DHAKA ELECTRIC SUPPLY COMPANY LIMITED (DESCO)

For the year ended June 30, 2019

Independent Auditor's Report

To the Shareholders of

Dhaka Electric Supply Company Limited (DESCO)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Dhaka Electric Supply Company Limited (DESCO) (the Company), which comprise the Statement of Financial Position as at June 30, 2019, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information disclosed in notes 1 to 49 & Annexure-A to B.

In our opinion, except for the effect of the matter described in the basis for Qualified opinion section of our report the accompanying financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Basis for Qualified Opinion

1. In the year 2013 an amendment has been made in section-232 of Labor Law-2006. Due to the amendment DESCO requires to maintain Workers Profit Participation Fund (WPPF). The company approves the requirement in this year and makes provision for 2017-18 and 2018-19. But the company didn't make provision for the years 2013-14 to 2016-17 which we have calculated amounting Tk. 201,366,278. As a result the company understates its liability by the same amount.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Our key audit matters

Risk	Our response to the risk
Capital Work-in- Progress (CWIP)	
Refer note no. 3 to the Statement of Financial Position	
Capital work in progress pre stage of capitalization of Property, plant and equipments (PPE).	Our procedure includes: **Control test:** Testing the effectiveness of the entity's control around the recording and re-

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Capitalization of expenses and cost of goods are in some extend judgmental in nature. Moreover, transfer of capital work in progress to PPE is also judgmental requires estimation.	assessment of the amount of capitalization and transferred to PPE. **Test of details:** Obtaining supporting documents of capitalization transaction recorded either side of the year and debit notes issued after the year end to determine whether the amount recorded in correct period. Test the advance adjustments and notes of transfer from CWIP to PPE and costing, date etc. thereof. Critically analyze journal entries posted during the year to identify unusual items. **Assessing disclosure:** Considering the adequacy of the entity's disclosure regarding CWIP. **Our result:** The result of our testing is satisfactory and we considered the capitalization cost, expenses and the amount transferred to PPE recognized to be acceptable and recorded in correctly.
Income tax	
Refer note no. 36.01 and 36.02 to the Statement of Financial Position	
The company has different items of income, assets, provisions which requires significant judgment for both in current tax and deferred tax calculation.	Our procedure includes: **Control test:** Testing the effectiveness of the entity's control around the recording and re-assessment of the amount of tax expenses and related assets and liabilities. **Test of details:** Obtaining supporting documents, checked calculation and challenged the amount as per our knowledge of corporate taxation both for current and deferred portion. **Assessing disclosure:** Considering the adequacy of the entity's disclosure regarding tax. **Our result:** The results of our testing were satisfactory and we found the level of tax provisioning is acceptable.

Long term Loan (ADB, GOB, AIIB)	
Refer note no. 13 and 20 to the Statement of Financial Position	
Long term loans taken from international financial institution and from the government under various terms and conditions. Foreign currency loan requires calculation considering the exchange rate, applicable interest rate, repayment time and fund utilization makes it complex audit issue.	Our procedure includes: **Control test:** Testing the effectiveness of the entity's control around the recording of loan, interest and repayments. **Test of details:** Obtaining supporting documents of loan taken, utilization of loan, bank statements and transaction recorded either side of the year and credit notes issued after the year end to determine whether the amount recorded in correct period. Test the exchange rate applied for recording loans and repayments. Test interest rates application, calculation and repayments for carrying amount and current and non-current distinguish. Critically analyze journal entries posted during the year to identify unusual items. **Assessing disclosure:** Considering the adequacy of the entity's disclosure regarding Loan. **Our result:** The result of our testing is satisfactory and we considered the carrying amount of loan recognized to be acceptable and recorded in correctly.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, the Securities and Exchange Rules 1987 and relevant notifications issues by Bangladesh Securities and Exchange Commission, 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 purpose of our audit and made due verification thereof;

b) In our opinion, proper books of accounts, records and other statutory books as required by law have been kept by the Company so far as it appeared from our examinations of those books;

c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows of the Company together with the annexed notes dealt with by the report are in agreement with the books of account and returns; and

d) The expenditure was incurred for the purpose of the Company's business.

