment of probability and quantification is not possible. (Also refer note 1)

##### 25.1.2 Legal Cases

There were 33 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.



### 25.1.3 Tax Related Dispute

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 2070-71. The Company opted to appeal against the order and consequently applied for an Administrative Review with the Director General, Inland Revenue Department on 2075/03/26 by depositing NPR 8,731,622 Contingent liability of NPR 26, 194,866 for Value Added Tax and the above-mentioned fine amount would have existed against the Company for the year 2070-71, if the appeal goes against the Company.

## 25.2 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.

*Figures in NPR*

<b>Capital Commitments</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Commitment for Civil Works	176,114,890	80,022,378
Commitment for Procurement of Plant & Equipment	11,839,076,662	6,991,010,470
Commitment for rent of Leasehold Premises for BTS	-	-
<b>Total</b>	<b>12,015,191,552</b>	<b>7,071,032,848</b>

## 26. Related Party Disclosures

### Accounting Policies

The Company follows requirements of NAS 24 Related Parties and other legal requirements for disclosures of related party transactions and balances.

### Explanatory Notes

#### 26.1 Identification of Related Party Disclosures

Following has been identified as related parties of Nepal Telecom

1. The Government of Nepal - which is the principal owner of the company (please refer share capital note 9)
2. Directors of the company
3. Key Management Personnel of the company - all personnel level 11 and above are considered to influence management decision of the company.
4. Relatives of directors and key management personnel
5. Nepal Telecom employee retirement Fund

#### 26.2 Transactions with Related Parties

##### 26.2.1 Contributions to the Government of Nepal Treasury

*Figures in NPR*

	<b>FY 2017/18</b>	<b>FY 2016/17</b>
Advance Income Tax including withholding	6,642,738,563	6,148,279,381
Value Added Tax - collection deposited	4,745,021,006	4,752,770,794
Telecom Service Charge - collection deposited	3,135,426,740	3,203,063,055
Ownership Fee - collection deposited	572,182,999	598,211,798
Customs Duty - paid on import	339,126,905	368,324,887
Royalty and RTDF - liability paid	2,419,145,610	2,442,248,850
Frequency Fee paid	1,214,183,485	1,209,333,935
Dividend	7,548,197,250	6,999,237,450
Property and Vehicle Tax	35,988,420	34,804,275
<b>Total</b>	<b>26,652,010,978</b>	<b>25,756,274,425</b>

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

Regulatory charges provided to the Nepal Telecommunication Authority (an autonomous regulatory body established by GoN) has been made as per the legal and regulatory requirements.

### 26.2.2 Directors and Key Management Personnel

During the three years ended 32 Ashadh 2075, neither any directors nor any key management personnel or any associate or family member (relative) of the directors and key management personnel was indebted to the company

There have been no material transactions or proposed transactions with directors and key management personnel or their relatives and associates except for the compensations and/or remuneration paid under the company's regulations.

#### Compensation Paid

##### a. Board of Directors (BoD)

Figures in NPR

S.N.	Name	Designation	Board Meetings FY 2074/75	
			Number of meetings attended	Total Allowance
1	Mr. Mahendra Man Gurung	Chairman	28	112,000
2	Mr. Kedar Bahadur Adhikari	Chairman	21	84,000
3	Ms. Kamini Rajbhandari	Member	49	196,000
4	Mr. Ramesh Dhakal	Member	30	120,000
5	Mr. Dilli Raj Ghimire	Member	16	64,000
6	Mr. Ramchandra Dhakal	Member	41	164,000
7	Mr. Uttar Kumar Khatri	Member	42	168,000
8	Mr. Ram Krishna Subedi	Member	3	12,000
9	Mr. Binaya Kumar Chalise	Member	39	156,000
10	Mr. Vishnu Prasad Kasaju	Member	5	20,000
11	Mr. Raj Bahadur Rawal	Member	11	44,000
12	Ms. Shailja Rai	Company Secretary	50	200,000
<b>Total</b>				<b>13,40,000</b>

