

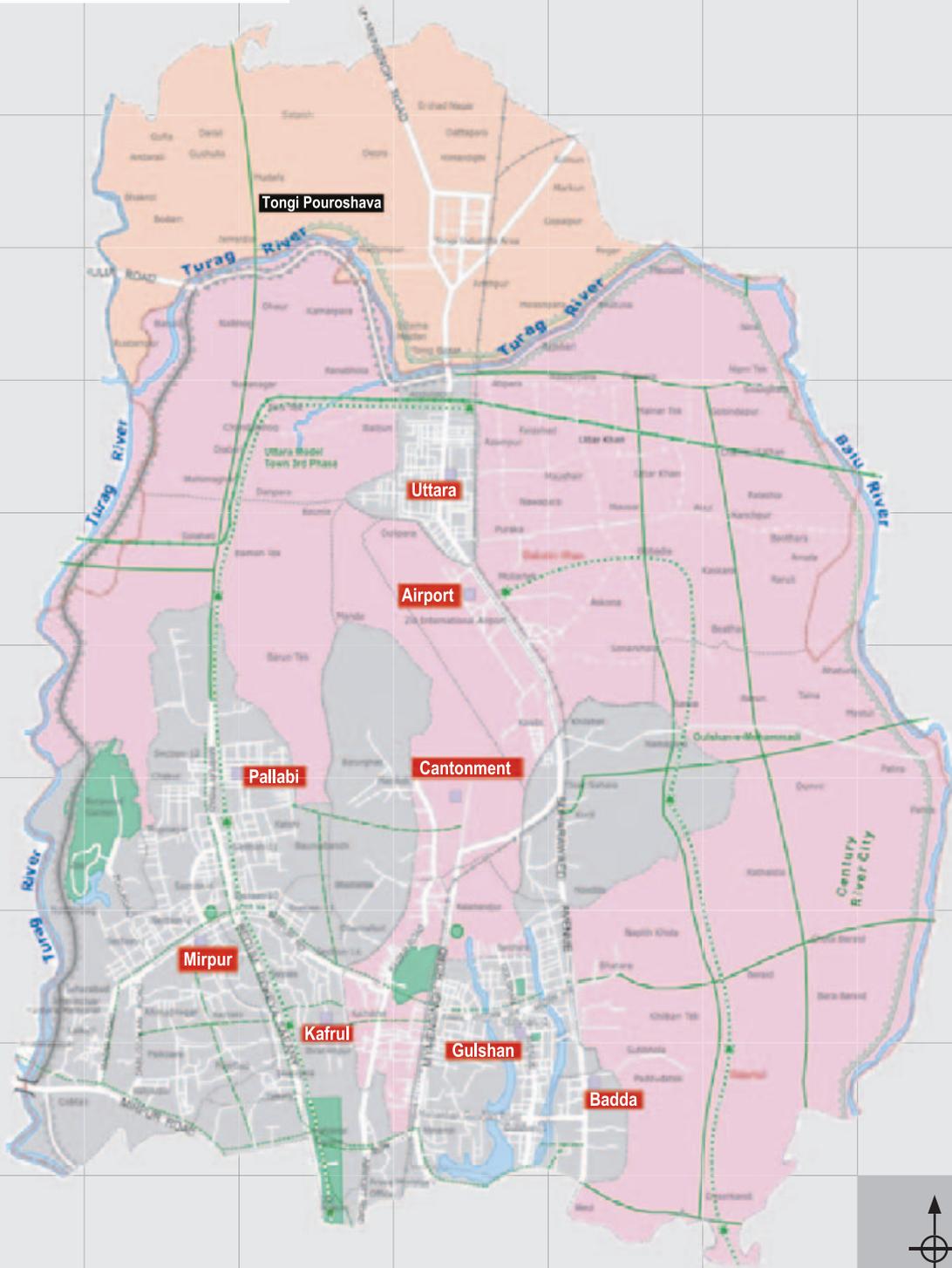


ANNUAL
REPORT
2007



DHAKA ELECTRIC SUPPLY COMPANY LIMITED

DESCO area map





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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

ANNUAL
GENERAL
MEETING

Notice is hereby given that the 11th Annual General Meeting of **Dhaka Electric Supply Company Ltd. (DESCO)** will be held on Tuesday, the 19th February, 2008 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, 2007.
2. To declare Dividend for the year ended June 30, 2007.
3. To elect Directors.
4. To appoint Auditors and to fix their remuneration.

Special Business:

To consider and pass the following resolutions as "Special Resolution":

RESOLVED that Articles 73, 76, 93, 96 & 99 of the Articles of Association of the Company be amended as under:

- 73(i). "The number of Directors shall not be less than 9 (nine) and not more than 12 (twelve) until otherwise determined by the company in General Meeting. There shall be Directors amongst the shareholders of the company elected and/or nominated by majority shareholder(s). There shall be Directors from each group representing person(s) specialized in generation, transmission and distribution of electricity (as applicable), consumers, business and person(s) specialized in finance. Any Director shall refrain himself/herself from voting on a resolution where there is a conflict of interest".
- 73(ii). "The Managing Director shall be an ex-officio member of the Board of Directors. The appointment, extension of tenure and removal of the Managing Director will be approved by majority of the shareholders of the company based on the recommendation of the Board".
76. "The remuneration of the Directors including the Chairman shall be set by the Board and information on the remuneration shall be included in the Annual Report. If any Director being willing is called upon to perform any extra services for any purposes of the company, or to give any special attention to the business of the company, he/she may be paid such remuneration for those services as may be determined by the Board".
93. Deleted.
96. "The quorum necessary for transaction of the business of the Directors may be fixed by the Company in general meeting and unless and until so fixed shall be majority".
99. "Article 99 shall be read as 99 (i)".
- 99(ii). "The Board shall appoint committees on audit, recruitment and promotion and procurement review. The audit committee shall be headed by an independent Director of the Board".

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: January 08, 2008

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

Notes:

1. Record date is 13/01/2008. That is shareholders whose name will appear in the CDS/Company's Register on 13/01/2008 will be entitled to attend the meeting and dividend for the year ended 30 June, 2007.
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, 2007, if any, at the Registered Office of the Company at least 3 (three) working days before the day of Annual General Meeting.

key milestones

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

June 18, 2006
Company goes public

March 03, 2007
Take over of Tongi Municipal Area





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

vision

mission

corporate
philosophy

Service excellence with integrity
and corporate social responsibility.