Dated: Dhaka
October 17, 2019

Rahman Mostafa Alam & Co.
Chartered Accountants

DHAKA ELECTRIC SUPPLY COMPANY LIMITED (DESCO)

Statement of Financial Position

As at June 30, 2019

Particulars	Notes	Amount in Taka	
		June 30, 2019	June 30, 2018 Restated
Assets			
Non Current Assets		**37,745,718,856**	**27,843,146,159**
Property, Plant & Equipment	2.00	20,914,530,962	19,775,155,972
Intangible Assets	2.01	110,549,698	39,517,521
Capital Work in Progress	3.00	16,720,638,196	8,028,472,666
Current Assets		**27,762,104,057**	**27,196,370,316**
Stores and Spares	4.00	3,696,619,139	5,602,088,284
Accounts Receivable	5.00	4,813,884,123	4,610,450,232
Advances & Security Deposits	6.00	976,694,576	1,029,516,137
Advance Income Tax	7.00	1,101,771,061	1,054,262,030
Investment in FDR	8.00	12,162,653,691	10,487,986,775
Cash and Cash Equivalents	8.01	5,010,481,467	4,412,066,858
Total Assets		**65,507,822,913**	**55,039,516,475**
Shareholder's equity and liabilities			
Capital & Reserves		**18,405,950,755**	**15,948,111,088**
Share Capital	9.00	3,975,698,040	3,975,698,040
GOB Equity	10.00	5,694,120,000	3,940,140,000
Retained Earnings	11.00	8,736,132,715	8,032,273,048
Long Term Liabilities		**32,590,595,448**	**26,133,393,237**
Share Money Deposit	12.00	-	37,500,000
Long Term Loans (ADB ,GOB ,AIIB)	13.00	22,889,851,264	16,655,264,850
Deferred Tax Liability	36.02	2,908,891,997	2,657,295,469
Due to DESA / DPDC (for assets taken over)	14.00	3,840,410,313	4,039,671,539
Consumer Security Deposits	15.00	2,951,441,875	2,743,661,381
Current Liabilities		**14,511,276,710**	**12,958,012,147**
Accounts Payable	16.00	7,301,972,681	6,390,446,757
Creditors for Goods/Works	17.00	216,192,188	346,044,700
Creditors for Other Finance	18.00	3,569,760,494	3,204,628,314
Creditors for Expenses	19.00	510,600,061	267,161,910
Current Maturity of Long Term Loans	20.00	644,052,512	753,579,374
Accrued Interest on Loans	21.00	2,631,571,786	2,090,871,046
Workers Profit Perticipation fund (WPPF)	22.00	99,493,608	32,314,432
Provision for Income Tax	23.00	(462,366,620)	(127,034,386)
Total Equity & Liabilities		**65,507,822,913**	**55,039,516,475**
Net Assets Value Per share (NAV)	45.00	**46.30**	**40.11**

The annexed notes from 1 to 49 and Annexure-A and B form an integral part of these financial statements.

Company Secretary | Executive Director (F&A) | Director | Managing Director | Chairman

Signed in terms of our separate report of even date.

Dated: Dhaka
October 17, 2019

Rahman Mostafa Alam & Co.
Chartered Accountants

DHAKA ELECTRIC SUPPLY COMPANY LIMITED (DESCO)

Statement of Profit or Loss and Other Comprehensive Income

For the year ended June 30, 2019

Particulars	Note	Amount in Taka	
		July 01, 2018 to June 30, 2019	July 01, 2017 to June 30, 2018 Restated
Operating Revenue		**40,753,368,436**	**37,152,218,930**
Energy Sales (Net of VAT)	24.00	39,860,854,298	36,376,400,487
Other Operating Revenue	25.00	892,514,138	775,818,443
Less: Cost of Energy Sales		**37,096,426,039**	**33,947,316,668**
Energy Purchase (including wheeling charge)	26.00	35,560,777,495	32,782,250,962
Operating Expenses	27.00	298,504,417	296,759,454
Depreciation (Operating)	34.00	1,237,144,127	868,306,252
Gross Profit		**3,656,942,397**	**3,204,902,263**
Less: Cost & Expenditure		**2,269,456,861**	**2,201,947,384**
Administrative Expenses	28.00	357,831,098	352,115,936
Employee Expenses	29.00	1,841,091,383	1,784,903,194
Bad Debts Expenses	5.20	(506,583)	(161,641)
Depreciation (Non Operating)	34.00	71,040,963	65,089,895
Operating Profit/Loss		**1,387,485,536**	**1,002,954,879**
Add: Non Operating Income/(Expense)		**23,277,160**	**(324,351,809)**
Interest Income	30.00	905,476,852	709,239,069
Interest Expenses	31.00	(760,681,694)	(582,252,443)
Exchange Fluctuation Gain/ (Loss)	32.00	(159,553,472)	(495,464,021)
Miscellaneous Income	33.00	38,035,474	44,125,586
Net Profit Before contribution to WPPF		**1,410,762,696**	**678,603,070**
Less: Contribution to WPPF	35.00	67,179,176	32,314,432
Net Profit Before Tax		**1,343,583,520**	**646,288,638**
Income Tax		**(240,963,912)**	**(174,395,160)**
Current Tax Provision	36.01	(89,526,464)	290,977,281
Deferred Tax Provision	36.02	(251,596,527)	(465,372,441)
Prior year Tax	38.01	100,159,079	-
Net Profit After Tax		**1,102,619,608**	**471,893,478**
Basic Earnings per Share	37.00	**2.77**	**1.19**