##### b. Audit Committee

Figures in NPR

S.N.	Name	Designation	Audit Committee Meetings FY 2074/75	
			Number of meetings attended	Total Allowance
1	Mr. Dilli Raj Ghimire	Chairman	5	20,000
2	Mr. Ramesh Dhakal	Chairman	8	32,000
3	Mr. Ramchandra Dhakal	Member	8	32,000
4	Mr. Uttar Kumar Khatri	Member	10	40,000
5	Mr. Binaya Kumar Chalise	Member	13	52,000
6	Mr. Gokarna Prasad Sitaula	Member Secretary	13	52,000
<b>Total</b>				<b>228,000</b>

### 26.2.3 Event Occurring After Reporting Period

Except for the under stated post reporting period event there are no material events that has occurred subsequent to 32nd Ashadh 2075 till the signing of this financial statements on Mangsir 27, 2075.

## Changes in the composition of Board of Directors (BoD)

SN	Name	Designation	Representative Office (Designation therein)	Appointment Date	Person Replaced	Reason
1	Mr. Mahendra Man Gurung	Chairman	Ministry of Information & Communications	2073/09/14	Mr. Dinesh Kumar Thapaliya	Transfer decision of the GoN
2	Mr. Kedar Bahadur Adhikari	Chairman	Ministry of Information & Communications	2074/07/06	Mr. Mahendra Man Gurung	Transfer decision of the GoN
3	Mr. Mahendra Man Gurung	Chairman	Ministry of Information & Communications	2074/12/26	Mr. Kedar Bahadur Adhikari	Transfer decision of the GoN
4	Ms. Kamini Rajbhandari	Member	Nepal Telecom	2073/06/06	Mr. Buddhi Prasad Acharya	Decision of the Cabinet Ministers
5	Mr. Surya Bhakta Pokharel	Member	Nepal Telecom	2075/04/31	Ms. Kamini Rajbhandari	Minister level Decision.
6	Mr. Ramesh Dhakal	Member	Ministry of Law, Justice and Parliamentary Affairs	2074/07/08	Mr. Dilli Raj Ghimire	Transfer decision of the GoN
7	Mr. Dhanraj Gnyawali	Member	Ministry of Law, Justice and Parliamentary Affairs	2075/08/07	Mr. Ramesh Dhakal	Transfer decision of the GoN
8	Mr. Uttar Kumar Khatri	Member	Ministry of Finance	2074/05/07	Mr. Ram Krishna Subedi	Transfer decision of the GoN
9	Ms. Radhika Aryal	Member	Ministry of Communication and Information Technology	2075/08/27	Mr. Ramchandra Dhakal	Transfer decision of the GoN
10	Mr. Vishnu Prasad Kasaju	Member	General Shareholder	2075/03/25	Mr. Binaya Kumar Chalise	Elected from General Assembly
11	Mr. Raj Bahadur Rawal	Member	Employee Representative	2075/01/15	Mr. Tanka Lal Shrestha	Elected from Employee

### 26.2.4 Other Key Managerial Personnel

Other key managerial personnel who includes level 11 and above officials are paid salary and compensation in accordance with the company's regulations.

Other Key Managerial Personnel Compensation	FY 2017/18	FY 2016/17
Salary, benefit allowances and bonuses	21,410,234	25,795,747

### 26.3 Balances with / by related parties

- Balances outstanding from the government is shown separately under trade receivables including expected credit loss (note 7.1.4)
- Balances with the Nepal Telecom employment retirement fund is disclosed under Defined benefit plan in Note 8.2.2.

## 27. Segmental Analysis

### Accounting Policies

Nepal Telecom reports on operating segments, based on its service streams. The company's organization is structured based on the service lines and products.

