



DHAKA ELECTRIC SUPPLY COMPANY LIMITED

# ANNUAL REPORT 2006



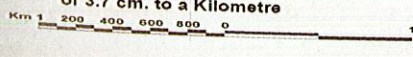


# DESCO AREA MAP

**LEGEND**

Thana Boundary	Mosque	Fire Service	Bus Terminal
Main Road	P.O	BIWTA Terminal	Over Bridge / Under Pass
Link Road	Church	Airport	Park/ Playground
Other Road	Mot	Railway with Station	Power line
Embankment	Pagoda	River	Lake / Dighi
Police Station	Temple	Always Bank Open	Hotel
Embassy	Community Centre	Petrol / CNG Pump	Cinema Hall
Important Building	Hospital		
Educational Inst.	Market		

Scale 1: 13,000  
or 3.7 cm. to a Kilometre



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Dhaka Electric Supply Company Ltd. (DESCO)  
House # 3, Road # 24, Block - K, Banani Model Town, Dhaka - 1213.

**NOTICE OF THE**

**ANNUAL GENERAL MEETING**

Notice is hereby given that the 10th Annual General Meeting of Dhaka Electric Supply Company Ltd. (DESCO) will be held on Monday, the 12th February, 2007 at 11:00 a.m. at Bashundhara Convention Center, Bashundhara Residential Area, Baridhara, Dhaka to transact the following business.

## AGENDA

### Ordinary Business:

1. To receive, consider and adopt Directors' and Auditors' reports and the audited statement of accounts of the Company for the year ended June 30, 2006.
2. To declare Dividend for the year ended June 30, 2006.
3. To elect Directors.
4. To appoint Auditors and to fix their remuneration.

### Special Business:

To consider and pass the following resolution as 'Special Resolution' with a view to reconstitute the Board of Directors of DESCO in accordance with the directive of Power Division, Ministry of Power, Energy & Mineral Resources.

RESOLVED that article 73 of the Articles of Association of the Company be deleted and the following be substituted in its place:

Until otherwise determined by the Company in General Meeting the number of Directors shall be 9(nine) of which 2(two) from the Power division, Ministry of Power, Energy & Mineral Resources (MPEMR) represented by Secretary and the Joint Secretary (Admin); 1(one) from Dhaka Electric Supply Authority represented by the Chairman DESA; 1(one) from Institute of Engineers of Bangladesh represented by the Vice President (Admin & Finance); 1(one) from Federation of Bangladesh Chamber of Commerce & Industries (FBCCI) represented by a Director; 1(one) from Institute of Chartered Accountants' of Bangladesh (ICAB) represented by a Council Member and 3(three) from DESCO as Ex-officio members i. e. Managing Director, Director (Technical) and Director (Finance)".

All shareholders of the Company are requested to kindly make it convenient to attend the Meeting in time.

By order of the Board,

**A. H. M. Nurul Huda**  
Company Secretary  
Date: December 20, 2006

**Registered Office**  
House # 3, Road # 24, Block - K  
Banani Model Town, Dhaka - 1213.

### Notes:

1. Record date is 16/01/2007. That is shareholders whose name will appear as on 15/01/2007 will be entitled to attend the meeting and dividend for 2006.
2. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy on his/her stead. The proxy form, duly stamped with a revenue stamp of Tk. 8 must be deposited at the Registered Office of the Company not later than 48 hours before meeting.
3. Admission to the hall will be strictly on production of the attendance slip sent with the notice.
4. For the sake of convenience, shareholders are requested to submit their queries on the Directors' Report and the Audited Financial Statements for the year ended June 30, 2006, if any, at the Registered Office of the Company preferably 3(three) working days before the day of Annual General Meeting.

**November 03, 1996**      **Certificate of Incorporation**

**December 19, 1996**      **First Board Meeting**

**September 24, 1998**      **Take over of Mirpur area from DESA  
and commencement of commercial  
operation**

**April 09, 2003**      **Take over of Gulshan Circle from DESA**

**February 15, 2004**      **Establishment of  
Sales & Distribution (S&D) Division**

## **KEY MILESTONES**





## **VISION**

To be a role-model electric supply company in the region using most dependable technologies and be a development partner in the continuous welfare of the society.

## **MISSION**

Service to the utmost satisfaction of consumers through reliable and uninterrupted power supply and provide value for money.  
Provide congenial working environment for employees.

## **CORPORATE PHILOSOPHY**

Service excellence with integrity and corporate social responsibility.

## Chairmen

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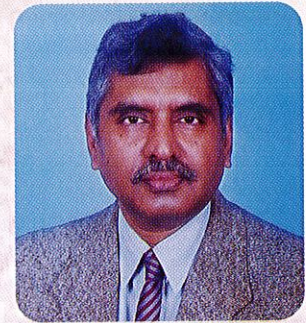
**Brig. Gen. Md. Nazrul Hasan**  
Chairman  
From 18-07-06 to till date



**Brig. Gen. A. A. M. A. Rob**  
Chairman  
From 17-04-02 to 27-11-05



**Mr. Md. Tauhidul Islam**  
Chairman  
From 28-11-05 to 30-04-06



**Mr. Md. Abu Taher**  
Chairman  
From 30-04-06 to 18-07-06

## BOARD OF DIRECTORS



2005-2006

## Directors

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**Mr. Saleh Ahmed**  
Managing Director



**Mr. Abdul Hafiz Chowdhury, FCA**  
Representative of Metropolitan  
Chamber of Commerce & Industries  
(MCCI)



**Mr. Md. Golam Mustafa**  
Member (Finance), DESA



**Prof. Dr. S. M. Lutful Kabir**  
Representative of Bangladesh  
University of Engineering & Technology  
(BUET)



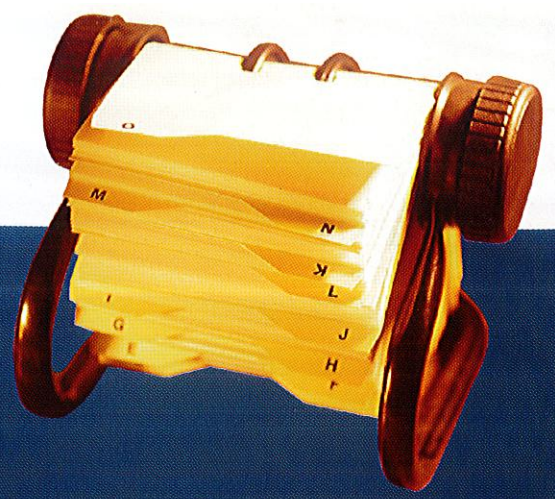
**Mr. Md. Mustafizur Rahman, FCA**  
Representative of the Institute of  
Chartered Accountants  
of Bangladesh (ICAB)



**Mr. Monzur Rahman**  
Director (Technical)



**Mr. Qudrate Khuda**  
Director (Finance)



<b>MANAGING DIRECTOR</b>	Mr. Saleh Ahmed
<b>DIRECTOR (TECHNICAL)</b>	Mr. Monzur Rahman
<b>DIRECTOR (FINANCE)</b>	Mr. Qudrate Khuda
<b>COMPANY SECRETARY</b>	Mr. A. H. M. Nurul Huda
<b>TAX ADVISOR</b>	Rahman Mostafa Alam & Co. Chartered Accountants
<b>LEGAL ADVISOR</b>	Barrister Abdullah Al-Mamun
<b>AUDITORS</b>	Aziz Halim Anwar Khair & Co. Chartered Accountants

## CORPORATE DIRECTORY

<b>BANKERS</b>	Arab Bangladesh Bank Limited	National Credit & Commerce Bank Limited
	Agrani Bank	National Bank Limited
	Al-Arafa Islami Bank Limited	Oriental Bank Limited
	Bangladesh Krishi Bank	Pubali Bank Limited
	Bank Asia Limited	Prime Bank Limited
	Dutch Bangla Bank Limited	Rupali Bank
	Dhaka Bank Limited	Standard Bank Limited
	Eastern Bank Limited	Standard Chartered Bank
	First Security Bank Limited	Social Investment Bank Limited
	IFIC Bank Limited	Sonali Bank
	Janata Bank	The City Bank Limited
	Mercantile Bank Limited	The Hongkong and Shanghai Corporation Limited (HSBC)

## CORPORATE OFFICE

House # 3, Road # 24, Block-K  
Banani Model Town, Dhaka 1213  
Telephone: 8859642, 8860341  
Fax: 8854648  
E-mail: mddesco@bdcom.com  
Web: www.desco.org.bd

## COMPANY SERVICE CENTERS

### SALES AND DISTRIBUTION (S&D) DIVISIONS

#### GULSHAN

House-47, Road-134, Gulshan-I, Dhaka-1212  
Phone: 8859493, Fax: 8859397  
E-mail: descogul@citechco.net  
ONE POINT SERVICE: 8825759 Ext. 112

#### BARIDHARA

House-1/A, Road-2/A  
Block-J, Notun Bajar  
Baridhara, Dhaka  
Phone: 8855244, Fax: 9895117  
E-mail: descobar@bttb.net.bd  
ONE POINT SERVICE: 9895117 Ext. 202

#### UTTARA

20/21, Shahjalal Avenue  
Sector-6, Uttara, Dhaka  
Phone: 8959145, Fax: 8959145  
ONE POINT SERVICE: 8959146 Ext. 117

#### KALLYANPUR

59/H/4-5 Darus Salam  
Kallyanpur, Mirpur, Dhaka  
Phone: 9015519, 8023984, Fax: 8023984  
ONE POINT SERVICE: 9007709 Ext. 111

#### KAFRUL

House-4, Road-17  
Block-C, Section-10  
Phone: 8019852, Fax: 8019852  
E-mail: msodesco@bdcom.com  
ONE POINT SERVICE: 9002026 Ext. 107

#### PALLABI

House-4, Road-17  
Block-C, Section-10, Mirpur, Dhaka  
Phone: 8052016, Fax: 8019852  
E-mail: sddpallabi@bdcom.com  
ONE POINT SERVICE: 9002026 Ext. 114

#### DAKSHIN KHAN

Dag No. 3503/3504  
Mollah Para, Dakshin Khan, Dhaka-1230  
Phone: 8911289, Fax: 8912309  
ONE POINT SERVICE: 8911289 Ext. 110



## HIGHLIGHTS

### TECHNICAL

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
33/11KV Sub-stations (No.)	5	6	13	13	13	16
Capacity of 33/11KV Sub-stations	160/224	200/280	425/593	425/593	430/602	620/868
Maximum Demand (MW)	134.00	149.90	315.24	351.82	377.25	397.60
33KV Overhead Line (KM)	17.20	17.20	73.70	76.70	76.70	76.70
33KV Underground Line (KM)	37.80	37.80	70.30	125.30	142.80	143.80
11KV Overhead Line (KM)	162	169	536	552	600	720
11KV Underground Line (KM)	35	43	205	205	238	262
LT Line	377	422	991	1030	1105	1250
Distribution Transformer (No.)	1455	1555	3369	3594	3785	4112
Power Factor (%)	96	96	96	96	96	96

## TECHNICAL & COMMERCIAL

### COMMERCIAL

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Energy Import						
(MKWh)	627.56	673.09	855.79	1739.87	1842.89	2023.22
(MTk.)	1218.93	1354.51	1850.44	3775.52	3999.07	4390.39
Energy Sales						
(MKWh)	440.17	493.62	675.57	1405.03	1536.31	1695.55
(MTk.)	1297.24	1470.03	2216.75	4902.32	5428.08	6280.06
System Loss (%)	29.87	26.66	21.06	19.24	16.64	16.20
Collection Ratio (%)	88.33	89.04	74.10	87.33	97.07	99.11
C.I. Ratio (%)	62.31	65.30	58.50	70.93	80.92	83.06
Consumers	97131	108182	205803	241964	259580	281960
Receivable/Sales (%)	43.33	60.00	64.24	44.40	38.72	35.68

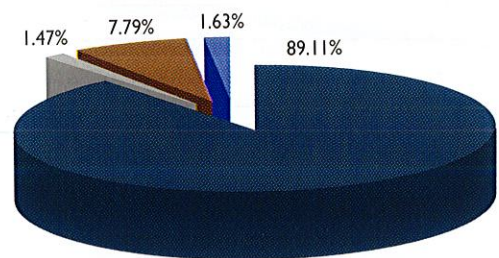
# PERFORMANCE

## CONSUMER MIX (2005-06)

CONSUMER	CONSUMPTION (MKWH)			
Residential	251255	89.11%	801.99	47.30%
Industrial	4172	1.47%	696.37	41.08%
Commercial	21970	7.79%	144.51	8.52%
Others	4563	1.63%	52.68	3.10%
<b>Total</b>	<b>281960</b>	<b>100%</b>	<b>1695.55</b>	<b>100%</b>