The annexed notes from 1 to 49 and Annexure-A and B form an integral part of these financial statements.

Company Secretary	Executive Director (F&A)	Director	Managing Director	Chairman

Signed in terms of our separate report of even date.

Dated: Dhaka
October 17, 2019

Rahman Mostafa Alam & Co.
Chartered Accountants

Rahman Mostafa Alam & Co. ★ Dhaka

DHAKA ELECTRIC SUPPLY COMPANY LIMITED (DESCO)

Statement of Changes in Equity

For the year ended June 30, 2019

Particulars	Share Capital	GOB Equity	Retained Earnings	Total
Balance as on July 01, 2018	**3,975,698,040**	**3,940,140,000**	**8,032,273,048**	**15,948,111,088**
Gob Equity added during the year	-	1,753,980,000	-	1,753,980,000
Net profit for the year	-	-	1,102,619,608	1,102,619,608
Priors year's adjustment	-	-	(1,190,137)	(1,190,137)
Cash Dividend	-	-	(397,569,804)	(397,569,804)
Balance as on June 30, 2019	**3,975,698,040**	**5,694,120,000**	**8,736,132,715**	**18,405,950,755**

Particulars	Share Capital	GOB Equity	Retained Earnings	Total
Balance as on July 01, 2017	**3,975,698,040**	**3,100,140,000**	**7,945,740,249**	**15,021,578,293**
Prior year adjustment for deferred tax	-	-	25,832,765	25,832,765
Restated Balance as on July 01, 2017	**3,975,698,040**	**3,100,140,000**	**7,971,573,014**	**15,047,411,057**
Gob Equity added during the year	-	840,000,000	-	840,000,000
Net profit for the year	-	-	471,893,478	471,893,478
Priors year's adjustment	-	-	(13,623,630)	(13,623,630)
Cash Dividend paid	-	-	(397,569,804)	(397,569,804)
Balance as on June 30, 2018	**3,975,698,040**	**3,940,140,000**	**8,032,273,048**	**15,948,111,088**

The annexed notes from 1 to 49 and Annexure-A and B form an integral part of these financial statements.

Company Secretary | Executive Director (F&A) | Director | Managing Director | Chairman

DHAKA ELECTRIC SUPPLY COMPANY LIMITED (DESCO)

Statement of Cash Flows

For the year ended June 30, 2019

Particulars		Amount in Taka	
		June 30, 2019	June 30, 2018 Restated
A. Cash Flows from Operating Activities:			
Received from Energy Sales		39,582,577,975	36,204,106,515
Collection of Govt. Duty, VAT & Tax		2,468,354,979	2,262,860,226
Received from Other Operating & Non Operating Activities		1,005,898,628	1,791,386,904
Received against Financial Income		827,607,342	654,559,123
Payment for Energy Purchase		(34,562,171,198)	(32,637,264,124)
Payment for Employee Expenses		(1,841,091,383)	(1,621,805,439)
Payment for Administrative & Other Expenses		(1,216,354,818)	(899,459,284)
Payment for Interest on Long Term Loan		(219,980,954)	(260,952,922)
Advance Income Tax Paid		(440,680,308)	(267,938,646)
Investment in FDR		(1,674,666,916)	(106,729,901)
Payment for Govt. Duty, VAT & Tax		(1,385,832,020)	(2,187,151,861)
Net Cash Flows from Operating Activities		**2,543,661,326**	**2,931,610,591**
B. Cash Flows from Investing Activities:			
Acquisition of Property & Plant		(275,225,326)	(605,566,038)
Acquisition of Stores & Equipment		(7,750,094,782)	(7,470,680,976)
Net Cash used in Investing Activities		**(8,025,320,108)**	**(8,076,247,014)**
C. Cash Flows from Financing Activities:			
Loan Received		6,719,085,449	5,669,122,445
Dividend Paid		(127,143,597)	(420,921,164)
Long Term Loan Paid		(757,829,617)	(742,316,212)
Consumer Security Deposits Received		245,961,156	399,558,411
Net Cash Flows from Financing Activities		**6,080,073,392**	**4,905,443,481**
D. Cash & Cash equivalents increase /(decrease) during the yea		598,414,609	(239,192,942)
E. Cash & Cash equivalents at the beginning of the year		4,412,066,858	4,651,259,800
F. Cash & Cash Equivalents at the Ending of the Year		**5,010,481,467**	**4,412,066,858**
Net operating cash flows per share (NOCFPS)	46.00	**6.40**	**7.37**