## Explanatory Notes

Figures in NPR

Particulars	Fixed Network (PSTN)		Wireless (GSM)		Wireless (CDMA)		Investment, Cash & Cash equivalent		Unallocated		Total	
	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period	Current Period	Previous Period
<b>Revenue</b>												
External Sales	6,001,140,308	6,672,117,106	31,830,376,711	32,164,387,903	1,191,742,719	1,510,312,942	5,863,232,555	3,941,210,353	382,992,664	161,282,017	45,269,484,957	44,449,310,321
Inter-Segment Sales												
<b>Total revenue</b>	<b>6,001,140,308</b>	<b>6,672,117,106</b>	<b>31,830,376,711</b>	<b>32,164,387,903</b>	<b>1,191,742,719</b>	<b>1,510,312,942</b>	<b>5,863,232,555</b>	<b>3,941,210,353</b>	<b>382,992,664</b>	<b>161,282,017</b>	<b>45,269,484,957</b>	<b>44,449,310,321</b>
<b>Result</b>												
Segment Result	735,864,831	1,520,237,481	16,358,084,060	18,538,807,543	289,270,206	427,336,858	5,945,548,657	3,941,210,353	(2,415,857,857)	(3,522,737,853)	20,892,909,897	20,904,854,382
Operating Profit	735,864,831	1,520,237,481	16,358,084,060	18,538,807,543	289,270,206	427,336,858	5,945,548,657	3,941,210,353	(2,415,857,857)	(3,522,737,853)	21,129,694,108	20,904,854,382
Income Tax (Current + Deferred)							4,132,344,888		4,743,745,447		4,132,344,888	4,743,745,445
<b>Net profit</b>	<b>735,864,831</b>	<b>1,520,237,481</b>	<b>16,358,084,060</b>	<b>18,538,807,543</b>	<b>289,270,206</b>	<b>427,336,858</b>	<b>5,945,548,657</b>	<b>3,941,210,353</b>	<b>(6,548,202,745)</b>	<b>(8,266,483,300)</b>	<b>16,760,565,009</b>	<b>16,161,108,937</b>
Other Information	As at Ashadh 32, 2018	As at Ashadh 31, 2017	As at Ashadh 32, 2018	As at Ashadh 31, 2017	As at Ashadh 32, 2018	As at Ashadh 15, 2017	As at Ashadh 32, 2018	As at Ashadh 15, 2017	As at Ashadh 16, 2018	As at Ashadh 15, 2017	As at Ashadh 16, 2018	As at Ashadh 15, 2017
Segment Assets	11,242,802,445	11,682,629,523	12,897,904,615	11,289,690,196	1,950,780,855	2,125,401,648	74,723,237,954	66,946,773,797			100,814,725,869	92,044,495,160
Deferred tax assets (Net)							6,066,490,432		4,347,506,855		6,066,557,101	4,347,506,855
Unallocated Corporate Assets							25,010,963,299		25,214,821,150		25,010,966,187	25,214,821,150
<b>Total assets</b>	<b>11,242,802,445</b>	<b>11,682,629,521</b>	<b>12,897,904,615</b>	<b>11,289,690,196</b>	<b>1,950,780,855</b>	<b>2,125,401,648</b>	<b>74,723,237,954</b>	<b>66,946,773,797</b>	<b>31,077,453,731</b>	<b>29,562,328,005</b>	<b>131,892,249,158</b>	<b>121,606,823,164</b>
Segment Liabilities	2,655,381,152	2,776,905,325	15,401,776,080	14,835,997,533	244,659,291	1,373,204,099					18,301,816,522	18,986,106,957
Unallocated Corporate Liabilities								13,925,245,380	11,289,867,978		13,925,245,380	11,289,867,979
<b>Total Liabilities</b>	<b>2,655,381,152</b>	<b>2,776,905,325</b>	<b>15,401,776,080</b>	<b>14,835,997,533</b>	<b>244,659,291</b>	<b>1,373,204,099</b>	<b>-</b>	<b>-</b>	<b>13,925,245,380</b>	<b>11,289,867,978</b>	<b>32,227,061,902</b>	<b>30,275,974,936</b>



## 27.1 Assumptions for Segmental Reporting

1. Revenue, expenses, assets and liabilities that relate to the Company as a whole which are not allocable to segments on direct and/or reasonable basis have been included under “unallocated revenue/expenses/assets/liabilities”.
2. Revenue is taken on the basis of product line for each services.
3. Inter connection revenue is allocated on the basis of revenue before considering inter-connection revenue.
4. Depreciation and Operation and Maintenance expenses are allocated on the basis of Property, Plant and Equipment for each service.

## 27.2 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 cannot be segregated and the management feels that the costs to develop such information would be excessive than the benefit that it would derive.

Further the geographical operation is within the single legal jurisdiction and operational environment. Therefore, the company assumes to operate in a single geographical segment.