## ENERGY CONSUMPTION

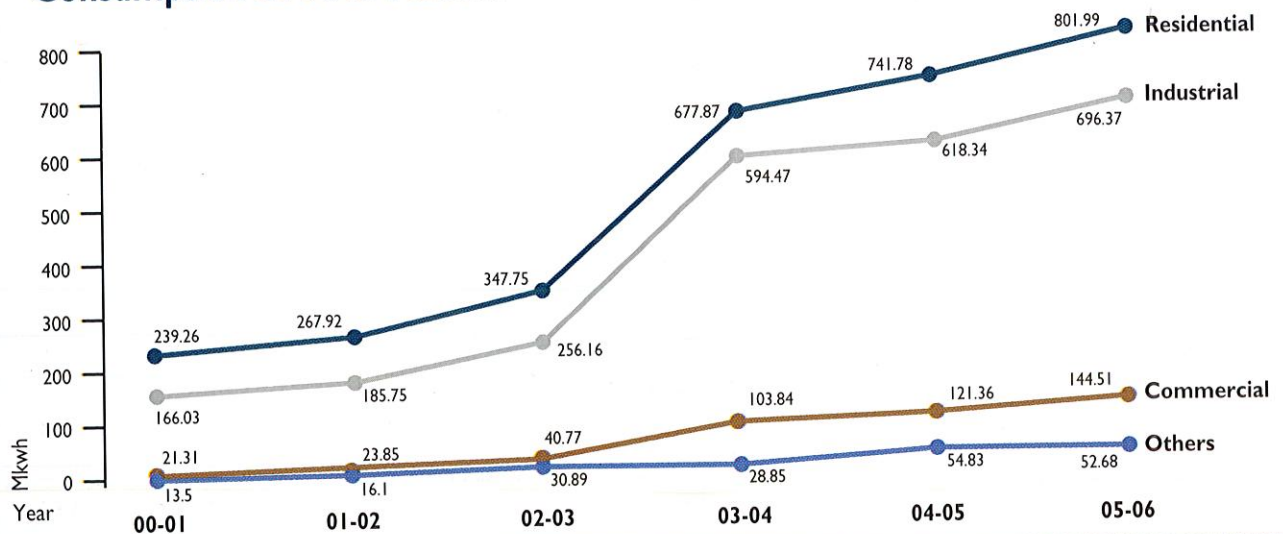
● Industrial 
 ● Commercial 
 ● Others 
 ● Residential



## CONSUMPTION GROWTH PATTERN

YEAR	RESIDENTIAL	INDUSTRIAL	COMMERCIAL	OTHERS	TOTAL
00-01	239.26	166.03	21.31	13.50	440.10
01-02	267.92	185.75	23.85	16.10	493.62
02-03	347.75	256.16	40.77	30.89	675.57
03-04	677.87	594.47	103.84	28.85	1405.03
04-05	741.78	618.34	121.36	54.83	1536.31
05-06	801.99	696.37	144.51	52.68	1695.55

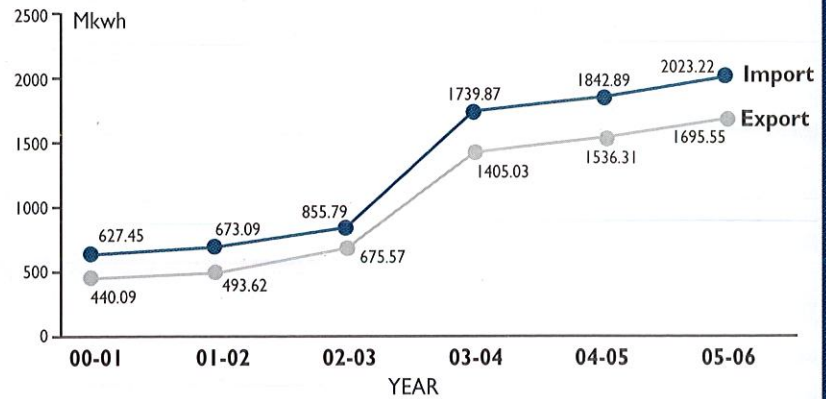
## Consumption Growth Pattern



## IMPORT & SALES

YEAR	IMPORT	SALES
00-01	627.45	440.09
01-02	673.09	493.62
02-03	855.79	675.57
03-04	1739.87	1405.03
04-05	1842.89	1536.31
05-06	2023.22	1695.55

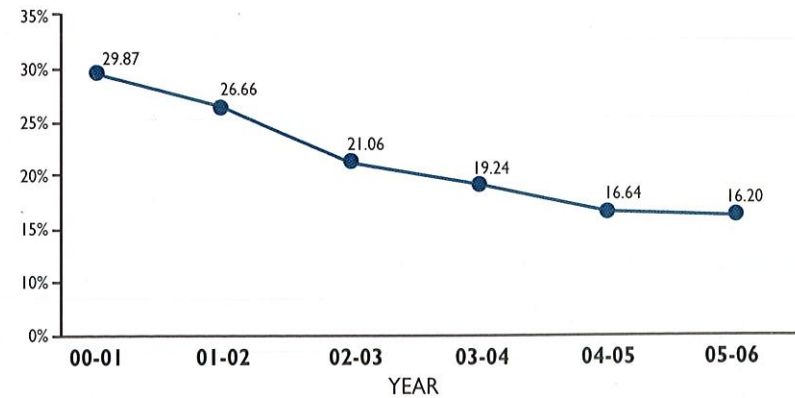
## Import & Sales



## SYSTEM LOSS

YEAR	SYSTEM LOSS
00-01	29.87%
01-02	26.66%
02-03	21.06%
03-04	19.24%
04-05	16.64%
05-06	16.20%

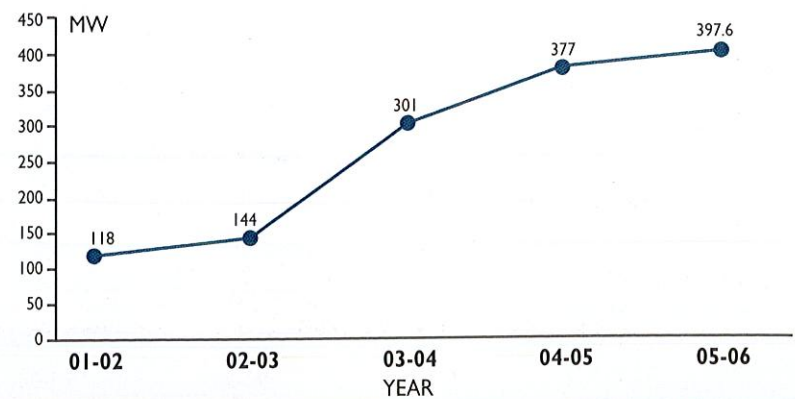
## System Loss



## MAXIMUM DEMAND

YEAR	MW
01-02	118
02-03	144
03-04	301
04-05	377
05-06	397.60

## Maximum Demand



## DIRECTORS' REPORT



**Brig. Gen. Md. Nazrul Hasan**  
Chairman



# DIRECTORS' REPORT TO THE SHAREHOLDERS

**DEAR SHAREHOLDERS,**

It is a great pleasure for me to welcome you on behalf of the Board of Directors to the 10th Annual General Meeting of Dhaka Electric Supply Company Limited (DESCO), and the first as a listed Company, and place before you the Report Audited Statement of Accounts for the year ended 30 June, 2006 along with the Auditors' and the Directors' Report thereon.

## **THE COMPANY**

You are aware that in the process of on-going Power Sector Reforms by way of unbundling the power sector and increasing efficiency in the area of generation, transmission and distribution. Dhaka Electric Supply Co. Ltd. (DESCO) was created in November 1996 under the Companies Act 1994 as a Public Limited Company with an Authorized Capital of Tk. 5 billion. However the operational activities of DESCO at the field level commenced on September 24, 1998 with the taking over of the electric distribution system of Mirpur area from Dhaka Electric Supply Authority (DESA) with a consumer strength of 71,161 and a load demand of 90 MW. In subsequent years of successful performance since inception, the operational area of DESCO was expanded through inclusion of Gulshan Circle. Eventually the total consumer strength increased to 281,960 as of 30 June, 2006 with a load demand of around 400 MW.

## **TERRITORY**

The service territory of the Company now comprises the areas bounded by Balu River in the East, Turag River in the West and by Turag and Balu River in the North and Mirpur Road, Agargaon Road, Rokeya Sarani, Progati Sarani, New Airport Road, Mymensingh Road, Mohakhali Jheel, Rampura Jheel connected with Balu River in the South.

## **GROWTH OF THE COMPANY**

The Company's growth can better be understood by the figures and graphs presented in this Report. Starting from a consumer base of 71,000 with load demand of 90 MW in 1999, the Company has grown to cater to 282,000 consumers with a load demand of 400 MW as of June 2006, recording an increase of 296% and 344% respectively over the last seven years. During the same period, the Company's gross fixed assets, including capital works in progress, increased from Tk. 1,302 million to Tk. 7,331 million, respectively a growth of 463%, while the shareholders equity increased from Tk. 1,212 million to Tk. 3,250 million, recording a growth of 168%.

## **MANAGEMENT**

Under the guidance of a nine member Board of Directors, the company is run by a management team headed by the Managing Director, with a view to run the Company efficiently and economically with minimum overhead cost and optimum manpower. The desk-top jobs and supervisory activities are generally carried out by DESCO employees under its regular payroll while the field operations have been out-sourced. With the expansion of operational area and fast increase in consumer strength and system load, DESCO took up appropriate steps and created six numbers of Sales & Distribution (S&D) Divisions with the field activities merged under the umbrella of each S&D Division.

To further improve operational and commercial service a new 'Dakshinkhan Sales and Distribution Division' was carved out of the Uttara S&D Division in mid June 06', raising the total number of S&D Divisions to seven. This is yet a step forward towards providing more prompt and better consumer service.

As part of the policy to outsource its functions, DESCO engaged several experienced contractors (through competitive bidding) to cater to the maintenance of its Distribution Networks and Substations as well as Commercial Operations. With the proper maintenance of the distribution system, complaints from consumers have reduced. To achieve greater consumer satisfaction the procedure for new connection has been simplified whereby a consumer is able to get a new connection within an average of 24 days of his application. Efforts are on to reduce this period further.

## DESCO GOES PUBLIC

### (A) OFFLOADING OF SHARES

In the continuous process of Power Sector Reforms as well as to expedite privatization process the Government was committed to float DESCO as a listed company in the Stock Exchange(s) and decided to off-load 25% of DESCO's paid up capital i.e. 3,177,798 Nos. for public subscription. Accordingly, DESCO off-loaded its 25% share through the Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Limited (CSE) under the Direct Listing Regulations, 2006. Though it was required to sell the proposed shares within 01(one) year from the date of opening but all the shares were sold out within a month.

### (B) CREDIT RATING REPORT

As a pre-condition for public offering, the Company had to be rated by a Rating Agency. Credit Rating Information & Services Ltd. (CRISL) assigned A+ (A plus) rating in the long term and St-2 in the short term to the Company. The above has been done on the basis of good fundamentals of the company such as experienced management team, satisfactory profitability, strong debt service capability, strong equity base, sufficient financial flexibility, implicit support of government and low business risk etc. This level of rating indicates a corporate entity with an adequate credit profile. The short term rating indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are small.