Company Secretary | Executive Director (F&A) | Director | Managing Director | Chairman

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DHAKA ELECTRIC SUPPLY COMPANY LIMITED (DESCO)
Notes to the Financial Statements
For the year ended June 30, 2019

1. Legal Status & Nature of the Company, Significant Accounting Policies and other Relevant Information:

1.1 Legal Status:

Dhaka Electric Supply Company Limited (DESCO) was incorporated as a Public Limited Company by shares, on 03 November, 1996 with an Authorized Capital of TK.5, 000 million divided into 500 million ordinary shares of Tk.10 each as per SEC notification no SEC/CM RRCD/2009-193/109, dated: 15/09/2011. The shares of the Company have been listed and are being traded in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) since 2006.

1.2 Principal Activities:

The main objective of the Company is to distribute electricity to its consumers effectively and efficiently. DESCO started its operation from 24 September 1998 in Mirpur area and as per Govt. decision the operation of greater Gulshan area was added from 09 April 2003. Further on 04 March 2007 operation of Tongi Area was also handed over from DESA to the Company.

1.3 Basis of Accounting:

The Financial Statements have been prepared on historical cost convention in accordance with International Financial Reporting Standards (IFRSs), 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.

1.4 Property, Plant & Equipment:

1.4.1 Valuation of Property, Plant & Equipment Purchased by DESCO

All property, plant & equipment purchased by DESCO are recorded at cost considering its purchase price and any directly attributable cost of bringing the assets to working condition for intended use inclusive of inward freight, duties and non-refundable taxes.

DESCO management already assigned M/S Hussain Farhad & Co. regarding Asset Valuation. The valuer firm continue their assigned job.

1.4.2 Valuation of Assets taken over from DESA

1.4.2.1 Property, plant & equipment taken over from the Dhaka Electric Supply Authority (DESA) in the Mirpur area have been finalized at Tk. 1,27.12 Core as per joint consultant report and it has already been paid. The value of Transferred assets of Gulshan and Uttara area is determined and accepted for Tk. 384,04,10,313/- by both DESCO & DPDC. Valuation of building and equipment is Tk. 339,96,45,373/- only and Tk. 44,07,64,940/- is against land. Value against Building and Line & Equipment will be paid on installment as per approval of board and Value against land will be paid after finalization of ownership of land.

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1.4.3 Depreciation:

1.4.3.1 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 Constructions	2.5%
Distribution Equipment & Cables	3%-10%
Distribution Line	3%-10%
Furniture & Fixtures	10%
Office Equipment	15%-20%
Motor Vehicles	15%

1.4.3.2 The company has acquired 0.1532 acres land from National Housing Authority (NHA) at Tk. 7.45 lac on 99 years lease in the year 2005. The amortization of the cost of this land would have been Tk. 7,529/- per year, which would not have any 'material impact' on the profitability of the company, hence no amortization has been considered.

1.4.3.3 Depreciation of an asset begins when it is available for use, ie. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.5 Stores and Spares:

Stores and spares have been stated at the lower of cost and net realizable value in accordance with IAS - 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/gain arising out of the said conversion is recognized as expense/ income for the year in accordance with IAS -21.

1.7 Revenue Recognition:

(a) The Company recognizes revenue of energy on issue of bills to the consumers for consumption of energy, demand charge, service charge, meter and transformer rent.