## 28. Interim Financial Reporting

The company follows requirement of Security Exchange Board of Nepal (SEBON), Nepal Stock Exchange (NEPSE) and the requirement of Companies Act, 2006 for publishing interim financial reporting in the print media. These requirements are materially aligned with the requirements of NAS 34 and Interim Financial reporting as per NAS 34 is published in the company's website [www.ntc.net.np](http://www.ntc.net.np).

The deferred tax reported in the interim financial statements and its effect on profitability differs from the audited accounts. This is attributed to the change in corporate tax rate from 25% to 30% and its impact on deferred tax and the level of estimation being used in preparation of interim financial reporting as against the precise calculation for the audited financial statements.

## 29. Prior Period Adjustments and Exceptional Items

Previously reported financial statements and financial statements for the current financial year as reported in the regulatory financial statements has been restated in compliances with the requirements of NFRS.

The following adjustments are made for the identified omissions and misstatements for the financial year 2074-75 as per the provision of NAS 8. Net prior period amount of NPR 63,535,657 has been adjusted to the identified financial year. In case where such identification could not be made, adjustment has been made in the opening equity.

S.N.	Particulars	Expenditure	Income
1	Excess Telecom Allowance provision for 2073 to 2074 written back and deficit provision booked	-	120,509,363
2	Non-Operating Income	-	22,171,538
3	Inter-unit adjustment	3,076	-
4	Frequency Fees	77,263,021	-
5	Operating Income (Rental Reversal)	-	860,347
6	Operating Expenses	9,276,899	6,537,405
	<b>Total</b>	<b>86,542,996</b>	<b>150,078,653</b>

Exceptional items wherever they occur are disclosed separately.

## 30. Other Disclosures

### 30.1 Exchange Rates Used

Exchange Rates	FY 2017/18	FY 2016/17
USD: NPR	109.34	102.86
EURO: NPR	127.77	117.40

- 30.2 During the reporting period, stock amounting NPR 68,944,802 was found and listed as inventory which was previous written off after the physical verification of inventory in FY 2071/72. NPR 68,944,802 has been adjusted in Statement of Changes in Equity.
- 30.3 Adjustment of debtor of VAS amounting NPR 26,678,102.36 which was wrongly entered as debtor and adjustment of VAS deposit balance amounting NPR 3,403,797.68 which were wrongly entered as deposit of VAS in previous year have been charged in Statement of changes in Equity in FY 2074-75.
- 30.4 NPR 457,597.00 has been adjusted in statement of changes in equity of FY 2074/75 as an adjustment to unamortized cost of employee loan.
- 30.5 The figures for the previous period have been regrouped/rearranged wherever necessary to make them comparable with the current period's figures.

*As Per Our Report of Even Date*

**Mahendra Man Gurung**  
Chairman

**Surya Bhakta Pokharel**  
For Managing Director

**Dhanaraj Gnyawali**  
Director

**Uttar Kumar Khatri**  
Director

**CA. (Dr.) Suvod Kumar Karn**  
Suvod Associates  
Chartered Accountants

**CA. Achyut Raj Joshi**  
A.R. Joshi & Co.  
Chartered Accountants

**Radhika Aryal**  
Director

**Vishnu Prasad Kasaju**  
Director

**Raj Bahadur Rawal**  
Director

**Pradeep Raj Upadhyay**  
Chief Financial Officer

**Ganga Sagar Matanchhea**  
Manager

Date: December 13, 2018  
Place: Kathmandu

# KEY INDICATORS OF LAST FIVE YEAR

(Amount in NPR)