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

Chairmen



Dr. M. Fouzul Kabir Khan
Chairman
From 10-06-07



A.K.M Zafarullah Khan
Chairman
From 13-02-07 to 09-06-07



Brig. Gen. Md. Nazrul Hasan
Chairman
From 18-07-06 to 12-02-07



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

board of
directors

Directors



Saleh Ahmed
Managing Director



Mohammad Wahid Hossain, ndc
Representative of Power,
Energy & Mineral Resources, Bangladesh



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



Abdur Razzak
Representative of Federation of Bangladesh
Chambers of Commerce & Industry (FBCCI)



Mohammad Reazul Islam
Representative of The Institution of
Engineers, Bangladesh (IEB)



Md. Monzur Rahman
Director (Technical)



Qudrate Khuda
Director (Finance)

corporate directory



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

BANKERS

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

corporate office

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

sales and distribution (s&d) divisions

- KALLYANPUR** House #4, Road #17
Block #C, Section #10
Mirpur, Dhaka 1216
Phone: 9014846, 9007709, Fax: 8023984
E-mail: kallyanpur.ssd@desco.org.bd
COMPLAIN: 9144714
- KAFRUL** House #4, Road #17
Block #C, Section #10, Mirpur, Dhaka 1216
Phone: 8021344, Fax: 8019852
E-mail: kafrul.ssd@desco.org.bd
COMPLAIN: 9001119
- PALLABI** House #4, Road #17
Block #C, Section #10, Mirpur, Dhaka 1216
Phone: 8052016 (direct), 9002026, Fax: 8019852
E-mail: pallabi.ssd@desco.org.bd
COMPLAIN: 9001051
- GULSHAN** House #47, Road #134, Gulshan-1, Dhaka-1212
Phone: 8859493 (direct), 8825759 Ext. 101
E-mail: gulshan.ssd@desco.org.bd
COMPLAIN: 9895045
- BARIDHARA** House #1/A, Road #2/A
Block #J, Notun Bajar
Baridhara, Dhaka
Phone: 8855244 (direct), 9895117 Ext. 222
E-mail: baridhara.ssd@desco.org.bd
COMPLAIN: 9895117
- UTTARA** 20/21, Shahjalal Avenue
Sector #6, Uttara, Dhaka 1230
Phone: 8959145 (direct), 8914265, 8911260 Ext. 101
E-mail: uttara.ssd@desco.org.bd
COMPLAIN: 8919574
- DAKSHINKHAN** Dag #3503/3504
Mollah Para, Dakshinkhan, Dhaka-1230
Phone: 8911289
E-mail: dakshinkhan.ssd@desco.org.bd
COMPLAIN: 9812398
- TONGI (EAST)** Squib Road, Cherag Ali, Tongi, Gazipur
Phone: 9815901
E-mail: tongieast.ssd@desco.org.bd
COMPLAIN: 9815904
- TONGI (WEST)** Squib Road, Cherag Ali, Tongi, Gazipur
Phone: 9815921
E-mail: tongiwest.ssd@desco.org.bd
COMPLAIN: 9801080

company
service
centers



technical & commercial

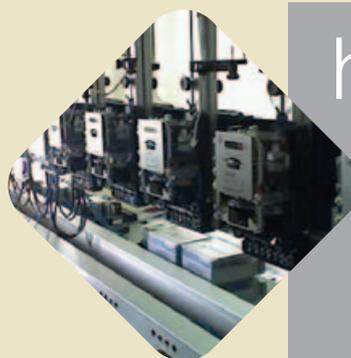


TECHNICAL

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
33/11KV Sub-stations (No.)	5	6	13	13	13	16	19
Capacity of 33/11KV Sub-stations	160/224	200/280	425/593	425/593	430/602	620/868	680/952
Maximum Demand (MW)	134.00	149.90	315.24	351.82	377.25	397.60	451.00
33KV Overhead Line (KM)	17.20	17.20	73.70	76.70	76.70	76.70	82.80
33KV Underground Line (KM)	37.80	37.80	70.30	125.30	142.80	143.80	182.20
11KV Overhead Line (KM)	162	169	536	552	600	720	860.40
11KV Underground Line (KM)	35	43	205	205	238	262	314.35
LT Line	377	422	991	1030	1105	1250	1473.25
Distribution Transformer (No.)	1455	1555	3369	3594	3785	4112	4770
Power Factor (%)	96	96	96	96	96	96	96

COMMERCIAL

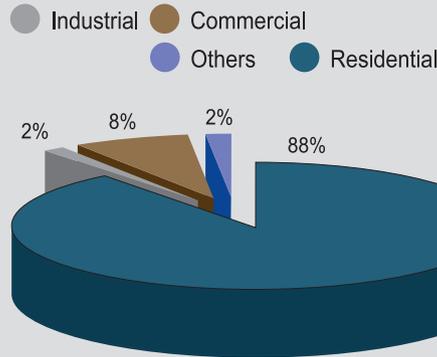
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Energy Import						
(MKWH)	627.56	673.09	855.79	1739.87	1842.89	2191.46
(MTk.)	1218.93	1354.51	1850.44	3775.52	3999.07	4946.36
Energy Sales						
(MKWH)	440.17	493.62	675.57	1405.03	1536.31	1897.00
(MTk.)	1297.24	1470.03	2216.75	4902.32	5428.08	7219.58
System Loss (%)	29.87	26.66	21.06	19.24	16.64	13.44
Collection Ratio (%)	88.33	89.04	74.10	87.33	97.07	104.40
C.I. Ratio (%)	62.31	65.30	58.50	70.93	80.92	90.37
Consumers	97131	108182	205803	241964	259580	347614
Receivable/Sales (%)	43.33	60.00	64.24	44.40	38.72	26.52



highlights

CONSUMER MIX

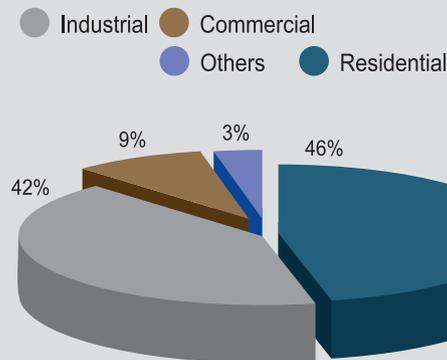
CATEGORY	NO
Residential	306657
Industrial	5838
Commercial	29056
Others	6063
Total	347614