(b) Other operating income arising from connection/disconnection fees, bills against materials, meter-testing fees, LPC (Late Payment Charge) etc, are recognized on cash basis.

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(c) Interest on short-term deposits (STD) and on FDR's with banks is recognized as income on accrual basis.

1.8 Statement of Cash Flows:

Statement of Cash Flows is prepared principally in accordance with IAS - 7 "Statement of Cash Flows" and the cash flow from operating activities has been presented under the direct method as required by the Securities and Exchange Rules 1987 and considering the provisions that "Enterprises are encouraged to Report Cash Flows from Operating Activities using the Direct Method".

1.9 Accounts Receivable:

Accounts Receivable for energy is stated at realizable amount less provision for doubtful debts. The company provides for doubtful debts @ 0.5% of Accounts Receivable against consumers 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 IAS-24 is Bangladesh Power Development Board (BPDB), which holds 67.63% of the total shares outstanding.

1.11 Earnings per Share:

(a) Basic Earnings per Share (BEPS): Basic Earnings per share has been calculated by dividing the earnings attributable to the number of shares (ordinary) outstanding during the year. However, GOB Equity amounts has not been considered for determining BEPS and no shares have been allotted against these receipts.

(b) Weighted average Number of shares Outstanding during the year: This represents the number of ordinary shares Outstanding at the beginning of the year plus the year the numbers of ordinary shares issued during the year multiplied by a time weighting factor. The time weighting factor is the number of days the specific shares are outstanding as a proportionate of the number of days in the year.

(c) Diluted Earnings Per Share: No diluted Earnings per share was required to be calculated for the year under review as there is no scope for dilution of Earnings per share for the year.

1.12 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 apportioned to the Fund member's accounts at the end of the year.

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(b) Gratuity

The Company maintains a Gratuity Fund, approved by the NBR under Income Tax Ordinance, 1984. Under the Gratuity Scheme, the company pays to a retired employee, having completed at least 3 (three) years of service, at the rate of two and half months' last drawn basic salary for every completed year of service. The company pays to the fund for the liability at the end of each year considering the number of years of service of employees eligible under the scheme.

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 IAS - 26.

(c) Group Insurance

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

(d) Worker's Profit Participation Fund

In light of the labor law 2006 (amended in 2013) worker's profit participation fund has been implemented in DESCO from Financial Year 2017-18 and 2018-19. Each and every Stakeholder under this law has got benefits accordingly.

1.13 Taxation:

(a) Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differ from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductable in other years and it further excludes items that are never taxable or deductable. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred Tax Liability

The Company accounts for deferred tax liability as per International Accounting Standard (IAS-12). Deferred Tax is provided using the liability method for all temporary timing difference arising between the tax base of assets and liabilities and their carrying value for financial reporting purposes. An appropriate proportion of provision has been considered in calculating temporary timing difference. Tax rate prevailing at the balance sheet date is used to determine deferred tax liability.

1.14 Borrowing Cost:

Interest on borrowed funds for ongoing projects is charged as expense.

1.15 Reporting Currencies:

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

1.16 Reporting Period:

The accounting year of the company covers the year ended from July 01, 2018 to June 30, 2019.