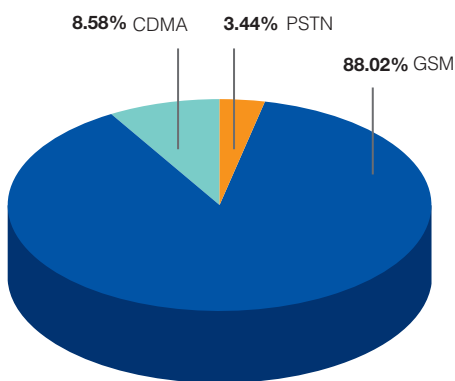
Particulars	Basis	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Net Profit	Billion	11.57	14.55	13.55	15.37	17.48
Operating Revenue	Billion	35.56	39.25	40.70	40.34	39.02
Total Revenue	Billion	39.67	42.64	44.22	44.59	45.27
Earnings Per Share	NPR	77.12	97.04	90.36	102.49	116.56
Market Value Per Share	NPR	656	636	689	675	721
Net Worth Per Share	NPR	498.72	539.99	555.83	608.86	664.40
Price Earning Ratio	Ratio	8.51	6.55	7.62	6.60	6.18
Returns to Sharholders	Percent	47	50	51	55	55
Employee Expenses	Billion	4.40	4.91	5.33	5.33	5.95
Operation and Maintenance Expenses	Billion	7.21	7.98	6.45	6.53	6.74
Administrative Expenses	Billion	1.57	1.69	1.26	1.29	1.32
Total Expenses	Billion	24.24	22.63	25.99	24.02	23.35
Ratio of Employee Expenses & Total Expenses	Percent	18.15	21.70	20.50	22.19	25.48
Ration of Administrative Expenses & Total Expenses	Percent	6.50	7.47	4.84	5.37	5.65
Net worth (Shareholder's Fund)	Billion	74.81	80.99	83.37	91.33	99.66
Capital Employed	Billion	90.55	95.77	97.64	106.49	114.86
Number of Share	Million	150	150	150	150	150
Number of Employee	Number	5,448	5,276	4,148	4,157	4,224
Return on Shareholder's fund	Percent	15.46	17.98	16.26	16.83	17.54
Return on Capital Employed	Percent	12.78	15.21	13.88	14.43	15.00
Return on Total Assets	Percent	10.97	13.07	11.93	12.63	13.25
Average Revenue Per Employee	Million	7.28	8.08	10.65	10.71	10.71
EBITDA Margin	Percent	48.04	56.82	52.09	57.98	58
Net Profit Ratio	Percent	29.16	34.12	30.64	34.47	38.61
Current Assets Ratio	Times	3.55	3.94	3.88	4.22	4.11
Contribution to Government Treasury	Billion	20.35	20.75	23.10	25.75	26.65
Average Subscriber Per Employee	Number	2,002	2,461	3,619	4,229	4,727

# CUSTOMER BASE OF VOICE SERVICE

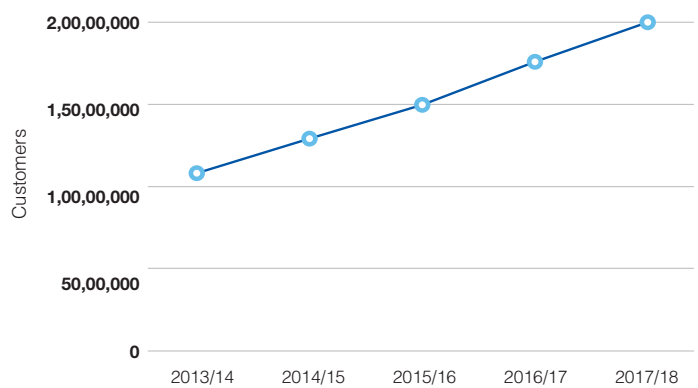
## Customer Base of Voice Service

Particulars	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
PSTN	653,202	665,660	673,027	681,418	686,762
GSM	9,019,809	10,920,752	12,799,138	15,318,147	17,586,214
CDMA	1,230,333	1,395,530	1,542,269	1,602,045	1,706,963
Others	1,118	901	592	592	592
<b>Total</b>	<b>10,904,462</b>	<b>12,982,843</b>	<b>15,015,026</b>	<b>17,602,202</b>	<b>19,980,531</b>