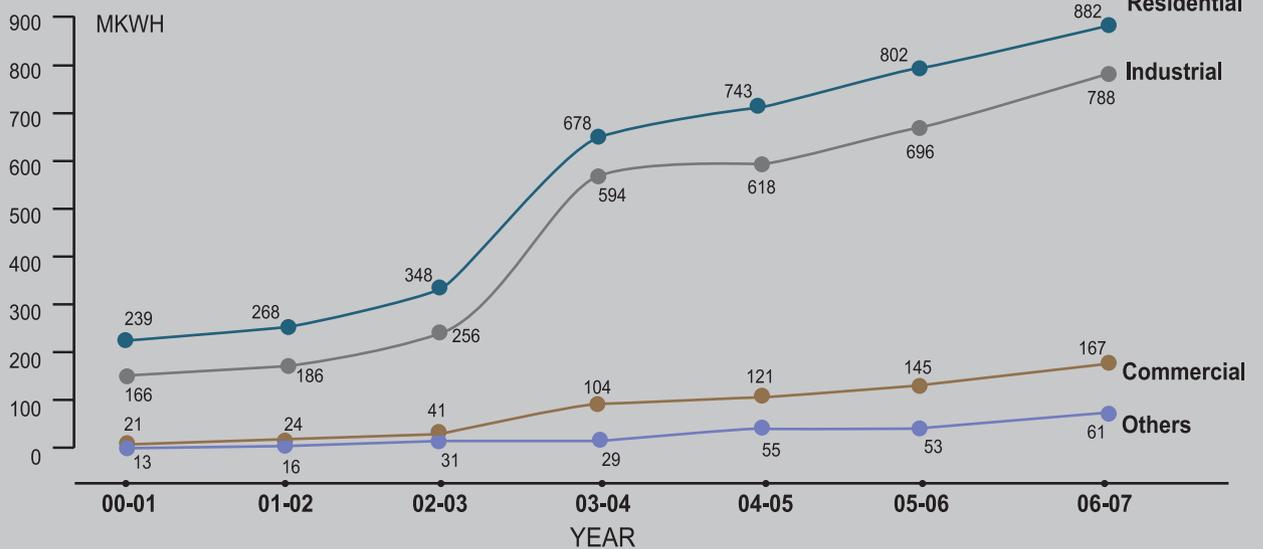
performance

CONSUMPTION PATTERN

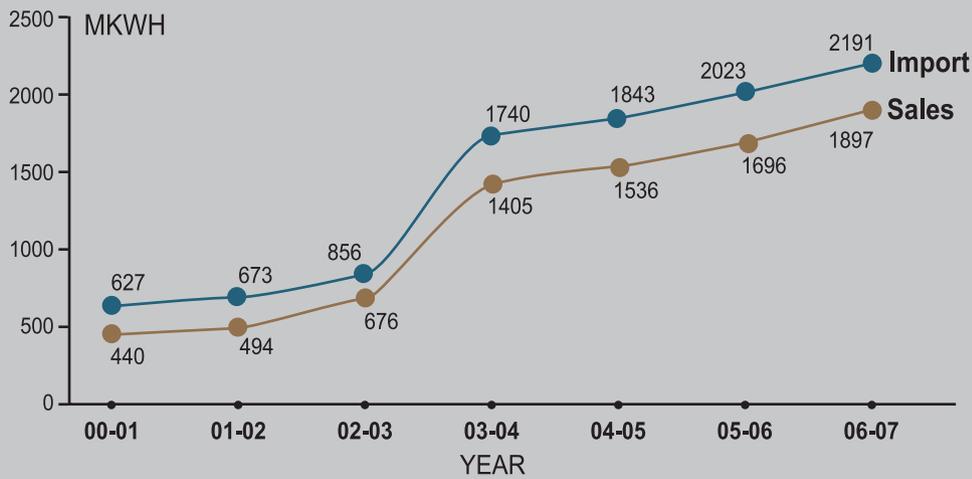
CATEGORY	CONSUMPTION (MKWH)
Residential	881.92
Industrial	787.69
Commercial	166.84
Others	60.55
Total	1897.00



Consumption Growth



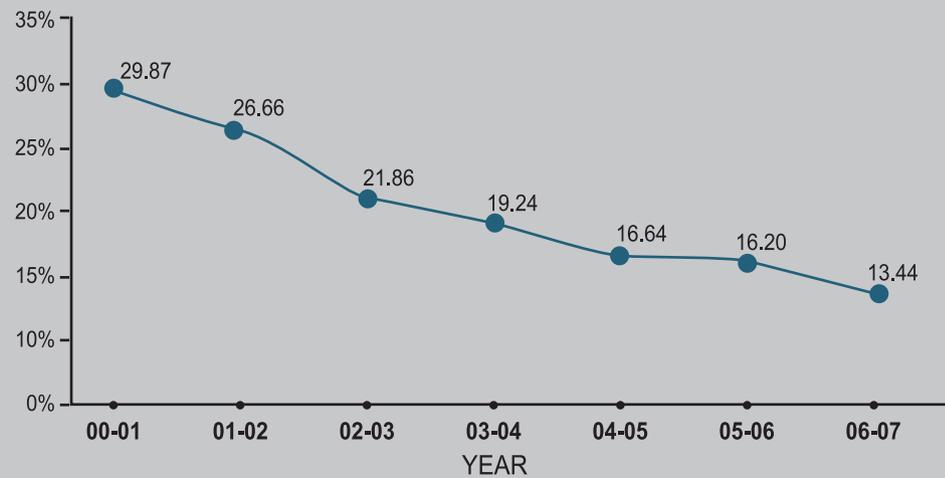
Import & Sales



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	2023.223	1695.55
06-07	2191.46	1897.00

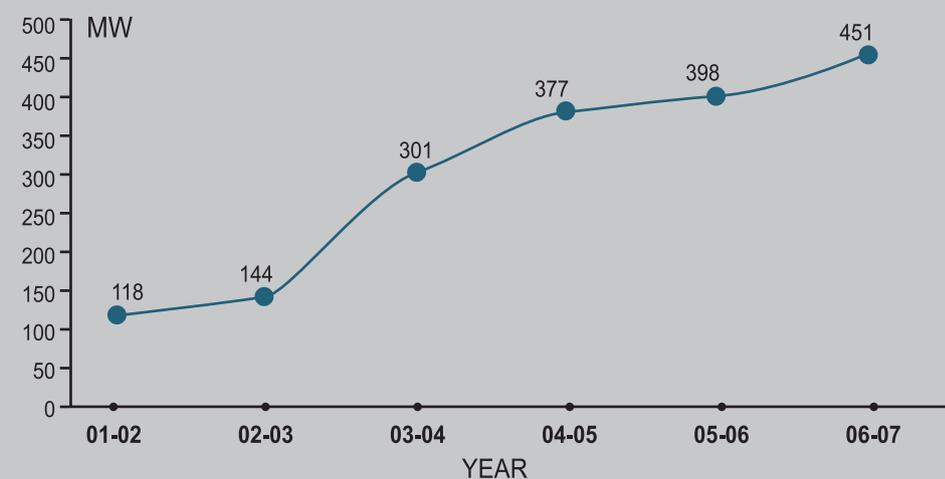
System Loss



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%
06-07	13.44%

Maximum Demand



MAXIMUM DEMAND

YEAR	MW
01-02	118
02-03	144
03-04	301
04-05	377
05-06	398
06-07	451



directors' report



Dr. M. Fouzul Kabir Khan
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 11th Annual General Meeting of Dhaka Electric Supply Company Limited (DESCO), and place before you the Audited Accounts for the year ended 30 June, 2007 along with the Auditors' and the Directors' Reports 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 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 operation and performance since inception, the operational area of DESCO was expanded through inclusion of Gulshan Circle and Tongi Municipal Area. Eventually, the total consumer strength increased to 347,614 as of 30 June, 2007 with a maximum load demand of 451 MW.