Particulars	Amount in Taka	
	June 30, 2019	June 30, 2018
2.00 Property, Plant & Equipment:		
Cost		
Opening Balance	29,245,160,781	24,887,338,811
Less: Disposal of distribution equipment (Note 2.02)	(199,501,516)	(1,060,952)
	29,045,659,265	24,886,277,859
Additions during the year (2.02)	2,638,105,016	4,358,882,922
Closing Balance	**31,683,764,281**	**29,245,160,781**
Depreciation		
Opening Balance	9,470,004,809	8,540,572,224
Less: Adjustment for disposals (Note 2.02)	(127,054)	(168,999)
	9,469,877,755	8,540,403,225
Charged for the year and including prior year adjustment.	1,299,355,564	929,601,584
Closing Balance	**10,769,233,319**	**9,470,004,809**
Written Down Value (WDV)	**20,914,530,962**	**19,775,155,972**
2.01 Intangible Asset		
Software & Software development	60,231,153	59,529,153
Add: Addition during the year (Note 2.02)	79,861,703	702,000
Less: Accumulated Amortization	(29,543,158)	(20,713,632)
	110,549,698	**39,517,521**
2.02 Details of property, plant & equipment and depreciation are shown in Annexure-A.		
3.00 Capital Work -in- Progress:		
Construction of Workshop Building & Others (Note 3.01)	104,127,477	85,913,551
33/11KV OH/UG Cable Line (Note 3.02)	55,595,903	26,786,250
33/11Kv Sub- Station - Turnkey Project (Note 3.03)	808,247,631	807,321,281
132/33/11Kv Grid Sub- Station - Turnkey Project (Note 3.04)	4,995,968,454	3,668,197,802
132/33/11Kv UG Line Construction-Turnkey Project (Note 3.05)	1,935,984,233	1,742,684,699
33/11 KV 24 Nos Substation Augm. by Siemens Bd. Ltd (Note 3.06)	3,572,269,367	1,074,628,497
132/33/11 KV Grid Augm.(Bashundhara & Uttara)Hyosung (Note 3.07)	1,922,897,740	183,097,453
33 KV O/H Line converted to 33 KV UG cable (Note 3.08)	3,147,860,071	396,932,227
New SCADA System (Initial cost) (Note 3.09)	120,192,917	42,910,906
132/33/11Kv Grid Sub- Station - Turnkey Project (Note 3.10)	15,264,509	-
132/33/11 KV Grid Augm.(Tongi) Siemens (Note 3.11)	42,229,894	-
Total	**16,720,638,196**	**8,028,472,666**

3.01 Construction of Workshop Building & Others

Opening Balance	85,913,551	142,270,805
Addition during the year	68,532,032	121,612,541
	154,445,583	263,883,346
Transferred to Fixed asset during the year	50,318,106	177,969,795
Closing Balance	**104,127,477**	**85,913,551**

This includes as WIP of DESCO Head Office Building (Consultancy Work) & Civil work under work in process at Mirpur area as land & land devlopement & Constuaction work (Central Store, Kafrul Sub Station, Tongi office Building, Purbachal S/S Building, Banani S/S Station Building & others) The total contract price of the works is Tk.325.89 million.

3.02 33/11KV OH/UG Cable Line

Opening Balance	26,786,250	60,056,327
Addition during the year	55,595,903	24,279,963
	82,382,153	84,336,290
Transferred to Fixed asset during the year	26,786,250	57,550,040
Closing Balance	**55,595,903**	**26,786,250**

33 kv, 11 KV overhead & under ground cable line construction works are in progress at Mirpur, Gulshan and Tongi circle respectively. The total contract price of the works is Tk.2601.13million.

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Particulars	Amount in Taka	
	June 30, 2019	June 30, 2018

3.03 33/11Kv Sub- Station - Turnkey Project

Opening Balance	807,321,281	1,992,015,853
Addition during the year	926,350	138,198,361
	808,247,631	2,130,214,214
Transferred to Fixed asset during the year	-	1,322,892,933
Closing Balance	**808,247,631**	**807,321,281**

The Company signed an agreement with Ideal Enterprise to implement 8(Eight) nos. 33/11Kv Sub -Stations of which 07 (Seven) nos Sub Stations have already been completed and transferred to Fixed Asset and Energypac to implement 04 (Four) nos 33/11Kv Sub -Stations under DESCO Funding. The total contract price are Tk 1,503.31 & 805.00 million respectively.

3.04 132/33/11Kv Grid Sub- Station - Turnkey Project

Opening Balance	3,668,197,802	1,096,060,620
Addition during the year	1,371,948,482	2,576,914,344
	5,040,146,284	3,672,974,964
Transferred to Stores and Spares during the year	44,177,830	4,777,162
Closing Balance	**4,995,968,454**	**3,668,197,802**

The Company signed an agreement with Hyosung Corporation to implement 05(Five) nos. 132/33/11Kv Grid Sub -Stations under ADB , GoB & DESCO Funding. The total Contract price is USD 48.09 Million + BDT 779.04 million.

3.05 132/33/11Kv UG Line Construction-Turnkey Project

Opening Balance	1,742,684,699	787,931,745
Addition during the year	194,863,496	954,752,954
	1,937,548,195	1,742,684,699
Transferred to Stores and Spares during the year	1,563,962	-
Closing Balance	**1,935,984,233**	**1,742,684,699**

The Company signed an agreement with LS Cable & System Ltd. for supply & installation (174 KM) 132KV UG cable line on Trunky Basis under ADB , GoB & DESCO Funding. The total contract price is USD 17.61 Million + BDT 308.26 million.