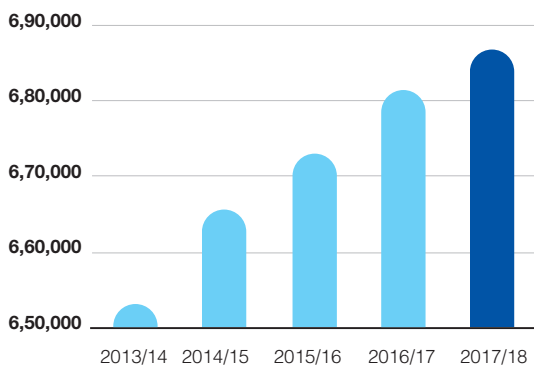
## Share of Voice Service



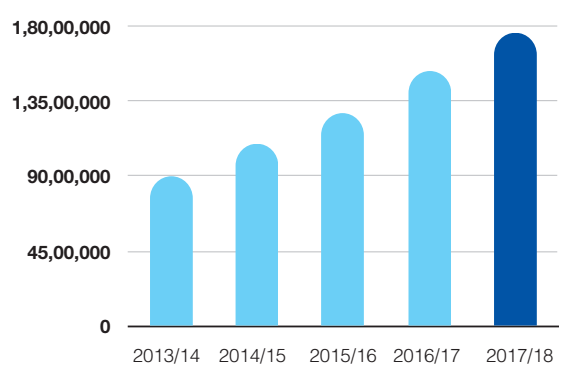
## Trend of Voice Service



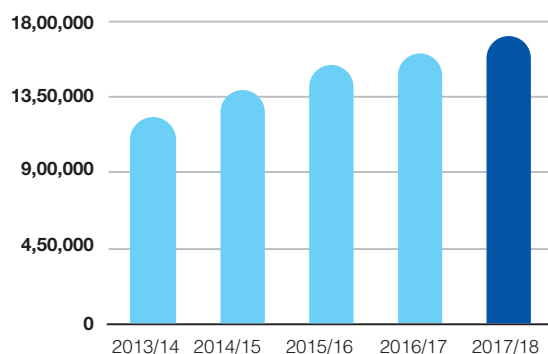
## PSTN



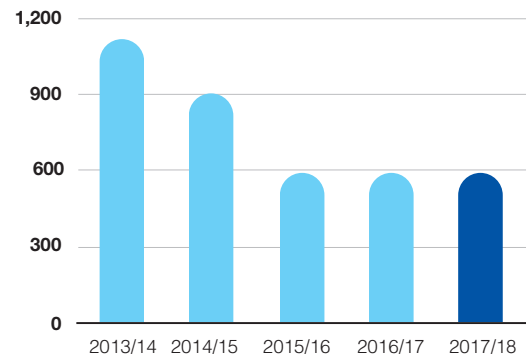
## GSM



## CDMA



## OTHERS



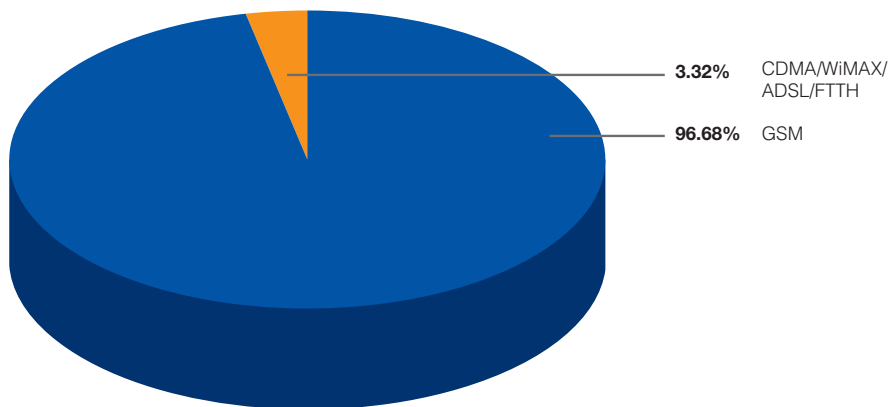


# CUSTOMER BASE OF DATA SERVICE

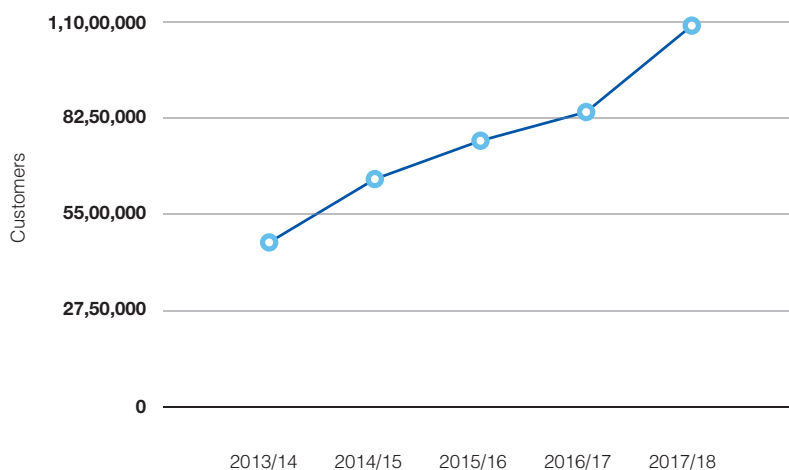
## Customer Base of Data Service

Particulars	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Customer Base	4,705,000	6,509,583	7,602,793	84,21,151	1,08,83,204