TERRITORY

The service territory of the Company (220 Sq.K.m) now comprises the areas bounded by the Mirpur Road, Agargaon Road, Rokeya Sarani, Progati Sarani, New Airport Road, Mymensingh Road, Mohakhali Jheel, Rampura Jheel connected with Balu River in the South, Balu River in the East and Turag River in the West and a part of Tongi Municipal area in the North.

GROWTH OF THE COMPANY

The Company's growth can be better understood by the figures and graphs presented in this Report. Starting from a consumer base of Seventy One Thousand with load demand of 90 MW in 1999, the Company has grown to cater to about Three Lac Forty Eight Thousand consumers with a load demand of 450 MW as of June 2007. The Company's gross fixed assets, including capital works in progress, increased from Tk.7332 million in 2005-06 to Tk.8772 million this year, registering a growth of 20%, while the shareholders equity increased from Tk.3250 million to Tk.3790 million, recording a growth of 16.65%

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 optimum overhead cost and manpower. The desk jobs and supervisory activities are generally carried out by DESCO employees under its regular payroll while the field operational activities including electric line and sub-station maintenance have been outsourced. With the expansion of operational area and fast increase in consumer growth and system load, DESCO reorganized its sales & distribution activities into 9 (nine) S&D Divisions with the field activities merged under the umbrella of each S&D Division.

A part of DESCO's policy is to outsource major field activities. Some of the activities are substation and switching station schedule maintenance, trouble shooting of the customer service complain, preventive or schedule maintenance in the technical side. On the other hand, commercial activities like meter reading, distribution of monthly electricity bill, service disconnection of the defaulter consumer, customers' house wiring inspection, new connection, meter installation, old and unserviceable meter change etc. are outsourced besides, other support services like security service, cleaning service and transport service are also outsourced. DESCO employs several experienced contractors (through competitive tendering process) to cater the maintenance of its Distribution Networks and Substations as well as Commercial Operations Support Service. With the proper maintenance of the distribution system, service complaints from consumers have been reduced significantly. To achieve greater consumer satisfaction, the procedure for new connection has been simplified. Efforts are on to further lessen the time period required for a new connection.

TECHNICAL ACTIVITIES

The major technical activities completed in the year 2006-07 are highlighted below:

- Capacity upgradation of Kallayanpur 33/11 KV Sub-station from 40/56 MVA to 50/70 MVA.
- Expansion, upgradation of distribution network by 38.4 km of 33KV U/G Cable line, 135.4Km of 11KV O/H Line, 52.35 km of 11KV U/G Cable Line, 98km of LV Line, installation of 210 Nos. 3-Phase 200KVA distribution transformers were executed by DESCO's own fund.
- 35 sq.km area under Tongi Municipal area with 38 thousand consumers and 03 nos. of 33/11 KV sub-station having a total of 60/84 MVA capacity takeover from DESA.
- Prepaid meter production plant established with the technical assistance of IICT, BUET. The production capacity of this unit is designed to meet DESCO's own consumption. It may be extended further in phases to meet the requirement of other utilities with a production capacity of about 50 thousand meters per year.
- Prepaid meter system



A modern consumer friendly Prepaid metering system has been introduced for the valued consumers of the capital by DESCO. This Prepaid metering system is a two-way communication based on smart card technology that allows the customers to charge their advance electricity bill through DESCO's vending station in the SMART CARD. At the time of recharging the vending stations, computer reads and receives all the consumption information of the consumer in the consumer-database, which helps to analyze the consumer's electricity usage behavior. If a customer inserts his/her SMART CARD into the meter after recharging, the meter reads the card and downloads the amount of electricity bill that has been paid for in the vending station. The implementation of prepaid meters helped DESCO to improve revenue collections and reduce system loss.



Upto the year under review, 4247 prepaid meters were installed in sectors 4, 6, and 8 of Uttara, while under process to install another 5000 single phase and 1000 three phase meters in other sectors of Uttara. In order to facilitate continuous supply of prepaid meters in future, DESCO has set up a "Prepaid meters production unit" with the technical assistance of IICT, BUET at Mirpur.

Major projects (2006-2010)

- To strengthen power supply facilities in Mirpur area of DESCO, a project was approved by ECNEC on October, 2005 in the name of "Strengthening Electric Distribution Network" to be completed by June 2009. The total cost of the project is Tk.2885.20 million out of which Tk.692.40 million will be financed by GOB and the rest will be financed by ADB against ADB Loan No. 2332-BAN under the scope of Sustainable Power Sector Development Program-II (SPSDP-II) of ADB.
- Another project was approved by ECNEC on October 2005 in the name of "Upgrading and Expanding Distribution System in Gulshan Circle" to be completed by June 2010 for Gulshan area in order to meet the growing demand of the system. The total cost of the project is Tk.3998.40 million, out of which Tk.1280.40 million will be financed by GOB, Tk.26.50 million will be financed by DESCO and the rest will be financed by ADB against the ADB Loan No. 2332-BAN under the scope of Sustainable Power Sector Development Program-II (SPSDP-II) of ADB.

Future Plans

- A new area named "Purbachal Model Town", developed by RAJUK in north east of DESCO area on eastern bank of Balu River under Narayanganj District, has been decided to be included in DESCO's jurisdiction. The electrical network development for this area has already been taken by DESCO. The load demand of Purbachal Model Town is expected to be about 500 MW in the year 2020. To keep pace 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" has been taken.

COMMERCIAL ACTIVITIES

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

Disconnection/ Reconnections

The prime tool to recover dues is disconnection. A total number of 26,279 defaulting consumers were disconnected with the help of Magistrate and by Company's own staff during the year. Moreover, 12,848 illegal consumers were traced, disconnected and regularized during the year. Such illegal connections totaled 18,468 in the previous year.

During the year, 22,806 consumers were given reconnection on recovery of their outstanding dues and realization of penalty as applicable. An aggregate amount of Tk.350 million was realized from defaulting consumers and Tk.51.48 million against penal bills.

New Connections

This year 22,868 new connections were added to our system. The total number of electric connections under DESCO at the end of the financial year stands at 347,614.

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 basis. During the year, 22,257 defective meters were changed, 19,623 meters were sealed and 57,275 meters were inspected.

One Point Service Center

DESCO strives to offer 'service excellence' to its valued consumers. Still it has to achieve cent percent consumer satisfaction. Consumer complaints in terms of billing errors, rectification of names and address, etc. are seriously attended to. During the year 10,638 bills were corrected and records of 1,629 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 satisfactory 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 Sales & Distribution Office, can get his/her desired service and solution from the One Point Service representatives. It covers 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, and yet to come up to an acceptable standard, for which DESCO is giving emphasis on continuous training to 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 efforts to maintain a healthy billing/ collection ratio.