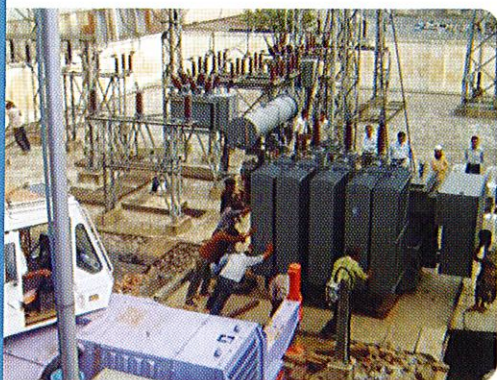
## TECHNICAL ACTIVITIES

(A) The major technical activities completed in the year 2005-06 are highlighted below:

- Capacity augmentation of Mirpur II GIS Substation from 20/28 MVA to 40/56 MVA and of ADA 33/11 KV Substation from 15/19 MVA to 20/28 MVA.
- Installation of two (2) new switching stations at Ibrahimpur and Kazipara.
- Replacement of Gulshan II Switching Station by a new 40/56 MVA GIS Substation resulting in addition of capacity in the distribution network.
- Capacity augmentation and upgradation of Gulshan I Substation from 40/56MVA to 60/84MVA GIS type Substation.
- Capacity augmentation and up gradation of Baridhara Substation from 30/42 MVA to 50/70MVA GIS type Substation.
- Capacity enhancement in the distribution network by installing 40/56 MVA GIS type 33/11 KV Substation at Nikunja.
- Expansion of distribution network by 1.0 Km of 33KV U/G Cable line, 120Km of 11KV O/H Lines, 24 Km of 11KV U/G Cable Line and 145 Km of LV Line, including installation of 245 Nos. 3-Phase, 200KVA and 76 nos. Single-Phase 15 & 25 KVA distribution transformers.
- Newly constructed 132/33/11KV Uttara Grid Substation including 2.2Km 132 KV O/H & 1.3Km of 132 KV U/G was taken over from DESA. Capacity at 132/33KV level is 2X50/75MVA and at 33/11KV Level 2X20/28MVA.
- Bashundhara 150/225MVA, 132/33KV Grid Substation was taken over from DESA.

### (B) MAJOR PROJECTS (2006-2010)

- To strengthen power supply facilities in Mirpur area a Project was approved by ECNEC on October 2005 in the name of "Strengthening Electric Distribution Network". The total cost of the project is Tk. 288.52 Crore out of which Tk. 69.24 Crore will be financed by GOB and the rest is considered under the scope of financing plan for sustainable Power Sector Development Program (SPSDP) of ADB.
- Another project designed for Gulshan area is awaiting approval by ECNEC. The total estimated cost of the project is Tk. 399.84 Crore out of which Tk. 128.04 Crore will be financed by GOB, Tk. 2.65 Crore by DESCO and the rest Tk. 269.15 Crore to be considered under the scope of financing plan for sustainable Power Sector Development Program (SPSDP) of ADB.





(C)  
**FUTURE PLANS**

- The above mentioned projects include installation of underground and overhead lines, distribution transformers, capacitor banks, etc.
- Completion of the said projects will add 335 MW in the System raising the total capacity to 875 MW which will enable to meet DESCO's consumer load demand up to year 2015.
- Following the successful operations in Mirpur and Gulshan Circles. The Government decided to handover the Tongi Pouroshava Area from DESA to DESCO. The Tongi Area comprising around 33 sqkm has a consumer base of about 40,000, with a load demand of 50MW.
- Government is also contemplating that the Purbachal Model town under Narayanganj District will be included in the geographical jurisdiction of DESCO. The load demand of Purbachal Model Town is expected to be about 500 MW in the year 2020. With the load growth and consumer strength, DESCO will create adequate facilities in phases by taking up new projects.
- With the target to reduce the system loss to 12% by 2010, a special project named "System Loss reduction Scheme" will be taken up.
- **Data Acquisition System (DAS):** In the modern Utility networks Energy Management System (EMS) is a complex real-time management of electrical power network, which requires the interaction of human operators, computer system, communications network and real time data gathering devices in substations, Remote-terminal units (RTUs) which contains digital-to-analog and analog-to-digital converters, and digital input output system and protocol. The EMS has mainly two functions, first Data-Acquisition function and secondly Supervisory Control of remote equipment or SCADA.

DESCO has a plan to implement its own SCADA in phases. In the first phase DESCO has taken up its own-funded project of DAS and a contract with IICT department of Bangladesh University of Engineering and Technology (BUET) is in process. The RTUs hardware and the computer system is designed and developed by them. The second phase will see the operation of a full fledged 'mini SCADA' in operation.

Efficient energy management (proper load management of the system and equipment, reduction of system technical loss, maintenance of suitable power factor for the system) will be possible after implementation of the project.

**COMMERCIAL ACTIVITIES**

**DISCONNECTION/  
RECONNECTION**

Some of the Commercial activities undertaken during the year are now highlighted below:

The prime tool to recover dues is disconnection. A total number of 22,285 defaulting consumers were disconnected with the help of Magistrate and by Company's own staff during the year. Moreover, 18,468 illegal consumers were traced, disconnected and regularized during the year. Such illegal connections totaled 25,460 in the previous year.

During the year 18,111 consumers were given re-connection on recovery of their outstanding dues and realization of penalty as applicable. An aggregate amount of Tk. 265 million was realized from defaulting consumers and Tk. 29 million against penal bills.

**NEW CONNECTIONS**

During the year 24,728 new connections were given as against 20,168 in the previous year. The total number of connections of DESCO at the end of the year stands at 281,960.

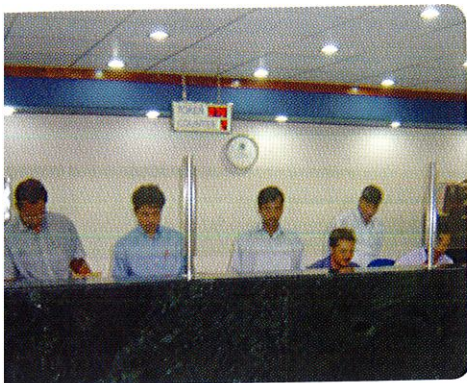
**METERING**

The meter being the 'cash box' of the Company, every effort is made to change defective meters, sealing of meters, inspection of meters on a regular and continuous basis, round the year. During the year 17,609 defective meters were changed, 18,926 meters sealed and 43,230 meters inspected.

**ONE POINT  
SERVICE CENTER**

Although DESCO strives to offer 'service excellence' to its valued consumers, it has still to achieve cent per cent consumer satisfaction.

Consumer complaints in terms of billing errors, rectification of names and address, etc, are seriously attended to. During the year 29,203 bills were corrected and records of 4,162 names and addresses were rectified on receiving complaints from the consumers.



Customer satisfaction is the key to success of any business which must be customer-driven. Our customers are our prime focus, and we are to implement customer service as deemed suitable.

The issue was seriously considered by DESCO which led to the introduction of Customers' **One Point Service Center** in each of the Sales and Distribution Divisions.

Any consumer coming to DESCO's Divisional office can get his/her desired service & solution from the One Point Service representatives regarding new connection, load extension, service renovation or relocation, billing and collection related complaints, reconnection of disconnected lines and other related services.

The Customer Service Centers are considered to be still at initial stage undergoing a 'learning process' to come up to an acceptable standard with on-going training of employees.

DESCO strongly believes that better Customer Service is an essential business discipline, and its contribution to the success of DESCO is widely recognized.

#### **BILLING/ COLLECTION**

The primary objective of maintaining the financial strength of the Company is achieved by continuous effort to maintain a healthy billing/ collection ratio.

Considering sales at Tk. 6,280 million (Tk. 5,428 million in 2004-5) and collection at Tk. 6,224 million (Tk. 5,332 million in 2004-5), the billing collection ratio works out at 99% as against 98% in previous year. The Collection/ Import (C.I.) ratio also improved from 80.92% to 83.06% this year.

#### **ACCOUNTS RECEIVABLE**

One of the indicators of efficient financial management is decreasing balance of accounts receivables. The Company maintains a system of continuous monitoring of accounts receivables by way of monthly reports and analysis. The Accounts Receivables/ Sales ratio works out to 36% this year, as against 39% in the previous year, indicating a reducing trend of outstanding.

#### **SYSTEM LOSS**

This is the key indicator of any energy company, and is determined by the quantity of energy purchased and that sold. The system loss works out to 16.20% this year as against 16.64% in previous year. The performance is not considered satisfactory by the Management and efforts are in process to bring the loss down to around 14% in the next financial year.

#### **PREPAID METERING**

Prepaid meter utilizes smart card technology that allows customers to put money on a smart card which is then inserted and removed from the prepaid meter. The meter reads a chip in the card and allows only the amount of electricity that has been paid for be available to the customer. Customers can recharge their smart cards by making payment at DESCO's vending stations. The addition of prepaid meters has helped DESCO improve revenue collections and System Loss as well.

During the year under review, 5,000 pre-paid meters were installed in sectors 4, 6, and 8 of Uttara, while process to install another 5,000 meters in the Sectors 1, 3 and 7 is underway. In fact, in order to facilitate continuous supply of pre-paid meters in future, DESCO has set up a 'Manufacturing Unit' with the technical assistance of BRTC BUET. A Technical Assistance Agreement has been signed with BRTC, BUET in this respect.

#### **AUDIT COMMITTEE**

In compliance with Securities & Exchange Commission (SEC) Regulations the Company has formed a 4-member Audit Committee of the Board headed by an independent Director, Mr. Abdul Hafiz Chowdhury, FCA, as Chairman. Mr. Chowdhury, who is a senior partner of Rahman Rahman Huq, Chartered Accountants, is nominated by the Metropolitan Chamber of Commerce & Industries (MCCI) on the Board of DESCO. The other members of the Committee are Prof. Dr. S.M. Lutful Kabir, representing BUET, Mr. Mustafizur Rahman, FCA, representing ICAB and Mr. Qudrate Khuda, FCA, FCMA, Director (Finance), DESCO.

The Audit Committee shall carry out its responsibilities as per the provisions of law and submit its report to the Board of Directors from time to time.

## FINANCIAL RESULTS AND APPROPRIATION

The synergy between technical and commercial activities is reflected in the improved financial results of the Company as under:

	2005-06 (MTk)	2004-05 (MTk)
Revenue from Operation	6324.979	5475.89
Cost of Sales	(4836.77)	(4395.85)
Gross Profit	1488.20	1080.03
Expenses	(240.92)	(196.74)
Operating Profit	1247.28	883.30
Financial Expenses (Net)	(377.168)	(332.70)
Non Operating Income	4.128	0.561
Taxation	(295.53)	(10.74)
Net Profit for the year	578.707	540.39
Profit brought forward	552.13	7.02
Dividend (Proposed)	254.23	-
Un appropriated profit carried forward	413.60	552.13

## FINANCIAL INDICATORS

Financial indicators reflect the financial strength/ weakness of an organization. Some of these are presented below to reflect DESCO's financial position:

	2005-2006	2004-2005
<b>LIQUIDITY RATIO:</b>		
Current Ratio	2.64	2.36
Quick Ratio	2.14	1.94
<b>SOLVENCY RATIO:</b>		
Times Interest earned ratio	3.67	2.87
Debt Equity Ratio	2.27	2.99
<b>PROFITABILITY RATIO (%)</b>		
Gross margin Ratio	23.69	19.72
Operating Margin Ratio	19.86	16.13
Net Income Ratio	9.21	9.87
Return on Asset Ratio	10.65	5.35
Return on Equity Ratio	17.80	28.46
Earnings per share (Tk.)	45.52	42.51

## HUMAN RESOURCE DEVELOPMENT

DESCO recognizes the importance of HR development and employee participation in the maintenance of standards as well as growth of the organization. Success of this utility organization depends on its employees working together as team for better consumer service and increase organizations' profit. DESCO's strategy is to provide service excellence with integrity.



### (A) TRAINING, WORKSHOPS, SEMINAR

In order to improve productivity of human input, the company continuously provides formal and informal training to its employees at every level. During the year under review 160 persons received in-house and domestic training and 20 persons received training outside the country from the best available training programs to meet its training needs and establish globally benchmarked skill and capabilities.

The Company has established a Training Cell under HR Management & Development Division within the scope of newly approved organogram by the Board of Directors. A total of 154 officers and employees have received Refreshers' Training Course on "Customer Service Year 2006 - 2007" under the arrangement of Training Cell.

Training Cell also helped the employees to participate in different trainings conducted by AREVA T & D, and GUJU International Ltd. etc. on most sophisticated training on "11/33 KV GIS and RMU, Polymer Insulators respectively.

### (B) ENERGY PARTNERSHIP PROGRAM

To share the invaluable experience between the partners with a view to improve distribution customer service and energy efficiency practices, DESCO has entered into an Agreement/MOU on January 24, 2006 with USEA, Sacramento Municipal Utility District (SMUD) and Clark Public Utilities (CPU) of USA.

The above agreement under USEA/USAID Energy Partnership Program (EPP) is largely contributing to build up cooperation, transfer information and share experiences & proven practices between the partner organizations.

The first exchange program was conducted in June, 2004, and since then 3 nos. visits have been made by DESCO personnel, to the USA, involving 17 officers.

Correspondingly, the Sacramento Municipal Utility District (SMUD) and Clark Public Utilities (CPU) of USA have made 2 visits to DESCO including the USEA officials, where about 13 trainees of SMUD, CPU & USEA have actively participated in the EPP program in Dhaka.