## Share of Data Service



## Trend of Data Service



# DEFINITION OF TERMS

<b>2G</b>	2G networks are operated using global system for mobile (GSM) technology which offer services such as voice, text messaging and low speed data.
<b>3G</b>	A cellular technology based on wide band CDMA (WCDMA) delivering voice and faster data services.
<b>4G/LTE</b>	4G or long-term evolution (LTE) technology offers even faster data transfer speed than 3G/HSPA
<b>Access Network</b>	An access network is the part of a telecommunications network which connects subscribers to their immediate service provider.
<b>ADSL</b>	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.
<b>ARPU</b>	Average revenue per user, defined as total service revenue divided by total number of subscribers.
<b>Book Value per Share</b>	A ratio of shareholders equity to the average number of common shares.
<b>Broadband</b>	A high-capacity transmission technique using a wide range of frequencies, which enables a large number of messages to be communicated simultaneously.
<b>BTS</b>	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.
<b>Capital Employed</b>	The sum of stockholders' equity and long-term finance.
<b>Cash Generating Unit</b>	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.
<b>CDMA</b>	This is a channel access method used by various radio communication technologies.
<b>CPE</b>	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.
<b>CRBT</b>	Caller Ring Back Tone
<b>Current Ratio</b>	A ratio that measures a company's ability to pay short-term obligations.
<b>Discontinued Operations</b>	A segment of a company's business that has been sold, disposed of or abandoned.
<b>Discount Rate</b>	The interest rate used to discount a stream of future cash flows to their present value.
<b>Recoverable Amount</b>	The higher of an asset's fair value less costs of disposal* (sometimes called net selling price) and its value in use.
<b>Earnings per Share (EPS)</b>	The portion of the company's distributable profit which is allocated to each outstanding equity share (common share).
<b>EBITDA Margin</b>	Stands for earnings before interest, taxes, depreciation and amortization, and a measure of revenue relative to cash expenses from operations.
<b>Effective Interest Rate</b>	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.
<b>EVDO</b>	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.
<b>Fair Value</b>	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.
<b>FTTH</b>	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
<b>Gross Domestic Product (GDP)</b>	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.
<b>GSM</b>	Global System for Mobile communication (GSM) is a digital mobile telephony system that is the most widely used digital wireless telephony technology
<b>Hotspot</b>	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.
<b>HSPA+</b>	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.