Considering sales at Tk.7219 million and collection at Tk.7697 million, the billing collection ratio works out at 104.40% as against 99% in previous year. The Collection/ Import (C.I.) ratio also improved from 83.06% to 90.37% this year.

Accounts Receivable

One of the indicators of efficient financial management is decreasing balance of accounts receivable. The Company maintains a system of continuous monitoring of accounts receivable by way of monthly reports and analysis. The Accounts Receivable/ Sales ratio works out to 26% this year, as against 36% in the previous year, indicating a reducing trend of outstanding.



System Loss

This is the key performance indicator of any electric distribution company, and is determined by the quantity of energy purchased and that sold. The system loss works out to 13.44% this year as against 16.20% in previous year. Efforts are being given to bring the system loss down to around 12.50% in the next financial year.

FINANCIAL RESULTS AND APPROPRIATION

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

	2006-07 (MTK)	2005-06 (MTK)
Revenue from Operation	7381.279	6324.979
Cost of Sales	(5782.34)	(4836.77)
Gross Profit	1598.93	1488.20
Expenses	(316.73)	(240.92)
Operating Profit	(1282.20)	1247.28
Financial Expenses (Net)	(31.02)	(238.04)
Non Operating Income	9.89	73.29
Taxation	(550.000)	(295.53)
Net Profit for the year	711.07	578.707
Profit brought forward	413.60	552.13
Dividend (Proposed)	317.798	254.23
Unappropriated profit carried forward	882.996	413.60

FINANCIAL INDICATORS

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

	2006-2007	2005-2006
Liquidity Ratio:		
Current Ratio	2.65	2.64
Quick Ratio	2.37	2.14
Solvency Ratio:		
Times Interest earned ratio	4.42	3.67
Debt Equity Ratio	3.67	2.27
Profitability Ratio (%)		
Gross margin Ratio	21.73	23.69
Operating Margin Ratio	17.44	19.86
Net Income Ratio	9.65	9.21
Return on Asset Ratio	10.30	10.65
Return on Equity Ratio	18.80	17.80
Earnings per share (Tk.)	59.94	45.52



SHARE INFORMATION

The distribution of Shareholding, market value of shares, type of shareholding are shown below and 21 largest shareholders information are highlighted in Annexure-I

General

Authorized Capital: Tk. 500 crore

Paid up Capital: Tk.127.1194 crore

Class of Share: Ordinary Shares of Tk.100 each

Stock Exchange Listing

The issued Ordinary shares of Dhaka Electric Supply Company Ltd. (DESCO) are listed with Dhaka and Chittagong Stock Exchanges.

Distribution of Shareholdings

No. of Shareholders as on 30th June 2007 stood at 1520 nos.

Share Holding Range	Number of Shareholder	Shares	Percentage
1-499	1167	153253	1.21
500-5000	310	396800	3.12
5001-10000	10	69250	0.54
10001-20000	8	111500	0.88
20001-30000	1	21150	0.17
30001-40000	3	102100	0.80
40001-50000	5	231450	1.82
50001-100000	10	599750	4.72
100001-1000000	5	1492750	11.74
1000001-1000000000	1	9533937	75.00
Total	1520	12711940	100.00

Market Value per Share

	Tk.
Highest during the year	999.00
Lowest during the year	251.50
At closing of the year	954.50

Shareholding Pattern

Group Name	Number of Share Holders	Share	Percentage
Sponsor (DESA)	7	9533955	75.00
General Public	1356	1109685	8.73
Financial Institutions	138	1131350	8.90
Other Mutual Fund	1	2250	0.02
Other Investors	16	872150	6.86
Other Unit Funds	2	62550	0.49
Total:	1,520	12711940	100.00

SHAREHOLDERS' ROLE

The Directors have always recognized the important role played by the Shareholders of the company in assisting the Board to implement proper corporate governance.

The Company also welcomes the active participation of Shareholders at Annual General Meeting and has solicits their views at all times, promoting healthy dialogue. Whenever possible, the Company implements Shareholders' suggestions. Through the half yearly and annual publications of financial statements, meetings and other forms of communications, the Board and Company Management constantly interacts with the shareholders of the Company.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

Section 181 of the Companies Act 1994 requires Directors to ensure that the Company keeps proper books of accounts of all transactions and prepares financial statements that give a true and decent view of the state of the Company's affairs and of the profit for the year.

The Directors are also required to ensure that the financial statements have been prepared and presented in accordance with the requirements of the International Accounting Standards/ International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh and provide the information required by the Companies Act 1994, Securities and Exchange Ordinance 1969, Securities and Exchange Commission Rules 1987 and the regulations of the Dhaka/Chittagong Stock Exchanges. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to establish appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.



CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance is now a current issue in Bangladesh. There is a tendency for Boards to focus more on compliance than performance in order to cover legal, regulatory and other risks.

DESCO also complied with all the requirements of Corporate Governance as required by the Securities and Exchange Commission. Accordingly, Corporate Governance Compliance Report is shown in Annexure- II.

BOARD MEETING AND ATTENDANCE

During the year, fourteen board meetings were held. The attendance record of the Directors is shown in Annexure- III of this report.



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, Mustafizur Rahman, FCA, Council Member of ICAB as Chairman. The other members of the Committee are Mohammad Wahid Hossain, ndc Joint Secretary (Admin) Power Division, Ministry of Power, Energy & Mineral Resources (MPEMR), Mohammad Reazul Islam, Vice-President(Admin & Finance) IEB and Qudrate Khuda, FCA, FCMA, Director (Finance), DESCO. The attendance record of the Audit Committee is given in Annexure-IV.

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

HUMAN RESOURCE DEVELOPMENT

DESCO recognizes and emphasizes 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 organization's profit. DESCO's strategy is to provide service excellence with integrity.

Training, Workshops, Seminars

In order to improve productivity of manpower input, the company continuously provides formal and informal training to its employees at each level. During the year under review, 200 employees received in-house and domestic training. Basic training courses designed to meet the requirements of individual employees to work as an efficient member of the company are arranged on a regular basis. These courses include training on Service Rules, Electricity Act, Customer Service, Organogram and Official Behavior. Essential technical training programs like Distribution system inspection, maintenance, distribution network protection system and Fundamentals of Electrical Safety Guidelines are designed for officer, supervisor staff to implement modern practice in DESCO's activities.



In order to produce quality leaders, a comprehensive training program has been designed and organized for potential leaders. Under the title "Leadership Skills & Driving Changes" this program is aimed at maximizing the capacities of midlevel officers (i.e. Deputy Managers and Managers).

DESCO has a plan to take the opportunity of the training facility of Training Institute, Bangladesh Power Development Board (BPDB) and Institution of Engineers, Bangladesh (IEB) in different essential technical training course organized by them and other locally renowned HR development training organizations.

The Training Cell also helps the employees to participate in different training/presentation sessions on "Prepaid Metering System" and "E-Governance Program".