DESCO has greatly benefited in the fields of customer service practices and system efficiency.



## **E-GOVERNANCE**

The fast-changing digital world demands a new approach to the way we structure our business or Utility management and interact with our customers. The managers must be acquainted so that their organization is able to adopt to the conversion of existing process and IT system to suit new business/management strategies.

The Government of Bangladesh has taken a decision to run all Utility business and management through e-governance with a unified plan. As a part of that decision DESCO has started the process towards e-governance.

E-governance needs a comprehensive software and strong IT network. DESCO signed an agreement with IICT department of Bangladesh University of Engineering and Technology (BUET) to develop the management software for DESCO, part of which has been completed and is in test operation; installation of the desired network is in progress. Computer literacy of the officers and customer service representatives have been completed through computer training with the help of training center under staff college, IEB.

DESCO and its valued consumers will experience an easy, fast comprehensive IT based utility service in near future.

## **DIVIDEND**

The Board of Directors recommends for declaration of cash Dividend at the rate of Tk. 20/- per share of Tk. 100/-, fully paid up, for the FY 2005-2006.

## **ELECTION OF DIRECTORS**

In terms of Articles 85 and 86 of the Articles of Association of the Company Brig. Gen. Md. Nazrul Hasan and Mr. Md. Mustafizur Rahman shall retire from the Board of Directors and being eligible they offer themselves for re-election as per Article 87 of the said Articles of Association.

## **AUDITORS**

M/s. Aziz Halim Khair Choudhury, Chartered Accountants, the existing Auditors shall retire as Auditors of the Company and have expressed their willingness to continue in the office for the Financial Year 2006-07.

## **ACKNOWLEDGEMENT**

**Esteemed Shareholders,**

On behalf of the Board of Directors, I would like to express my sincere gratitude to Power Division, Ministry of Power, Energy & Mineral Resources, Economic Relations Division, Ministry of Finance, Ministry of Planning, Power Cell, Dhaka Electric Supply Authority, Bangladesh Power Development Board, Rural Electrification Board, other Government Departments, Asian Development Bank, World Bank, Securities and Exchange Commission (SEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Limited (CSE), ICB Capital Management Limited, ICB Securities and Trading Company Limited, Esteemed Shareholders and other development partners for their continued assistance, guidance and advice.

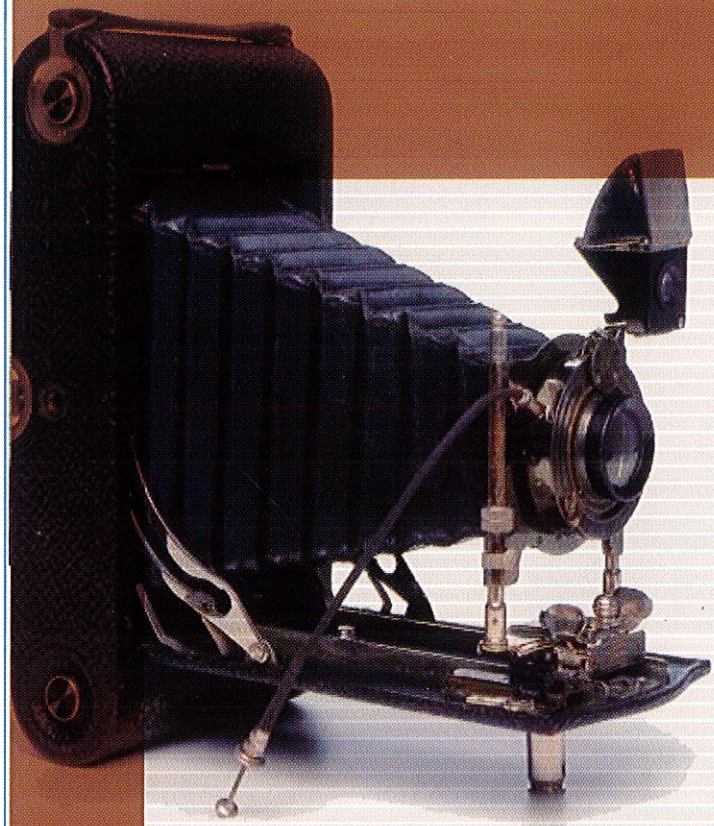
I also would like to express my thanks to the officers and staff of the Company on behalf of the Board of Directors for their sincere effort in performing their duties for the development of the Company.

In conclusion, I pray to the Almighty Allah that the Company will continue its performance gloriously throughout the years ahead.



**Brig. Gen. Md. Nazrul Hasan**  
Chairman

December 24, 2006



9th Annual General Meeting.



Inaugural program of RIO-VISTA 3x8MW wind generation plant, of SMUD, California, USA.

## EVENTS





Taking over ceremony of Uttara Grid Substation.

# HIGHLIGHTS



SAARC countries energy regulatory commissioners' visit to DESCO.



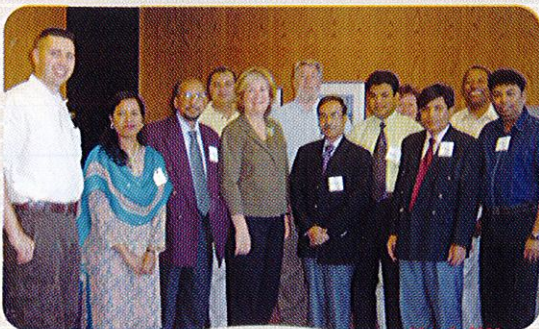
Bangladesh delegation with DESCO member visit; Solar energy power generation IMWp plant under CEPALCO in Philippines.



Introduction of Data Acquisition System (DAS) to the Chairman & Board Members of DESCO at Bashundhara 132/33 KV grid S/S.



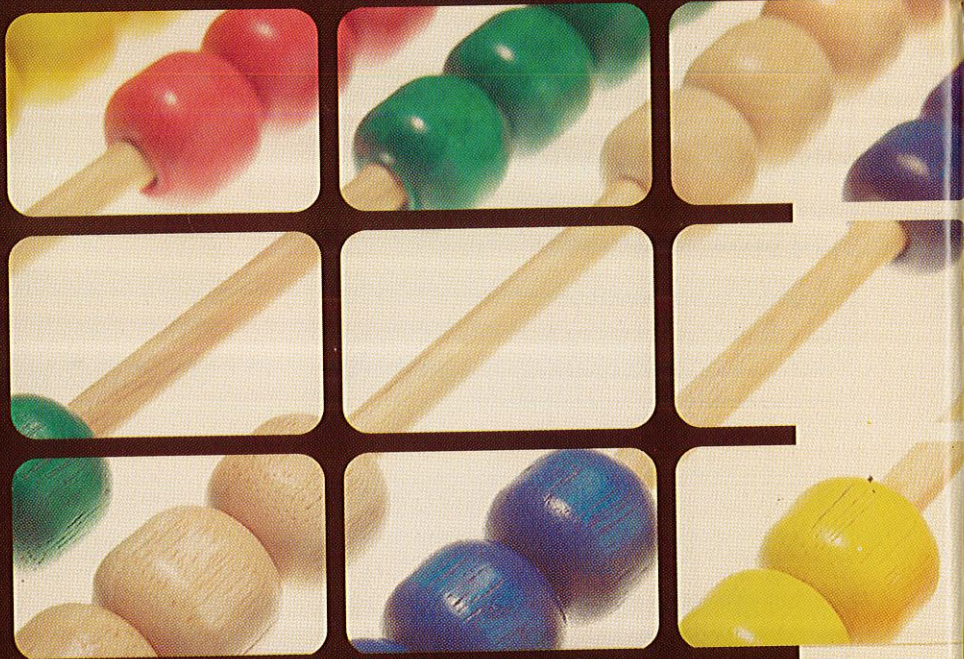
Annual Staff Meeting 2006.



DESCO delegates at SMUD, USA.



Annual Picnic 2006.



## AUDITORS' REPORT

# TO THE SHAREHOLDERS OF DHAKA ELECTRIC SUPPLY COMPANY LIMITED (DESCO)

We have audited the accompanying balance sheet of **Dhaka Electric Supply Company Limited (DESCO)** as of June 30, 2006 and the related Income Statement and Cash Flows and Notes to Financial Statements from 1.00 to 38.00 for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.


**SCOPE:** We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our examination provides a reasonable basis for our opinion.

**OPINION:** In our opinion, the financial statements prepared in accordance with Bangladesh Accounting Standards (BAS), except where otherwise mentioned in the notes to the financial statements and detailed report, give a true and fair view of the state of the company's affairs as of June 30, 2006 and of the results of its operations and its cash flows for the year then ended and comply with the applicable section of the Companies Act, 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

**WE ALSO REPORT THAT:**

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's balance sheet and income statement, cash flow statement & statement of changes in equity dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made were for the purposes of the company's business.

22 October 2006  
Dhaka

  
**Aziz Halim Khair Choudhury**  
Chartered Accountants





**FINANCIAL STATEMENTS**

5 6 7 8 9

# BALANCE SHEET as on 30 June 2006

	Note	Amounts in Taka	
		30 June 2006	30 June 2005
<b>APPLICATION OF FUND</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment (At cost)	2	6,746,784,888	5,383,419,946
Accumulated Depreciation		(1,315,667,986)	(929,725,699)
		<b>5,431,116,902</b>	<b>4,453,694,247</b>
<b>Capital Work -in- Progress</b>	3	585,041,366	44,676,909
		<b>585,041,366</b>	<b>44,676,909</b>
<b>Current Assets</b>			
Stores and Spares			
Accounts Receivable	4	1,392,045,595	1,057,911,020
Advances & Deposits	5	2,219,094,213	2,145,613,400
Advance Income Tax	6	471,419,050	42,683,271
Cash and Bank Balances	7	67,990,290	47,745,807
	8	3,301,446,379	2,334,775,135
		<b>7,451,995,528</b>	<b>5,628,728,633</b>
<b>Current Liabilities</b>			
Creditors for Goods	9	200,353,754	54,887,347
Creditors for Expenses	10	142,635,337	34,017,067
Creditors for Other Finance	11	230,560,914	208,596,933
Accounts Payable	12	1,314,567,514	1,327,785,348
Current portion of Long Term Loans	13	104,619,848	27,572,930
Accrued Interest on Loans	14	827,878,505	640,055,309
		<b>2,820,615,871</b>	<b>2,292,914,934</b>
<b>Net Current Assets</b>		<b>4,631,379,657</b>	<b>3,335,813,699</b>
		<b>10,647,537,925</b>	<b>7,834,184,855</b>
<b>SOURCES OF FUND</b>			
<b>Shareholders Equity</b>			
Share Capital			
Share Money Deposit	15	1,271,194,000	1,271,194,000
GOB Equity	16	75,000,000	75,000,000
Proposed Dividend	17	1,235,940,000	900,840,000
Un-appropriated Profit	33	254,238,800	-
	18	413,600,294	552,139,650
		<b>3,249,973,094</b>	<b>2,799,173,650</b>
<b>Non Current Liabilities</b>			
Deferred Tax			
Long Term Loan from ADB/GOB	32.2	658,542,769	-
Loan from DESA (Against Assets)	19	3,536,531,284	2,779,562,286
Consumer Security Deposits	20	2,871,494,532	1,998,920,000
	21	330,996,246	256,528,919
		<b>7,397,564,831</b>	<b>5,035,011,205</b>
		<b>10,647,537,925</b>	<b>7,834,184,855</b>

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 22 October 2006 and signed on its behalf by:

Company Secretary

Director (Finance)

Director

Managing Director

Signed in terms of our separate report of even date annexed.