<b>Impairment -</b>	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.
<b>Intelligent Network</b>	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.
<b>ISP</b>	An Internet service provider (ISP) is an organization that provides services for accessing, using, or participating in the Internet.
<b>IVR</b>	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
<b>LAN</b>	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.
<b>Mobile Internet</b>	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.
<b>MPoS</b>	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.
<b>Net Profit Ratio</b>	The ratio of net profit (after taxes) to net sales.
<b>NFRS</b>	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.
<b>NGN</b>	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.
<b>Optical Fiber</b>	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.
<b>PDSN</b>	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.
<b>PSTN</b>	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.
<b>Present Value</b>	The current worth of a future sum of money or stream of cash flows given a specified rate of return.
<b>Return on Capital Employed (Post Tax)</b>	Measures the profitability of a company by expressing its operating profit as a percentage of its capital employed.
<b>Return on Shareholders' Equity (Post Tax)</b>	The amount of net income returned as a percentage of shareholders equity.
<b>Roaming</b>	Allows customers to make calls, send and receive texts and data on other operators' mobile networks while travelling abroad.
<b>Shareholders Equity</b>	A share capital plus retained earnings
<b>Smartphone</b>	A smartphone is a mobile phone offering advanced capabilities including access to email and the internet.
<b>Soft Switch</b>	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.
<b>Tablet</b>	A tablet is slate shaped, mobile or portable computing device equipped with a finger operated touchscreen or stylus.
<b>Value in Use</b>	The present value of the future cash flows expected to be derived from an asset.
<b>VAS</b>	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.
<b>Voice Mail</b>	A centralized electronic communication system in which spoken messages are recorded or digitized for later playback to the intended recipient
<b>VSAT</b>	Very Small Aperture Terminal (VSAT) is an earthbound station used in satellite communications of data, voice and video signals.
<b>Wi-Fi</b>	A facility allowing computers, smartphones, or other devices to connect to the Internet or communicate with one another wirelessly within a particular area.
<b>WiMAX</b>	WiMAX (Worldwide Interoperability for Microwave Access) is a wireless communications standard designed to provide 30 to 40 Mbps data rates
<b>WLAN</b>	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
1914	Establishment of Open wire Trunk Link from Kathmandu to Raxaul (India)
1935	Installation of 25 lines automatic exchange in Royal 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
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)
1971	Introduction of Telex Services
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) started
1987	Commencement of STD service
1995	Installation of Optical Fiber Network
1996	Conversion of all Transmission link to Digital transmission link
1996	Automation of the entire Telephone Network
1996	Independent International Gateway Exchange established
1996	Introduction of VSAT services
1997	Digital Link with D.O.T. India through Optical Fiber in Birgunj - Raxaul
1998	Direct Link with Bangladesh established
1999	Launching of GSM Mobile Postpaid service
2000	Implementation of SDH Microwave Radio
2000	Launching of Internet Service
2001	Launching of Payphone Service
2001	International Roaming Service started in GSM Mobile
2002	East West Highway Optical Fiber Project started
2003	GSM NAMASTE Prepaid Service launched
2004	Establishment of NEPAL TELECOM (Transformation from Corporation to Nepal Doorsanchar Company Limited)
2004	FIN EasyCall Pre-paid Calling Card Service (PCC Services) launched

Year	Nepal Telecom Milestones
2004	SLC Results published by 1600 IVR Service
2005	FIN Advanced FreePhone Service (AFS) launched
2005	Soft launch of CDMA
2005	Access Network Services introduced
2005	Outsourcing of PSTN Telephone Inquiry Service (197)
2006	FIN PSTN Credit Limit PCL Service launched
2006	FIN NepalDirect Home Country Direct (HCD Service) launched
2006	Introduction of IVR 198 Service for PSTN Fault Complaint in Kathmandu Valley
2006	CDMA Limited Services in Kathmandu Valley
2006	10+2 Results published via IVR 1601 Service
2006	PSTN Voice Mail Service (VMS) launched
2007	National Roaming for CDMA Mobile (SkyPhone) started
2007	Expansion of Internet Bandwidth via Optical link between Nepal & India
2007	PSTN Bill Inquiry Service started via 1606 IVR Service
2007	VOIP Call Complaint Registration started via 188 IVR Service
2007	GPRS, 3G and CRBT Services introduced in GSM Mobile
2008	Broadband ADSL Service launched
2008	IVR Service 1607 started for GSM and CDMA PUK Inquiry
2008	IVR 198 service extended for ADSL Fault Complaint Registration
2008	PSTN VMS – Notice Board Service
2009	IVR 198 Service extended outside KTM valley
2009	IVR 1606 Service extended outside Kathmandu Valley
2009	SMS Service from GSM to CDMA mobile started
2009	Postpaid CDMA Mobile Service started
2010	EasyPhone (SoftPhone) SIP PCC Service launched
2010	All 3915 VDCs served by Nepal Telecom's services
2010	Volume Based ADSL Service Launched
2011	EasyPhone (SoftPhone) SIP PPP Service launched
2011	GSM 3G Data Card Service introduced
2011	First International Carrier Partner's Meet organized by NT
2012	WiMAX 4G Service launched
2012	IP-CDMA System commissioned
2012	Convergent Real Time Billing and Customer Support System Launched
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	NT <sub>PRO</sub> service launched
2017	4G/LTE service launched
2018	Operation of Optical Fiber link between Kerung border of Nepal and China





## **Nepal Doorsanchar Company Limited**

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