Energy Partnership Program

To share valuable experience between the partners with a view to improving distribution, customer service and energy efficiency practices, DESCO has entered into an Agreement/MOU on January last year 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 cooperation to transfer information, to share experiences and to practice between the partner organizations.

The first exchange program was conducted in June, 2004 and since then 17 nos. of DESCO officials enriched their expertise by taking part in such invaluable program.

Subsequently, about 16 trainees of the SMUD, CPU and USEA took part in trading of such knowledge and experiences.

DESCO has greatly benefited in the field of assuring quality customer service practice, increased efficiency in monitoring system of its internal activities, system and technological upgradation.

DIVIDEND

Based on the performance of the Company, the Board of Directors recommends cash dividend of Tk.25/- per share for the FY 2006-07.

ELECTION OF DIRECTORS

In terms of provision of the Articles of Association of the Company Dr. M. Fouzul Kabir Khan, Abdur Razzaque, Md. Monzur Rahman and Qudrate Khuda shall retire from the Board of Directors while Mohammad Wahid Hossain, ndc, Joint Secretary (Admin) Power Division, Ministry of Power, Energy & Mineral Resources (MPEMR); Brig Gen. Md. Nazrul Hasan, Chairman, DESA; Md. Mustafizur Rahman, FCA, Council Member, ICAB, Mohammad Reazul Islam, Vice-President (Admin. & Finance), IEB and Saleh Ahmed, Managing Director, DESCO shall continue as Directors of the Board.

The following persons have been nominated by the Power Division, Ministry of Power, Energy & Mineral Resources (MPEMR) and are proposed to be elected as Directors to the Board:

- (i) Safar Raj Hossain, Secretary, Ministry of Local Government and Co-operatives.
- (ii) Shafiqul Azam, Member (Finance), BPDB.
- (iii) Latifur Rahman, Chairman, MCCI.
- (iv) Dr. S.M. Lutful Kabir, Director, IICT, BUET.

AUDITORS

M/s. Aziz Halim Khair Choudhury, Chartered Accountants, the existing Auditors shall retire and being eligible, have expressed their willingness to continue in the office for the Financial Year 2007-08.

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 continuous assistance, guidance and advice.

I would also like to express my thanks to the officers and staffs 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.



Dr. M. Fouzul Kabir Khan
Chairman

December 24, 2007

ANNEXURE I

TWENTY TWO LARGEST SHAREHOLDERS AS ON JUNE 30,2007

Name	No of Shares	%
DHAKA ELECTRIC SUPPLY AUTHORITY (DESA)	9533937	75.00
ABBL IDA	541800	4.26
PRIME BANK LTD. (MBID)	306050	2.41
PERSHING LLC A/C AUERBACH GRAY	274200	2.16
IDLC - PORT FOLIO ACCOUNT	220350	1.73
BONY A/C BSSC CLEARING	150350	1.18
KBL / AC VITRUVIUS EMERG. MKTS.	84000	0.66
ABDUL MANNAN	67350	0.53
POPILAR EQUITIES LTD.	62400	0.49
ICB UNIT FUND	62050	0.49
ARAB BANGLADESH BANK LTD- MBW	57000	0.45
UMME HAFSA SARA	55650	0.44
IDLC	55000	0.43
HABIBA KHATUN	53300	0.42
ABU BAKER	51800	0.41
ABU TALHA	51200	0.40
AB BANK FOUNDATION	49550	0.39
COUNTRY STOCK (BD) LTD.	49050	0.39
PRIME BANK LTD INVESTORS A/C 1	44700	0.35
ICB	44150	0.35
NTC A/C PRINCE STREERT FUND LP	44000	0.35
GREEN DELTA INSURANCE CO. LTD.	21150	0.17
Total	11879037	93.45

ANNEXURE II

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 issued under section 2CC of Securities and Exchange Ordinance 1969:

Condition No.	Title	Compliance Status (Put in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.1	Board Size (number of director-minimum 5 and maximum 20)	Complied		
1.2(i)	Independent Directors	Complied		
1.2(ii)	Independent Directors Appointments (should be appointed by the elected directors)	Complied		
1.3	Chairman and Chief Executive Officer (preferably be different)	Complied		
1.4(a)	Directors Report on Financial Statements (fairness of Financial statements)	Complied		
1.4(b)	Books of Accounts (maintenance of proper books of accounts)	Complied		
1.4(c)	Accounting policies (application of appropriate accounting policies & estimates)	Complied		
1.4 (d)	IAS Applicable in Bangladesh (application & adequate disclosure for any departure)	Complied		
1.4(e)	System of Internal control (efficiency of internal control system)	Complied		
1.4(f)	Going Concern (ability to continue as a going concern)	Complied		
1.4 (g)	Deviation in Operating Rules (highlighting significant deviations from last year in operating rules.)	Complied		
1.4 (h)	Key operating & Financial Data (summarized financial data of at least preceding three years.)	Complied		
1.4 (i)	Declaration of Dividend (reason for non declaration of dividend)	Complied		
1.4 (j)	Number of Board Meetings (no. of Board Meetings held and attendance by each director)	Complied		
1.4 (k)	Pattern of Shareholding (disclosing aggregate number of shares)	Complied		
2.1	Appointment of CFO, HIA& CS (appointment, define their roles, responsibilities & duties)	Complied		
2.2	Board Meeting Attendance (CFO & CS should attend except agenda relating to them)	Complied		
3.00	Audit Committee (should have an audit committee as a sub-committee of the Board of Directors)	Complied		
3.1(i)	Composition of Audit committee (should be composed of at least three members)	Complied		

Condition No.	Title	Compliance Status (Put in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.1(ii)	Audit Committee Members Appointment (members should be nominated by the board with at least one independent director)	Complied		
3.1(iii)	Terms of Service of Audit Committee (board to ensure continuity of minimum Prescribed number of members)	Complied		
3.2(i)	Chairman of Audit Committee (Board to select Chairman from audit committee)	Complied		
3.2(ii)	Audit Committee Chairman's Qualification and experience of the Chairman	Complied		
3.3.1(i)	Reporting to the board of Directors	Complied		
3.3.1(ii)(a)	Report of conflict of interest	Complied		
3.3.1(ii)(b)	Defect in the internal control system	Complied		
3.3.1(ii)(c)	Suspected Infringement of Laws	Complied		
3.3.1(ii)(d)	Any other Matter (out of the above, a:c)	Complied		
3.3.2	Reporting to the Authorities - SEC (if any material impact on the financial condition and results of operation, unreasonably ignored by the management)	Complied		
3.4	Reporting to the shareholders (disclosure of activities of the audit committee in the annual report).	Complied		
4(i)	Appraisal of valuation services (none by the external/statutory auditors)	Complied		
4(ii)	Financial Information System (none by the external/statutory auditors)	Complied		
4(iii)	Book keeping and other Services (none by the external/statutory auditors)	Complied		
4(iv)	Broker-dealer services (none by the external/statutory auditors)	Complied		
4(v)	Actuarial services (none by the external/statutory auditors)	Complied		
4(vi)	Internal Audit services (none by the external/statutory auditors)	Complied		
4(vii)	Any other services (none by the external/statutory auditors)	Complied		