Dhaka, 22 October, 2006

**Aziz Halim Khair Choudhury**

Chartered Accountants

# INCOME STATEMENT for the year ended 30 June 2006

	Note	Amounts in Taka	
		2005-2006	2004-2005
<b>Operating Revenue</b>			
Energy Sales (Net of Vat)	22	6,280,068,262	5,428,087,632
Other Operating Revenue	23	44,910,912	47,807,521
<b>Total Revenue from Operation</b>		<b>6,324,979,174</b>	<b>5,475,895,153</b>
<b>Cost of energy Sales</b>			
Energy Purchase	24	4,390,393,141	3,999,046,342
Operating expenditure	25	79,400,787	82,437,322
Depreciation (Operating)	31	366,976,252	314,375,381
		<b>4,836,770,180</b>	<b>4,395,859,045</b>
<b>Gross Margin</b>		<b>1,488,208,994</b>	<b>1,080,036,108</b>
<b>Cost &amp; Expenditures</b>			
Administrative expenses	26	58,406,560	58,109,698
Employee expenses	27	152,346,234	114,122,904
Bad debts Provision	1.9	11,206,606	10,560,338
Depreciation (Non Operating)	31	18,966,036	13,955,620
		<b>240,925,436</b>	<b>196,748,560</b>
<b>Operating Profit</b>		<b>1,247,283,558</b>	<b>883,287,548</b>
<b>Non Operating Income/(Expense)</b>			
Interest Expense (Net)	28	(168,879,609)	(149,295,939)
Exchange Loss	29	(208,289,805)	(183,413,485)
Miscellaneous Income	30	4,128,068	561,220
<b>Total Non Operating Income/(Expense)</b>		<b>(373,041,346)</b>	<b>(332,148,204)</b>
<b>Net Profit before tax</b>		<b>874,242,212</b>	<b>551,139,344</b>
<b>Income Tax Expense</b>			
Current Tax	32.1	(100,000,000)	(10,749,184)
Deffered Tax	32.2	(195,534,612)	-
		<b>(295,534,612)</b>	<b>(10,749,184)</b>
<b>Net Profit After Tax</b>		<b>578,707,600</b>	<b>540,390,160</b>
Adjustment related to previous years	32.2	(463,008,156)	4,720,868
Profit/(Loss) brought forward		552,139,650	7,028,622
<b>Profit available for appropriations</b>		<b>667,839,094</b>	<b>552,139,650</b>
Proposed Dividend	33	254,238,800	-
<b>Unappropriated Profit carried forward</b>		<b>413,600,294</b>	<b>552,139,650</b>
<b>Earning per share</b>		<b>45.52</b>	<b>42.51</b>

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 22 October 2006 and signed on its behalf by:

Company Secretary

Director (Finance)

Director

Managing Director

Signed in terms of our separate report of even date annexed.

Dhaka, 22 October, 2006

**Aziz Halim Khair Choudhury**  
Chartered Accountants

# CASH FLOW STATEMENT for the year ended 30 June 2006

		<i>Amounts in Taka</i>	
		<b>2005-2006</b>	<b>2004-2005</b>
<b>A.</b>	<b>Cash Flow from operating Activities</b>		
	Received from Energy Sales	6,224,269,826	5,332,040,184
	Collection of Govt. Duty, VAT & Tax	307,819,350	260,667,541
	Received from Other Operating & Non Operating Activities	168,625,066	124,349,292
	Received against Financial Income	77,695,955	21,707,061
	Payment for Energy Purchase	(4,487,847,077)	(3,694,349,162)
	Payment for Employees Expenses	(137,944,720)	(103,688,409)
	Payment for Administrative & Other Expenses	(395,120,165)	(162,741,707)
	Payment for Interest on Long Term Loan	(27,280,561)	(11,209,777)
	Payment for Govt. Duty, Vat & Tax	(323,217,589)	(272,018,364)
	<b>Net cash inflow from operating activities</b>	<b>1,407,000,085</b>	<b>1,494,756,659</b>
<b>B.</b>	<b>Cash Flow from Investing Activities</b>		
	Acquisition of Property & Plant	(464,074,661)	(108,479,875)
	Acquisition of Stores & Equipment	(902,836,877)	(534,290,234)
	<b>Net cash used in investing activities</b>	<b>(1,366,911,538)</b>	<b>(642,770,109)</b>
<b>C.</b>	<b>Cash Flow from Financing Activities</b>		
	Long Term Loan	1,125,272,586	414,840,532
	Long Term Loan Paid	(274,033,800)	(6,906,119)
	Consumer Security Deposits	75,343,912	77,180,324
	<b>Net cash inflow from financing activities</b>	<b>926,582,698</b>	<b>485,114,737</b>
<b>D.</b>	Cash & Cash equivalents increase/(decrease) during the year	966,671,245	1,337,101,287
<b>E.</b>	Cash & Cash equivalents at the beginning of the year	2,334,775,134	997,673,847
<b>F.</b>	Cash & Cash equivalents at the ending of the year	<b>3,301,446,379</b>	<b>2,334,775,134</b>

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 22 October 2006 and signed on its behalf by:

Company Secretary

Director (Finance)

Director

Managing Director

Signed in terms of our separate report of even date annexed.

Dhaka, 22 October, 2006

**Aziz Halim Khair Choudhury**  
Chartered Accountants



# STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2006

Amounts in Taka

Particulars	Share Capital	Share Money Deposit	GOB Equity	Reserve & Surplus	Proposed Dividend	Total
Balance at 30 June 2004	1,271,194,000	75,000,000	-	7,028,622	-	1,353,222,622
GOB Equity	-	-	900,840,000	-	-	900,840,000
Net profit for the year	-	-	-	540,390,160	-	540,390,160
Priors year's adjustment	-	-	-	4,720,868	-	4,720,868
<b>Balance at 30 June 2005</b>	<b>1,271,194,000</b>	<b>75,000,000</b>	<b>900,840,000</b>	<b>552,139,650</b>	<b>-</b>	<b>2,799,173,650</b>
Balance at 30 June 2005	1,271,194,000	75,000,000	900,840,000	552,139,650	-	2,799,173,650
GOB Equity	-	-	335,100,000	-	-	335,100,000
Net profit for the year	-	-	-	578,707,600	-	578,707,600
Proposed Dividend	-	-	-	(254,238,800)	254,238,800	-
Adjustment related to previous year (Deferred Tax)	-	-	-	(463,008,156)	-	(463,008,156)
<b>Balance at 30 June 2006</b>	<b>1,271,194,000</b>	<b>75,000,000</b>	<b>1,235,940,000</b>	<b>413,600,294</b>	<b>254,238,800</b>	<b>3,249,973,094</b>

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 22 October 2006 and signed on its behalf by:

Company Secretary

Director (Finance)

Director

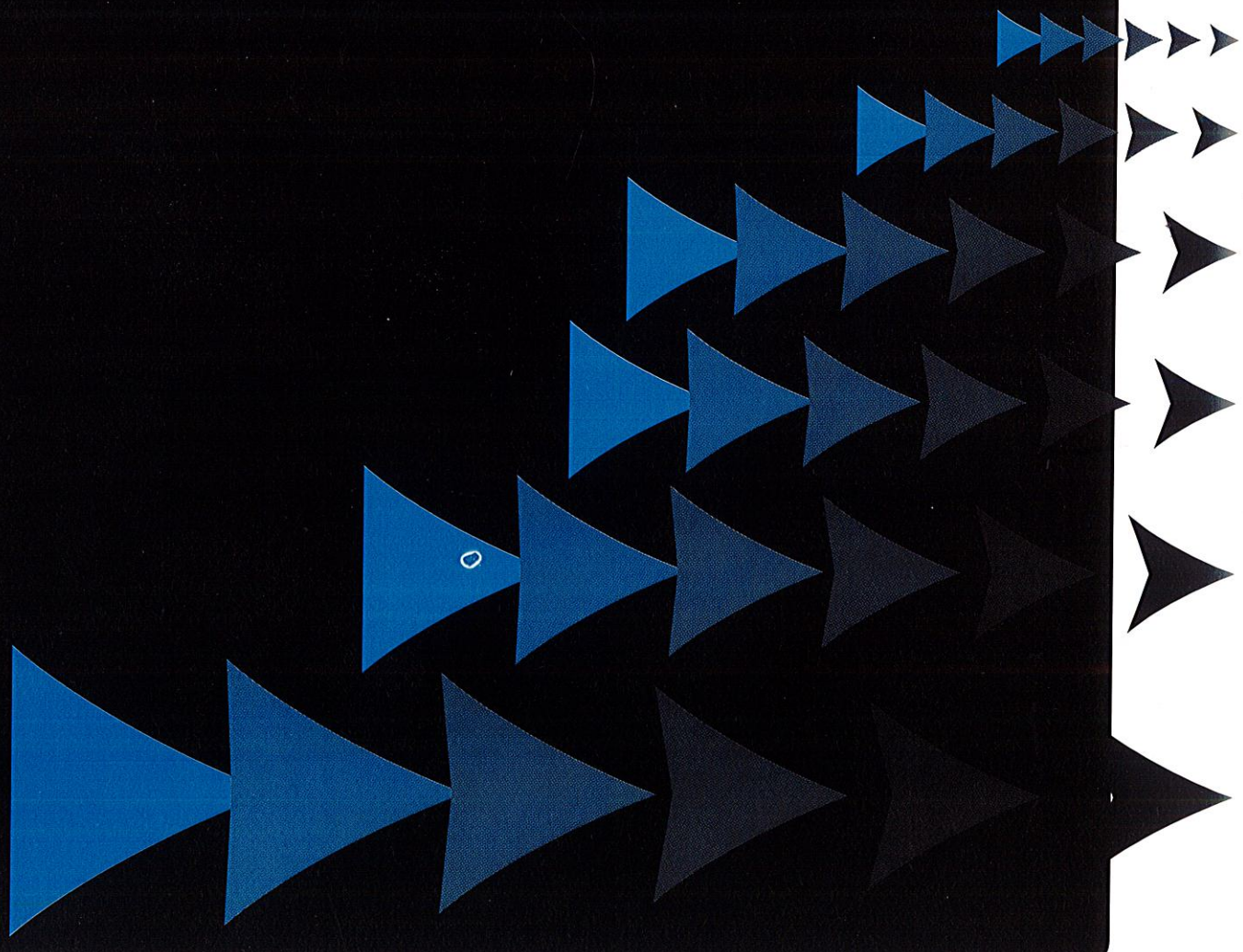
Managing Director

Signed in terms of our separate report of even date annexed.

Dhaka, 22 October, 2006

**Aziz Halim Khair Choudhury**  
Chartered Accountants

**NOTES TO THE  
FINANCIAL STATEMENTS**



## I LEGAL STATUS & NATURE OF THE COMPANY, SIGNIFICANT ACCOUNTING POLICIES AND OTHER RELEVANT INFORMATION

### I.1 LEGAL STATUS

Dhaka Electric Supply Company Limited (DESCO) was incorporated as Public Limited Company by shares on November 03, 1996 with an Authorized Capital of TK.5000 million divided into 50 million ordinary shares of Tk.100 each. The shares of the Company have been listed and are being traded in Dhaka Stock Exchange (DSE) & Chittagong Stock Exchange (CSE) of Bangladesh.

### I.2 PRINCIPAL ACTIVITIES

The main object of the Company is to distribute electricity to its consumers effectively and efficiently. DESCO started its commercial operation from 24 September 1998 in Mirpur area and as per Govt. decision; the commercial operation of greater Gulshan area was added to its operation from 9th April 2003.

### I.3 BASIS OF ACCOUNTING

The Financial Statements have been prepared on historical cost convention in accordance with Bangladesh Accounting Standards (BAS), **except where otherwise mentioned**, and are in compliance with the relevant requirements of the Companies Act, 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### I.4 PROPERTY, PLANT & EQUIPMENT

#### (i) Valuation of Property, Plant & Equipment purchased by DESCO

All Property, Plant & Equipment purchased by DESCO is initially recorded at cost. The cost of acquisition of an asset comprise its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

#### (ii) Valuation of assets taken over from DESA

- (a) Property, Plant & Equipment taken over from Dhaka Electric Supply Authority (DESA) in the Mirpur area have been valued at Tk. 1271.194 million as per joint survey report between DESA and DESCO.
- (b) DESCO also took over the greater Gulshan area on April 09, 2003 and the documents constituting the Property, Plant & Equipment of greater Gulshan area are yet to be officially handed over from DESA to DESCO. However, value of taken over Property, Plant & Equipment of Gulshan area has been provisionally estimated at Tk. 1998.92 million.
- (c) During the year DESCO took over two Grid Sub-stations (Bashundhara and Uttara) from DESA at provisional estimated cost of Tk. 872.57 million, including cost of land.
- (d) Expression of Interest (EOI) was invited from competent consultants to physically verify and value the operating assets of the company. Evaluation and awarding of contract to the successful bidder are under process.
- (e) Land acquired from Rajdhani Unnayan Kartripackha (RAJUK) and National Housing Authority is on 99 years lease. No amortization of the lease is considered.