3.06 33/11 KV 24 Nos Substation Augm. by Siemens Bd. Ltd

Opening Balance	1,074,628,497	-
Addition during the year	2,497,640,870	1,074,628,497
	3,572,269,367	1,074,628,497
Transferred to Fixed asset during the year	-	-
Closing Balance	**3,572,269,367**	**1,074,628,497**

The Company signed an agreement with Siemens Ltd. India in Consortium with Siemens Bangladesh Ltd. for Design, Supply, Installation & Commissioning of 24 no's 33/11KV Sub-stations on Turnkey Basis (14 Nos. New & 10 Augmentation) under ADB , GoB & DESCO funding. The total contract price is USD 25.81 Million+ Euro 9.72 Million + BDT 579.72 Million.

3.07 132/33/11 KV Grid Augm.(Bashundhara & Uttara) Hyosung

Opening Balance	183,097,453	-
Addition during the year	1,739,800,287	183,097,453
	1,922,897,740	183,097,453
Transferred to Fixed asset during the year	-	-
Closing Balance	**1,922,897,740**	**183,097,453**

The Company signed an agreement with Hyosung Corporation to Augmentation & Rehabilitation of 132/33/11Kv Grid Sub - Stations at Uttara & Bashundhara under AIIB , GoB & DESCO Funding. The total Contract price are USD 19.63 Million + BDT 183.21 million.

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Particulars	Amount in Taka	
	June 30, 2019	June 30, 2018

3.08 33 KV O/H Line converted to 33 KV UG cable

Opening Balance	396,932,227	
Addition during the year	2,750,927,844	396,932,227
	3,147,860,071	396,932,227
Transferred to Fixed asset during the year	-	
Closing Balance	**3,147,860,071**	**396,932,227**

The Company signed an agreement with LS Cable & System Ltd. for supply, installation , up-grading and conversion of existing 33KV Overhead lines into Underground cables (498 KM) on Trunky Basis under AIIB, GoB & DESCO Funding. The total contract price is USD 28.38 Million + BDT 1430.57 Million.

3.09 New SCADA System (Initial Cost)

Opening Balance	42,910,906	-
Addition during the year	77,282,011	42,910,906
	120,192,917	42,910,906
Transferred to Fixed asset during the year	-	-
Closing Balance	**120,192,917**	**42,910,906**

The Company signed an agreement with Hifab OY (Finland) in Association with Hifab International AB (Sweden) & BCL Associated Ltd. (Bangladesh) for consultancy services for project management, supervision and Implementation support for SCADA Project and the company signed an agreement with Siemens ltd. India under ADB, GoB & DESCO Funding. The total contract price are EUR 1.32 Million + BDT 39.45 Million.

3.10 132/33/11Kv Grid Sub- Station - Turnkey Project

Opening Balance	-	-
Addition during the year	15,264,509	-
	15,264,509	-
Transferred to Fixed asset during the year	-	-
Closing Balance	**15,264,509**	**-**

The Company signed an agreement with 37 Bridge , Bangladesh for consultancy services for project management, supervision and Implementation support for construction of 132/33/11 KV UG Grid Substation building at Gulshan project under JICA, GoB & DESCO Funding.

3.11 132/33/11 KV Grid Augm.(Tongi) Siemens

Opening Balance	-	-
Addition during the year	194,700,999	-
	194,700,999	-
Transferred to current liabilities which received from REB	152,471,105	-
Closing Balance	**42,229,894**	**-**

The Company signed an agreement with Siemens Bangladesh ltd. for Augmentation & Rehabilitation of 132/33/11Kv Grid Sub - Stations at Tongi under DESCO Funding. The total Contract price are USD 1.62 million + Euro 1.73 million+BDT 26.71 million.

4.00 Stores & Spares :		
Stores & Spares (Note 4.01)	3,681,778,119	5,096,700,718
Stores in Transit (Note 4.02)	14,841,020	505,387,566
Total	**3,696,619,139**	**5,602,088,284**

4.01 Cost of Stores & Spares		
Cable & Accessories	2,219,215,535	2,876,612,614
Pole & Pole fittings	352,151,325	520,407,045
Distribution transformers	167,820,941	319,013,146
Meter & Meter accessories	172,721,064	544,266,926
Sub-station equipment & spares	635,057,527	719,508,012
Tools, equipment & others	134,811,727	116,892,975
Total:	**3,681,778,119**	**5,096,700,718**

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