ANNEXURE III

Board Meeting and attendance during the year ended June 30,2007

Name of Members	Meeting held while a member	No of meeting attended in person/alternates
Dr. M. Fouzul Kabir Khan	1	1
Mr. A.K.M. Zafar Ullah Khan	5	5
Brig. Gen. Md. Nazrul Hasan	14	13
Mr. Mohammed Abu Taher	1	1
Mohammad Wahid Hossain, ndc.	5	5
Mr. Khan Lodi Shafiu Haq	5	5
Mr. Monzur Hossain	6	6
Mr. Md. Ataul Masud	2	2
Mr. Abdul Hafiz Choudhury	5	5
Prof. Dr. S. M. Lutful Kabir	7	7
Mr. Md. Mustafizur Rahman, FCA	14	12
Mr. Mohammad Reazul Islam	6	6
Mr. Abdur Razzaque	5	5
Mr. Saleh Ahmed	14	14
Mr. Md. Monzur Rahman	14	13
Mr. Qudrate Khuda	14	14

ANNEXURE IV

Audit Committee Meeting and Attendance during the year ended June 30,2007.

Name of Members	Meeting held while a member	No. of Meeting attended
Mr. Abdul Hafiz Choudhury	2	2
Mr. Md. Mustafizur Rahman	3	3
Prof. Dr. S.M. Lutful Kabir	2	2
Mr. Mohd. Wahid Hossain, ndc	1	1
Mr. Mohammad Reazul Islam	1	1
Mr. Qudrate Khuda	3	3

The Directors are of the view that these financial statements have been prepared under the generally accepted accounting principles and in accordance with the Bangladesh Accounting Standards as laid down by the Institute of Chartered Accountants of Bangladesh.

events

events highlights



License Awarding Ceremony organized by Bangladesh Energy Regulatory Commission (BERC)



Inauguration of Gulshan (2), 40/56 MVA/33/KV Substation by Mr A.K.M Zafar Ullah Khan, Honorable Secretary, Ministry of Energy & Mineral Resources and Chairman of DESCO Board (former)



Foundation Stone laying of Office Building of Kallyanpur S&D Division by the Honorable Chairman of DESCO Board (former), Brig. General Nazrul Hasan, Managing Director and other Directors and high officials of DESCO

events highlights



Contract Signing Ceremony between DESCO & Asian Development Bank



Board of Directors attended in the 10th Annual General Meeting.



Honorable Adviser, Ministry of Energy and Mineral Resources Mr. Tapan Chowdhury visited Prepaid Meter production unit of DESCO at Mirpur, Dhaka with the Managing Director of DESCO, Engr. Saleh Ahmed.



Honorable Shareholders attended in the 10th Annual General Meeting.



Handover and Takeover of Tongi Municipal Area

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, 2007 and the related Income Statement & Cash Flows and Notes to Financial Statements from 1 to 41 for the year ended June 30, 2007. 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 (BSA). 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, 2007 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 and 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.



Aziz Halim Khair Choudhury
Chartered Accountants

28 October 2007
Dhaka





financial statements

BALANCE SHEET

as on 30 June 2007

	Note	Taka	
		30 June 2007	30 June 2006
APPLICATION OF FUND			
Non Current Assets			
Property, Plant & Equipment (At cost)	2	8,704,057,866	6,746,784,888
Accumulated Depreciation		(1,784,757,896)	(1,315,667,986)
		6,919,299,970	5,431,116,902
Capital Work -in- Progress	3	68,146,338	585,041,366
		68,146,338	585,041,366
Current Assets			
Stores and Spares	4	916,718,318	1,392,045,595
Accounts Receivable	5	1,877,281,945	2,219,094,213
Advances & Deposits	6	106,318,194	471,419,050
Advance Income Tax	7	87,949,401	67,990,290
Cash and Bank Balances	8	5,667,737,072	3,301,446,379
		8,656,004,931	7,451,995,528
Current Liabilities			
Creditors for Goods	9	21,199,975	200,353,754
Creditors for Expenses	10	82,360,213	31,886,153
Creditors for Other Finance	11	560,198,171	230,560,914
Accounts Payable	12	1,124,486,916	1,314,567,514
Current Maturity of Long Term Loans	13	172,387,673	104,619,848
Accrued Interest on Loans	14	1,040,511,410	827,878,505
Provision for Income Tax	15	260,749,184	110,749,184
		3,261,893,543	2,820,615,872
Net Current Assets		5,394,111,389	4,631,379,656
		12,381,557,697	10,647,537,925
SOURCES OF FUND			
Shareholders Equity			
Share Capital	16	1,271,194,000	1,271,194,000
Share Money Deposit	17	75,000,000	75,000,000
GOB Equity	18	1,241,940,000	1,235,940,000
Proposed Dividend	35	317,798,500	254,238,800
Un-appropriated Profit	19	882,996,127	413,600,294
		3,788,928,627	3,249,973,094
Non Current Liabilities			
Deferred Tax Liability	33.2	1,058,542,769	658,542,769
Long Term Loan from ADB/GOB	20	3,422,286,180	3,536,531,284
Loan from DESA (Against Assets)	21	3,666,534,532	2,871,494,532
Consumer Security Deposits	22	445,265,589	330,996,246
		8,592,629,071	7,397,564,831
		12,381,557,697	10,647,537,925

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 25 October 2007 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, 28 October, 2007

Aziz Halim Khair Choudhury
Chartered Accountants

INCOME STATEMENT

for the year ended 30 June 2007

	Note	Taka	
		2006-2007	2005-2006
Operating Revenue			
Energy Sales (Net of VAT)	23	7,219,587,714	6,280,068,262
Other Operating Revenue	24	161,691,524	44,910,911
Total Revenue from Operation		7,381,279,238	6,324,979,173
Cost of energy Sales			
Energy Purchase	25	4,946,360,677	4,390,393,141
Operating Expenses	26	393,778,258	79,400,787
Depreciation (Operating)	32	442,201,454	366,976,252
		5,782,340,389	4,836,770,179
Gross Margin		1,598,938,849	1,488,208,994
Cost & Expenditures			
Administrative Expenses	27	73,721,100	58,406,560
Employee Expenses	28	206,076,932	152,346,234
Bad Debts Provision	1.9	9,573,967	11,206,606
Depreciation (Non Operating)	32	27,364,536	18,966,036
		316,736,535	240,925,436
Operating Profit		1,282,202,314	1,247,283,558
Non Operating Income/(Expense)			
Interest Expense (Net)	29	(36,677,608)	(168,879,609)
Exchange Gain/(Loss)	30	5,657,843	(208,289,805)
Miscellaneous Income	31	9,895,781	4,128,068
Total Non Operating Income/(Expense)		(21,123,984)	(373,041,346)
Net Profit before tax		1,261,078,330	874,242,212
Income Tax Expense			
Current Tax Provision	33.1	(150,000,000)	(100,000,000)
Deferred Tax Provision	33.2	(400,000,000)	(195,534,612)
		(550,000,000)	(295,534,612)
Net Profit After Tax		711,078,330	578,707,600
Adjustment related to previous years	34	76,116,003	(463,008,156)
Profit brought forward		413,600,294	552,139,650
Profit available for appropriations		1,200,794,627	667,839,094
Proposed Dividend	35	(317,798,500)	(254,238,800)
Unappropriated Profit carried forward		882,996,127	413,600,294
Earning per share		55.94	45.52