#### (iii) Depreciation

- (a) Depreciation is charged at straight-line method at rates varying from 2% to 20% depending on category and economic life of the assets as under

Categories	Rate (%)
Land & Land Development	Nil
Building & Other Construction	2.5%
Distribution Equipment & cables	2%-10%
Furniture & Fixture	10%
Office Equipment	15%
Motor Vehicles	20%

- (b) Full year's depreciation is charged on assets acquired during the year and put into use for 6 months and over, while no depreciation is charged on assets acquired for less than 6 months during the year.
- (c) Depreciation on the assets taken over in Gulshan area has been charged on the value as provisionally estimated by DESCO management.

### **1.5 STORES AND SPARES**

Stores and spares have been stated at the lower of cost and net realizable value in accordance with BAS 2 "Inventories", after making due allowance for any obsolete or slow moving items. The cost of inventories is assigned by using weighted average cost method.

### **1.6 FOREIGN CURRENCY TRANSLATION**

Foreign currency transactions are translated into Taka at exchange rates prevailing on the respective dates of transaction, while foreign currency monetary liabilities at the end of the year are reported at the rate prevailing on the balance sheet date. Exchange losses arising out of the said conversion are recognized as expense for the year in accordance with BAS-21.

### **1.7 REVENUE RECOGNITION**

- (a) The Company recognizes revenue on bills issued to the consumers for consumption of Energy.
- (b) Other income arising from connection/disconnection, sale of meters, etc, are recognized on cash basis.
- (c) Interest on short-term deposits (STD) with banks is taken as income as and when credited by banks, while interest on FDRs are accrued on completed-year basis.

### **1.8 CASH FLOW STATEMENT**

Cash Flow Statement is prepared principally in accordance with BAS 7 "Cash Flow Statement" and the cash flow from operating activities has been presented under the direct method.

### **1.9 ACCOUNTS RECEIVABLE**

Accounts Receivable is stated at realizable value less provision for doubtful debts.

The company provides for doubtful debts @ 0.5% of Accounts Receivable balance standing at the balance sheet date, as decided by the Board of Directors at the meeting held on 17.04.2005

### **1.10 RELATED PARTY TRANSACTION**

- (a) The 'related party' as per BAS-24 is Dhaka Electric Supply Authority (DESA), which previously owned 100% of the Company's shares. Pursuant to Government decision DESA off-loaded 25% of its holding to the public including 2.5% retained for DESCO employees. Up to 30 June 2006, 4.90% (622,600 no of share) was sold to the public, while the balance 17.60% (i.e., 2,237,587 no of share) were sold to the public by 17th July 2006. DESA is represented on the Board of the Company by its Chairman, the Member Finance and the Member Engineering. The Chairman of DESA is also the Chairman of DESCO. The company's transactions with DESA have been reflected in note 12.1 to the accounts.
- (b) The company entered into contract with Bureau of Research, Testing & Consultation (BRTC), BUET for technical assistance in prepaid metering pilot project for production of 10,000 pre-paid meters and e-governance project. BUET is represented on the company's Board by the Chairman, IICT, BUET.

### **1.11 EARNINGS PER SHARE (EPS)**

The Basic Earnings per Share (BEPS) has been calculated by dividing the after-tax profit by the number of ordinary shares outstanding during the year. However an amount of Tk. 75 million, which appears as "Share Money Deposit" have not been considered for determining EPS.

## **I.12 RETIREMENT BENEFIT PLANS**

### **(a) Contributory Provident Fund**

The Company maintains a Contributory Provident Fund (CPF), recognized by the National Board of Revenue (NBR), under which the employees contribute 10% of their basic salary to the fund. The company contributes an equal amount. The fund is managed and operated by a Board of Trustees. The net earnings of the fund are distributed to the Fund members at the end of the year.

### **(b) Gratuity**

The company also has a Gratuity Scheme under which the company pays to a retired employee, having completed at least 3 (three) years of service, at the rate of two months' last drawn basic salary for every completed year of service. The company provides for the liability at the end of each year considering the number of years of service of employees eligible under the scheme. The fund is an approved Gratuity Fund under Income Tax Ordinance, 1984.

The liability shown in the Balance Sheet does not reflect the present value of the expected payments by the company's retirement plan to existing and past employees attributable to the service already rendered and is therefore not in compliance with BAS 26.

### **(c) Group Insurance**

The Company has taken Group Insurance Endowment policy for its employees and provision for the premium on the coverage is made annually.

## **I.13 DEFERRED TAX**

The Company has recognized for the first time Deferred Tax liability arising from 'timing difference' related to depreciation allowed for tax purpose and that charged in the accounts, as required under BAS 12.

## **I.14 BORROWING COST**

Interest on borrowed funds for projects is charged as expenses.

## **I.15 REPORTING CURRENCIES**

The financial statements presented are stated in Bangladesh Taka and rounded off to the nearest Taka.

## **I.16 REPORTING PERIOD**

The accounting year of the company covers the period from 1st July to 30 June consistently.

## **I.17 GENERAL**

Previous year's figures have been re-arranged, wherever necessary, to conform to current year's presentation and to facilitate comparison.

*Amounts in Taka*

**2 PROPERTY, PLANT & EQUIPMENT**

**Cost**

	2005-2006	2004-2005
Balance at 1st July	5,383,419,946	4,972,894,154
Less: Adjustment relating to previous years	-	(77,160,675)
	5,383,419,946	4,895,733,479
Addition during the year	1,363,364,942	487,686,467
Balance at 30th June	6,746,784,888	5,383,419,946
<b>Depreciation</b>		
Balance at 1st July	929,725,699	606,115,566
Less: Adjustment relating to previous years	-	(4,720,868)
	929,725,699	601,394,698
Charged for the year	385,942,287	328,331,001
	1,315,667,986	929,725,699
Balance at 30th June	<b>5,431,116,902</b>	<b>4,453,694,247</b>

**2.1**

Additions to fixed assets include cost of land at Bashundhara and Uttara Grid sub-stations measuring 40.43 katha and 48.3 Katha respectively, taken over from DESA on March and May 2006. These have been valued at estimated cost price of Tk. 2.86 lac/katha and Tk 12.09 lac/katha respectively.

**2.2**

The Bashundhara Grid Sub-station and Uttara Grid Sub-stations have been valued at estimated cost of Tk. 213.14 million and Tk. 659.43 million respectively, including cost of land.

**2.3**

Details shown in Annexur-I attached.

**3 CAPITAL WORK -IN- PROGRESS**

Sub-Station(Note-3.1)	547,120,298	13,351,909
Prepaid meter Project	35,635,000	31,325,000
11 kv Switching station	2,286,068	-
	<b>585,041,366</b>	<b>44,676,909</b>

**3.1**

Sub-station cost represent Cost of machinery and incidental charges imported for four Sub-stations at Gulshan-1, Gulshan-2, Baridhara and Nikunza which have not been completed during the year.

**4 STORES & SPARES**

Stores & Spares (Note-4.1)	1,341,049,821	895,574,998
Stores in Transit(Note-4.2)	50,995,774	162,336,022
	<b>1,392,045,595</b>	<b>1,057,911,020</b>

**4.1**

Stores & Spares have been valued at weighted average cost.

**4.2**

Stores-in-transit represents cost of materials and equipment against which Post Landing Inspection (PLI) are yet to be completed.

## 5 ACCOUNTS RECEIVABLE

Receivable from Consumers (Note 5.1)  
Less: Provision for doubtful debts

Accrued Interest on FDR  
Expenses recoverable from employees  
Others

### 5.1

Receivable from consumers are as follows;

Government  
Semi- Government/Autonomous  
Private

## 6 ADVANCES & DEPOSITS

### Advances to

BPDB against energy bill (Note 6.1)  
Employees against purchase & others  
Against goods and services (Note 6.2)  
Others

### Security Deposits

Telephone/ Mobile  
City Corporation (against road work)  
WASA  
Central Depository Bangladesh Ltd (CDBL)  
Others

### 6.1

As per advice of the Ministry, Tk 500 million was paid to Bangladesh Power Development Board (BPDB) as advance against energy bill, which is adjustable against monthly energy bill in 10 equal monthly installments. No interest has been charged on the advance.

### 6.2

Advance against goods & services includes Tk. 20,495,996 paid to BPDB against purchase of spun pre-stressed concrete (SPC) poles and Tk. 7,200,000 paid to GEMCO for purchase of transformers.

## 7 ADVANCE INCOME TAX

This is made-up as follows:

Balance at 1st July  
Deducted at source (on interest on FDR/STD)  
Deducted at source (on imported materials)  
Balance at 30th June

### Amounts in Taka

	2005-2006	2004-2005
	2,241,321,182	2,123,005,208
	(32,704,596)	(21,497,990)
	<b>2,208,616,586</b>	<b>2,101,507,218</b>
	9,106,750	43,771,887
	633,951	277,643
	736,925	56,652
	<b>2,219,094,213</b>	<b>2,145,613,400</b>

Government	359,511,467	359,751,364
Semi- Government/Autonomous	377,310,495	339,221,762
Private	1,504,499,220	1,424,032,082
	<b>2,241,321,182</b>	<b>2,123,005,208</b>

BPDB against energy bill (Note 6.1)	400,000,000	-
Employees against purchase & others	2,756,366	439,393
Against goods and services (Note 6.2)	35,965,810	25,242,048
Others	28,497	-
	<b>438,750,673</b>	<b>25,681,441</b>
Telephone/ Mobile	638,621	624,521
City Corporation (against road work)	31,322,245	16,209,798
WASA	10,411	10,411
Central Depository Bangladesh Ltd (CDBL)	500,000	-
Others	197,100	157,100
	<b>32,668,378</b>	<b>17,001,830</b>
	<b>471,419,050</b>	<b>42,683,271</b>

Balance at 1st July	47,745,807	43,069,676
Deducted at source (on interest on FDR/STD)	12,057,022	2,159,747
Deducted at source (on imported materials)	8,187,462	2,516,384
Balance at 30th June	<b>67,990,290</b>	<b>47,745,807</b>

Amounts in Taka

**8 CASH & BANK BALANCES**

	2005-2006	2004-2005
Cash in Hand	37,065	31,465
Imprest Cash	417,000	406,000
Cash at Banks (Note-8.1)	3,300,992,314	2,334,337,670
	<b>3,301,446,379</b>	<b>2,334,775,135</b>

**8.1 CASH AT BANKS**

Current Account (Revenue)	755,299,332	677,239,216
Current Account (VAT)	45,141,473	30,548,647
STD Accounts	947,348,614	636,170,875
Fixed Deposits	1,553,202,895	990,378,932
	<b>3,300,992,314</b>	<b>2,334,337,670</b>

**9 CREDITORS FOR GOODS**

Equipment & materials (Note-9.1)	141,334,777	19,176,049
Others	59,018,977	35,711,298
	<b>200,353,754</b>	<b>54,887,347</b>

**9.1**

Creditor for equipment & materials include Tk.132.18 million payable to Techno Ltd. for supply of 11kv cables.

**10 CREDITORS FOR EXPENSES**

Audit Fees	156,925	70,000
Contribution to Provident Fund	748,539	399,134
Contribution to Gratuity Fund	-	15,546,300
Line maintenance & commercial services	30,980,689	7,252,449
Current tax (Note-10.1)	110,749,184	10,749,184
	<b>142,635,337</b>	<b>34,017,067</b>

**10.1 CURRENT TAX**

Balance at 1st July	10,749,184	-
Provided during the year (Note-32.1)	100,000,000	10,749,184
	110,749,184	10,749,184
Adjusted during the year	-	-
Balance at 30th June	<b>110,749,184</b>	<b>10,749,184</b>

**11 CREDITORS FOR OTHER FINANCE**

Vat collected against electricity bills	45,753,189	31,103,808
Tax/Vat deducted from contractors, suppliers & others	147,635	14,368
Retention money (contractors & suppliers)	18,356,023	28,793,811
Others	166,304,066	148,684,946
	<b>230,560,914</b>	<b>208,596,933</b>

**12 ACCOUNTS PAYABLE**

Dhaka Electric Supply Authority (DESA) - Note 12.1	459,089,124	529,877,857
Bangladesh Power Development Board (BPDB)- Note 12.2	765,155,484	714,161,906
Power Grid Company of Bangladesh (PGCB)- Note 12.3	90,322,906	83,745,585
	<b>1,314,567,514</b>	<b>1,327,785,348</b>



*Amounts in Taka*

**12.1 ACCOUNTS PAYABLE - DESA**

This is arrived at as following

	2005-2006	2004-2005
Balance at 1st July	529,877,857	726,461,502
Materials borrowed	(16,551,884)	(51,225,400)
Expense for registration & shares off-loading	(17,659,615)	-
Paid/ adjustment (energy bill)	(36,577,234)	(145,358,245)
<b>Balance at 30th June</b>	<b>459,089,124</b>	<b>529,877,857</b>

The amount payable has not been confirmed by DESA.

**12.2 ACCOUNTS PAYABLE - BPDB**

Balance at 1st July	714,161,906	323,370,504
Energy purchased during the year	3,926,872,833	3,577,337,201
	4,641,034,739	3,900,707,705
Payment made during the year	(3,875,879,255)	(3,186,545,799)
<b>Balance at 30th June</b>	<b>765,155,484</b>	<b>714,161,906</b>

The amount payable has not been confirmed by BPDB.

**12.3 ACCOUNTS PAYABLE - PGCB**

Balance at 1st July	83,745,585	112,814,064
Wheeling charge during the year	463,520,309	421,709,141
	547,265,894	534,523,205
Payment made during the year	(456,942,988)	(450,777,620)
<b>Balance at 30th June</b>	<b>90,322,906</b>	<b>83,745,585</b>

As per balance confirmation letter received from PGCB, amount payable to them was Taka 93,142,183. The difference has been subsequently reconciled.

**13 CURRENT PORTION OF LONG TERM LOANS**

ADB Loan No-1505 (Note-13.1)	34,789,200	21,162,930
ADB Loan No-1731 (Note-13.2)	59,420,648	-
GOB Loan (Note-13.3)	10,410,000	6,410,000
	<b>104,619,848</b>	<b>27,572,930</b>

**13.1 ADB (LOAN NO 1505)**

	2005-2006		2004-2005	
	\$	Taka	\$	Taka
Balance at 1st July	329,128	21,162,930	86,595	5,096,119
Transfer from long term loan	493,487	34,409,436	323,681	20,812,700
	822,615	55,572,366	410,276	25,908,819
Paid during the Year	(323,681)	(20,812,700)	(81,148)	(5,096,119)
	498,934	34,759,666	329,128	20,812,700
Add Exchange loss	-	29,534	-	350,230
<b>Balance at 30th June</b>	<b>498,934</b>	<b>34,789,200</b>	<b>329,128</b>	<b>21,162,930</b>

**13.2 ADB (LOAN NO 1731)**

	\$	Taka	\$	Taka
Transfer from long term loan	852,188	59,420,648	-	-
<b>Balance at 30th June</b>	<b>852,188</b>	<b>59,420,648</b>	-	-

### 13.3 GOB LOAN

Balance at 1st July  
Transfer from long term loan  
  
Paid during the Year  
Balance at 30th June

#### Amounts in Taka

2005-2006	2004-2005
6,410,000	1,810,000
10,410,000	6,410,000
16,820,000	8,220,000
(6,410,000)	(1,810,000)
<b>10,410,000</b>	<b>6,410,000</b>

### 14 ACCRUED INTEREST ON LOANS

8% Interest payable on ADB Loan  
7% Interest payable on 40% (Debt Portion) of GOB Loan

697,923,539	533,797,279
129,954,966	106,258,030
<b>827,878,505</b>	<b>640,055,309</b>

### 15 SHARE CAPITAL

#### Authorized

50000000 ordinary shares @ Tk. 100 each

<b>5,000,000,000</b>	<b>5,000,000,000</b>
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#### Issued & subscribed

750000 ordinary shares @ Tk. 100 each, fully paid up in cash

75,000,000	75,000,000
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11961940 ordinary shares @ Tk. 100 each, for consideration against Mirpur assets taken over from DESA

1,196,194,000	1,196,194,000
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**Total 12,711,940 Shares**

<b>1,271,194,000</b>	<b>1,271,194,000</b>
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#### 15.1 COMPOSITION OF SHAREHOLDING

The shares of the company were fully owned by DESA. However pursuant to Govt. decision to off load 25% of the company's paid up shares, DESA has off-loaded 22.5%(2860187 no of shares) to the public for trade with effect from 18 June, 2006, with ICB Capital Management Ltd (a subsidiary of ICB) as Manager to the Issue, while retaining 2.5% (317,798 no of share) for DESCO employees as approved by the Ministry.

Up to 30th June, 2006, only 4.90% of the shares were sold to the public and the composition of share holding as of that date is as under:

	No. of shares	%
Sponsors (DESA)	12,089,340	95.10%
General Public and Institutions	622,600	4.90%
	<b>12,711,940</b>	<b>100%</b>

However, the rest of the shares were sold to the public by 17th July,2006, after which the composition stood as follows:

	No. of shares	%
Sponsors (DESA)	9,533,955	75.00%
Retained for Desco Employees	317,798	2.50%
General Public and Institutions	2,860,187	22.50%
	<b>12,711,940</b>	<b>100%</b>

#### 15.2 DISTRIBUTION SCHEDULE

The distribution Schedule as of 30th June, 2006 showing the number of shareholders and their shareholding in percentages is disclosed below as a requirement of the "Listing Regulation" of Dhaka stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

Range of Holding in number of Shares	No of share holders	% of shareholders	Number of share	% of share capital
1 to 499	553	87.09%	86,700	0.68%
500 to 5000	72	11.34%	117,150	0.92%
5001 to 10000	5	0.79%	33,400	0.26%
1001 to 20000	1	0.16%	16,800	0.13%
20001 to 30000	1	0.16%	24,650	0.19%
30001 to 40000	0	0.00%	-	0.00%
40001 to 50000	1	0.16%	49,500	0.39%
50000 to above	2	0.31%	12,383,740	97.42%
	<b>635</b>	<b>100%</b>	<b>12,711,940</b>	<b>100%</b>

## 16 SHARE MONEY DEPOSIT

Amounts in Taka	
2005-2006	2004-2005
<b>75,000,000</b>	<b>75,000,000</b>

The amount was received from Dhaka Electric Supply Authority (DESA) against shares of the company which have not yet been issued.

## 17 GOB EQUITY

<b>1,235,940,000</b>	<b>900,840,000</b>
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This represents 60% of loan received from the Government as Equity under Annual Development Program (ADP), the balance 40% being shown as loan.

## 18 UN-APPROPRIATED PROFIT

Balance at 1st July	552,139,650	7,028,622
Prior year's adjustment	(463,008,156)	4,720,868
Net Profit for the year	578,707,600	540,390,160
Balance at 30th June	667,839,094	552,139,650
Proposed Dividend	(254,238,800)	-
	<b>413,600,294</b>	<b>552,139,650</b>

## 19 LONG TERM LOANS

Loan from Asian Development Bank (ADB)		
Loan No 1505 - Note 19.1	1,190,127,797	1,129,225,619
Loan No 1731 - Note 19.2	1,817,150,119	1,097,054,228
	<b>3,007,277,915</b>	<b>2,226,279,847</b>
Loan from Government of Bangladesh (GOB)-Note 19.3	529,253,369	553,282,439
	<b>3,536,531,284</b>	<b>2,779,562,286</b>

### 19.1 LOAN FROM ADB (NO - 1505, 9TH POWER PROJECT)

This has been arrived at as under

	2005-2006		2004-2005	
	\$	Taka	\$	Taka
Balance at 1st July	17,561,830	1,129,225,619	17,885,078	1,052,536,807
Add Drawn	-	-	433	25,680
	17,561,830	1,129,225,619	17,885,511	1,052,562,487
Transfer to Current Liability	(493,487)	(34,409,436)	(323,681)	(20,812,700)
	17,068,343	1,094,816,183	17,561,830	1,031,749,787
Add Exchange loss	-	95,311,614	-	97,475,832
Balance at 30th June	<b>17,068,343</b>	<b>1,190,127,797</b>	<b>17,561,830</b>	<b>1,129,225,619</b>

- (i) This represents dollars amount drawn to date translated at exchange rate prevailing at balance sheet date for import of materials/ equipment for 9th Power Project under the Subsidiary Loan Agreement (SLA) entered into between the company and the Govt. of Bangladesh (GOB). The primary loan agreement is between the ADB and the GOB.
- (ii) According to the terms of the agreement the Principal amount of the subsidiary loan repayable by DESCO and the Government under this agreement shall be in local currency equivalent, determined at official rate of exchange prevailing on the date of repayments. The principal amount of the subsidiary loan is repayable in 25 years including a grace period of 5 (five) years in 40( forty) consecutive semi- annual installments as per Amortization Schedule. The installment is payable on a semi-annual basis (i.e. June 15 and December 15 in each year). The foreign exchange risk on the outstanding amount of loan shall be borne by DESCO.
- (iii) The company shall pay to the Government in local currency interest at the rate of 8% per annum on the local currency equivalent, determined at the official rate of exchange prevailing on the date of each interest payment of the principal amount of the Loan relented to DESCO disbursed and outstanding from time to time. The interest is payable in semi- annual basis instalments(i.e. June 15 and December 15 in each year).
- (iv) The term of the project under which the loan was sanctioned expired on 30th June, 2004.

## 19.2 LOAN FROM ADB (NO - 1731, 10TH POWER PROJECT)

This has been arrived at as under

	2005-2006		2004-2005	
	\$	Taka	\$	Taka
Balance at 1st July	17,061,497	1,097,054,228	13,426,785	790,166,327
Add Drawn	9,851,541	666,567,882	3,634,712	221,300,478
	26,913,038	1,763,622,110	17,061,497	1,011,466,805
Transfer to Current Liability	(852,188)	(59,420,648)	-	-
	26,060,851	1,704,201,462	17,061,497	1,011,466,805
Add Exchange loss	-	112,948,657	-	85,587,423
Balance at 30th June	<b>26,060,851</b>	<b>1,817,150,119</b>	<b>17,061,497</b>	<b>1,097,054,228</b>

- (i) This represents dollars amount drawn to date translated at exchange rate prevailing at balance sheet date for import of materials/ equipment for 10th Power Project under the Subsidiary Loan Agreement (SLA) entered into between the Company and the Govt. of Bangladesh (GOB), the primary Loan agreement being between the ADB and the GOB.
- (ii) As per the terms of the Agreement the principal amount of the subsidiary Loan repayable by DESCO to the Government shall be in local currency equivalent, determined at official rate of exchange prevailing on the date of repayment. The principal amount of the subsidiary loan is repayable in 20 years including a grace period of 4 years in 32 consecutive semi- annual installments on a semi-annual basis (i.e. January 15 and July 15 in each year). The foreign exchange and interest rate risks are to be borne by DESCO during the repayment period of 20 years.
- (iii) DESCO shall pay interest to the Government in local currency at the (i) Bank's pool - based variable lending rate for such loan plus a fee of 1% per annum (7.53% calculated on the basis of Bank's current lending rate. (ii) On the local currency equivalent, determined at the official rate of exchange prevailing on the date of each interest payment of the principal amount of the loan relented to DESCO disbursed and outstanding from time to time. The interest is payable in the semi-annual basis installments (i.e. January 15 and July 15, in each year).
- (iv) The term of the project under which the loan was sanctioned expires on 30th June, 2006.

### 19.3 LOAN FROM GOB

This has been arrived at as under

	Amounts in Taka	
	2005-2006	2004-2005
Balance at 1st July	553,282,439	507,645,000
Received during the year	223,400,000	91,000,000
	<b>776,682,439</b>	<b>598,645,000</b>
Refund during the year	(237,019,070)	(38,952,561)
	539,663,369	559,692,439
Transfer to Current Liability	(10,410,000)	(6,410,000)
Balance at 30th June	<b>529,253,369</b>	<b>553,282,439</b>

- (i) This represents 40% of the amount released to the Company by the Government under Annual Development Program (ADP) to enable the Company to pay the customs duty & Vat on material/ equipment imported by the company under the ADB Loan, as well as to meet other capital and revenue expenses of the company. The balance 60% is accounted for under "GOB Equity".
- (ii) The loan carries interest at 7% p.a, and is repayable by the Company as per Debt Service Liability (DSL) schedule provided by the Government.

### 20 LOAN FROM DESA (AGAINST ASSETS)

Balance at 1st July (Note-20.1)	1,998,920,000	1,998,920,000
Addition during the year for assets (Note-20.2)	872,574,532	-
Balance at 30th June	<b>2,871,494,532</b>	<b>1,998,920,000</b>

#### 20.1

This represents the provisionally estimated value of assets of greater Gulshan area which have been taken over from DESA on 09 April 2003.

#### 20.2

This represents estimated value of two Grid Sub-stations (Uttara & Bashundhara) taken over during the year.  
[Please refer to note 1.04 (ii)]

### 21 CONSUMER SECURITY DEPOSITS

Balance at 1st July	256,528,919	193,754,431
Received during the year	75,343,912	63,380,089
	331,872,831	257,134,520
Refunded during the year	(876,585)	(605,601)
Balance at 30th June	<b>330,996,246</b>	<b>256,528,919</b>

This represents security deposit received from consumers against connections given by the company. Such deposits from consumers taken over from DESA have been retained by DESA.

### 22 ENERGY SALES

	Tariff	%		
Domestic	A	47.30	2,970,472,288	2,309,141,214
Agricultural Pumping	B	0.01	628,007	80,920
Small Industries	C	6.49	407,576,430	403,185,966
Non-Residential	D	1.86	116,809,270	89,013,849
Commercial & Office	E	8.52	535,061,816	622,350,766
Medium Voltage	F	34.59	2,172,275,612	1,868,753,489
Street Light, Pump	J	0.43	27,004,294	20,503,482
High Voltage	H	0.02	1,256,014	-
Construction & others	2E	0.78	48,984,532	115,057,946
		<b>100</b>	<b>6,280,068,262</b>	<b>5,428,087,632</b>

## 23 OTHER OPERATING REVENUE

Amounts in Taka	
2005-2006	2004-2005
44,910,911	47,807,521

This represents disconnection / reconnection fees, bills of materials, meter testing fees, etc.

## 24 ENERGY PURCHASE

2005-2006		2004-2005	
Unit (kwh)	Taka	Unit (kwh)	Taka
2,023,222,646	4,390,393,141	1,842,878,499	3,999,046,342

### 24.1

The whole of the energy is purchased from Bangladesh Power Development Board (BPDB) at the rate of Tk. 1.9409 per kwh. The company also pays wheeling charge to Power Grid Co. Ltd (PGCB) at Tk 0.2291 per kwh.

## 25 OPERATING EXPENSES

Commercial Support Services  
Schedule & Preventive Maintenance  
Special Action Team & Collection Drive  
Consultancy Fees for Distribution network  
Monitoring Cell expenses  
System maintenance & Rehabilitation

Less: Received against Depository Works

Amounts in Taka	
2005-2006	2004-2005
43,120,660	38,086,940
47,901,748	53,526,659
403,791	1,579,575
482,500	1,884,437
1,776,991	893,878
11,939,994	6,907,125
<b>105,625,684</b>	<b>102,878,614</b>
(26,224,897)	(20,441,292)
<b>79,400,787</b>	<b>82,437,322</b>

## 26 ADMINISTRATION EXPENSES

Audit Fees  
Bank charges  
Conveyance  
Directors' Fees  
Electricity, gas & water  
Entertainment  
Fuel for Vehicles  
Honorarium  
Insurance of vehicles  
Legal Fees  
Notice & Advertisement  
Newspaper & Periodicals  
Office maintenance  
Office Rent  
office Security  
Postage, telephone & internet  
Printing & Stationery  
Rates & Taxes  
Repair & Maintenance  
Survey & Consultancy fees  
Staff Training  
Share offloading Expense  
Software development  
Miscellaneous

151,125	70,000
1,091,663	801,005
1,018,109	1,506,518
242,000	178,125
11,324,368	9,327,413
2,497,305	3,289,214
6,920,615	8,161,433
993,024	791,400
982,124	1,131,235
688,598	190,515
2,504,827	2,885,561
253,205	158,862
1,376,899	1,231,208
3,749,600	3,359,300
2,847,411	3,007,563
2,833,442	4,139,670
7,943,454	7,294,553
245,712	245,339
4,868,023	7,707,763
138,367	54,750
795,145	713,803
4,319,507	-
-	45,000
622,037	1,819,468
<b>58,406,560</b>	<b>58,109,698</b>

*Amounts in Taka*

**27 EMPLOYEES EXPENSES**

	2005-2006	2004-2005
Salary & allowances	122,278,400	84,319,470
Employees welfare & recreation	1,040,897	222,697
Festival Bonus	11,134,700	12,310,736
Company's Contribution to provident fund	4,061,008	3,239,030
Company's Contribution to gratuity fund	7,051,850	8,224,480
Group Insurance premium	3,128,244	3,080,254
Electricity Expense reimbursed (Note-27.2)	1,760,005	253,605
Medical	1,864,388	2,312,672
Uniform & Liveries	26,742	159,960
	<b>152,346,234</b>	<b>114,122,904</b>

**27.1**

Employee expenses includes Tk. 7,376,026 as remuneration to the Management, comprising the Managing Director, Director (Technical) and Director (Finance).

**27.2**

Electricity bills are reimbursed to employees against domestic consumption to the extent of 175 kwh per month with effect from 1st January 2005.

**28 INTEREST EXPENSE (NET)**

Interest earned on STD/FDR	69,165,127	42,972,561
Interest Expense against ADB/GOB	(238,044,737)	(192,268,500)
	<b>(168,879,609)</b>	<b>(149,295,939)</b>

**29 EXCHANGE LOSS**

<b>208,289,805</b>	<b>183,413,485</b>
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This represents loss arising from conversion of foreign currency loan into taka at balance sheet date at Tk. 69.72/\$1. (2004-2005: Tk 64.3/\$1)

**30 MISCELLANEOUS INCOME**

Sale of Tender Documents	465,200	557,100
Sale of Obsolete Store Materials	3,662,868	4,120
	<b>4,128,068</b>	<b>561,220</b>

**31 DEPRECIATION**

Depreciation (Operating)	366,976,252	314,375,381
Depreciation (Non operating)	18,966,036	13,955,620
	<b>385,942,288</b>	<b>328,331,001</b>

**32 INCOME TAX EXPENSE**

**32.1 CURRENT TAX**

The company has an assessed "tax loss" of Tk. 841.98 million up to the assessment year 2004-2005, while assessment proceeding for AY 2005-2006 is at the hearing stage. The provision of Tk. 100 million this year has been made on lump-sum basis considering tax on interest on fixed deposits and probable 'add-backs' by the DCT.

### **32.2 DEFERRED TAX**

The company has for the first time recognized deferred tax liability arising out of temporary difference related to depreciation charged in the accounts and that allowed for tax purpose. As of 30th June 2006, deferred tax liability works out to Tk. 658,542,768, of which Tk. 463,008,156 relates to prior year's and has been booked to "Adjustment related to previous Year". The balance of Tk. 195,534,612, relating to current year, has been charged against current year's profit.

### **33 SUBSEQUENT EVENTS-DISCLOSURES UNDER IAS 10 "EVENTS AFTER THE BALANCE SHEET DATE".**

#### **Proposed Dividend**

Subsequent to the balance sheet date, the Board of Directors in their meeting held on 22 October 2006 recommended cash dividend of 20% (amount to Tk. 254,238,800) on the paid up capital. The dividend proposal is subject to shareholders' approval at the forthcoming 10th AGM. This is shown under "Shareholders Equity" as per BAS-10.

Except the fact stated above, no circumstances have arisen since the Balance Sheet date which would require adjustment to, or disclosure in, the financial statements or notes thereto.

### **34 CONTINGENT LIABILITY**

As the value of assets taken over from DESA has been estimated, the Company may have to incur an additional cost after finalization of the value of the assets.

### **35 CLAIM NOT ACKNOWLEDGED AS DEBT**

There was no claim against the company not acknowledged as debt as on 30 June 2006.

### **36 CREDIT FACILITY AVAILED**

There was no credit facility availed to the company under any contract as on June 30, 2005 other than trade credit available in the ordinary course of business.

### **37 CAPITAL COMMITMENT**

During the next financial year the company has a capital commitment of Tk. 56.44 million against Prepaid Meter Project and E-Governance under contractual obligation with BRTC, BUET.

### **38 NUMBER OF EMPLOYEES**

The company paid an aggregate amount of Tk. 36000 or more to 782 employees (2004-05:749 employees) who were in employment for full year. There were no employees less than Tk. 36000 per year.



# SCHEDULE OF PROPERTY, PLANT & EQUIPMENT as at 30 June 2006

Annexure-I

Sl No.	Category of Assets	Cost				Depreciation						
		Balance as on 01-07-05	Addition during the year	Adjustment 30-6-2006	Total as on 30-6-2006	Rate	Balance as on 01-07-05	Charged during the year	Adjustment 30-6-06	Total as on 30-6-06	Written down value as on 30-6-05	Written down value as on 30-6-06
1	Land	405,776,740	114,987,143	-	520,763,883	-	-	-	-	-	520,763,883	405,776,740
2	Building*	101,666,278	33,057,478	-	134,723,756	2.50%	11,919,378	3,882,311	-	15,801,689	118,922,067	89,695,838
3	Motor Vehicles	48,886,485	-	-	48,886,485	20%	19,839,682	9,777,297	-	29,616,979	19,269,506	29,046,803
4	Furniture & Fixture	11,644,745	1,742,834	-	13,387,579	10%	2,593,152	1,214,530	-	3,807,682	9,579,897	9,051,593
5	Office Equipment**	33,587,116	20,916,195	-	54,503,311	15%	12,712,416	7,497,431	-	20,209,847	34,293,464	22,783,511
6	Distribution Equipment	657,966,400	670,404,909	-	1,328,371,309	2%-10%	162,446,824	74,336,909	-	236,783,733	1,091,587,576	1,857,667,821
7	Cables	4,123,892,183	522,256,383	-	4,646,148,566	2%-10%	720,214,245	289,233,809	-	1,009,448,054	3,636,700,512	2,039,671,941
	<b>Total</b>	<b>5,383,419,946</b>	<b>1,363,364,942</b>	<b>-</b>	<b>6,746,784,888</b>		<b>929,725,699</b>	<b>385,942,287</b>	<b>-</b>	<b>1,315,667,986</b>	<b>5,431,116,902</b>	<b>4,453,694,247</b>

\*Building includes Store Godown Sheds.

\*\* Office Equipment comprise Communication Equipment, Computer & Peripherals, Electric Equipment, Office Equipment and Store Equipment.

# TARIFF

SI No.	Tariff Category	Consumption Slab	Unit	Present Tariff (from Sep 1,2003) Taka
1.	Domestic - A	1st	000 to 100	2.50
		2nd	101 to 400	3.00
		3rd	above 400	5.00
2.	Small Industries - C	Flat Rate	-	3.83
		Off-Peak hour	-	3.05
		Peak hour	-	5.36
3.	Non-Residential - D		-	3.20
4.	Commercial & Office - E	Flat Rate	-	5.04
		Off-Peak hour	-	3.62
		Peak hour	-	7.82
5.	Medium Voltage - F	Flat Rate	-	3.62
		Off-Peak hour	-	2.99
		Peak hour	-	6.41
6.	Street Light & Pump - J		-	3.68
7.	BPDB to DESCO			1.9409
8.	PGCB to DESCO			0.2291

# PROXY FORM

I/We ..... of  
..... being  
a member of **Dhaka Electric Supply Company Ltd. (DESCO)** do hereby appoint Mr./Mrs./Miss. ....  
..... of .....  
as my/our proxy to attend and vote for me/us on my/our behalf at the 10th Annual General Meeting of the Company to be held on Monday, the 12th February, 2007 at 11.00 am. at Bashundhara Convention Center, Bashundhara Residential Area, Baridhara, Dhaka and at any adjournment thereof.

As witness my hand this day of ..... February, 2007.



(Signature of the proxy)

BO ID No. : .....

Date: .....

(Signature of the Shareholder)

BO ID No. : .....

Date: .....

**Note:** The proxy form should reach the Corporate office of the Company not less than 48 hours before the time fixed for the meeting i.e. not later than 08, February, 2007.

Signature Verified.

Authorized Signatory

Dhaka Electric Supply Company Ltd. (DESCO)

## ATTENDANCE SLIP

I hereby record my attendance at the 10th Annual General Meeting being held on Monday, the 12th February, 2007 at 11.00 am. at Bashundhara Convention Center, Bashundhara Residential Area, Baridhara, Dhaka

BO ID No. : .....

Name of the Member/proxy .....

Signature .....

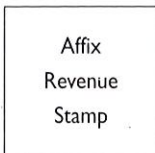
Date: .....

**Note:** Please present this slip at the Reception Desk.

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(Signature of the proxy)

BO ID No. : .....

Date: .....

(Signature of the Shareholder)

BO ID No. : .....

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**DHAKA ELECTRIC SUPPLY COMPANY LIMITED**

House # 3, Road # 24, Block-K  
Banani Model Town, Dhaka 1213

Telephone: 8859642, 8860341  
Fax: 8854648

E-mail: [mddesco@bdcom.com](mailto:mddesco@bdcom.com)  
Web: [www.desco.org.bd](http://www.desco.org.bd)