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 25 October 2007 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, 28 October, 2007

Aziz Halim Khair Choudhury
Chartered Accountants

CASH FLOW STATEMENT for the year ended 30 June 2007

	<i>Taka</i>	
	2006-2007	2005-2006
A. Cash Flow from operating Activities		
Received from Energy Sales	7,697,598,455	6,224,269,826
Collection of Govt. Duty, VAT & Tax	379,435,343	307,819,350
Received from Other Operating & Non Operating Activities	796,720,657	168,625,066
Received against Financial Income	193,792,063	77,695,955
Payment for Energy Purchase	(5,146,107,768)	(4,487,847,077)
Payment for Employee Expenses	(206,076,932)	(137,944,720)
Payment for Administrative & Other Expenses	(422,376,798)	(395,120,165)
Payment for Interest on Long Term Loan	(71,150,586)	(27,280,561)
Payment for Govt. Duty, VAT & Tax	(425,419,409)	(323,217,589)
Net cash inflow from operating activities:	2,796,415,025	1,407,000,085
B. Cash Flow from Investing Activities		
Acquisition of Property & Plant	(125,343,881)	(464,074,661)
Acquisition of Stores & Equipment	(131,275,740)	(902,836,877)
Net cash used in investing activities:	(256,619,621)	(1,366,911,538)
C. Cash Flow from Financing Activities		
Long Term Loan	10,000,000	1,125,272,586
Dividend Paid	(252,954,618)	-
Long Term Loan Paid	(44,819,436)	(274,033,800)
Consumer Security Deposits	114,269,343	75,343,912
Net cash inflow from financing activities:	(173,504,711)	926,582,698
D. Cash & Cash equivalents increase /(decrease) during the year	2,366,290,693	966,671,245
E. Cash & Cash equivalents at the beginning of the year	3,301,446,379	2,334,775,134
F. Cash & Cash equivalents at the ending of the year	5,667,737,072	3,301,446,379

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 25 October 2007 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, 28 October, 2007

Aziz Halim Khair Choudhury
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2007

Particulars	Taka					
	Share Capital	Share Money Deposit	GOB Equity	Reserve & Surplus	Proposed Dividend	Total
Balance at 1 st July 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	-	-	-	-
Prior year's adjustment	-	-	-	(463,008,156)	-	(463,008,156)
Balance at 30 June 2006	1,271,194,000	75,000,000	1,235,940,000	413,600,294	254,238,800	3,249,973,094
Balance at 1 st July 2006	1,271,194,000	75,000,000	1,235,940,000	413,600,294	254,238,800	3,249,973,094
GOB Equity	-	-	6,000,000	-	-	6,000,000
Net profit for the year	-	-	-	711,078,330	-	711,078,330
Prior year's adjustment	-	-	-	76,116,003	-	76,116,003
Proposed Dividend	(317,798,500)	317,798,500	-	-	-	-
Dividend paid	-	-	-	-	(254,238,800)	(254,238,800)
Balance at 30 June 2007	1,271,194,000	75,000,000	1,241,940,000	882,996,127	317,798,500	3,788,928,627

These financial statements should be read in conjunction with the annexed notes. The financial statements were authorised for issue by Board of Directors on 25 October 2007 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, 28 October, 2007

Aziz Halim Khair Choudhury
Chartered Accountants

notes to the
financial state-
ments
for the year
ended
30 june 2007

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 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.

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 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 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.

1.4 Property, Plant & Equipment

1.4.1 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.

1.4.2 Valuation of assets taken over from DESA

1.4.2.1 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.

1.4.2.2 DESCO also took over the greater Gulshan area on 9 April, 2003 and Tongi Area on 4 March 2007. The documents constituting the Property, Plant & Equipment of greater Gulshan and Tongi 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 by DESCO at Tk.1998.92 million, while those of Tongi Area at Tk.795.04 million.

1.4.2.3 During the previous 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.

1.4.2.4 Expression of Interest (EOI) was invited from competent consultants to physically verify and value the operating assets of the company. Award of contract to the successful bidders have been made and the valuation work is under process. The consultants are expected to submit their reports by December 2007.

1.4.3 Depreciation

(a) Depreciation is charged on 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) Land acquired from Rajdhani Unnayan Kartripackha (RAJUK) and National Housing Authority (NHA) is on 99 years lease. No amortization of the lease is considered.
- (c) 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. However full year's depreciation has been charged on assets in Tongi area though these were taken over on 04 March 2007.
- (d) Depreciation on the assets taken over in Gulshan and Tongi area has been charged on the value and economic life as provisionally estimated by DESCO.

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/gain arising out of the said conversion is recognized as expense/ income for the year in accordance with BAS-21.

1.7 Revenue Recognition

The Company recognizes revenue on bills issued to the consumers for consumption of Energy.

Other operating income arising from connection/disconnection fees, bills of materials, meter testing fees etc, are recognized on cash basis.

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

(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% to DESCO employees. DESA is represented on the Board of the Company by its Chairman.

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 (12,711,940) outstanding during the year. However, neither the "GOB Equity" nor the "Share Deposit" amounts have been considered for determining EPS.

1.12 Retirement Benefit Plans

1.12.1 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.

1.12.2 Gratuity

The Company maintains an approved Gratuity Fund 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 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 BAS 26.

1.12.3 Group Insurance

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

1.13 Deferred Tax

The Company recognizes 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.

1.14 Borrowing Cost

Interest on borrowed funds for projects is charged as expense.

1.15 Reporting Currencies

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

1.16 Reporting Period

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

Taka

2 PROPERTY, PLANT & EQUIPMENT

Cost

	2006-2007	2005-2006
Balance at 1 st July	6,746,784,889	5,383,419,946
Less: Adjustment relating to previous year	(1,057,950)	-
	6,745,726,939	5,383,419,946
Additions during the year	1,958,330,927	1,363,364,942
Balance at 30 th June	8,704,057,866	6,746,784,888
Depreciation		
Balance at 1 st July	1,315,667,986	929,725,699
Less: Adjustment relating to previous year	(476,078)	-
	1,315,191,908	929,725,699
Charged for the year	469,565,989	385,942,287
	1,784,757,896	1,315,667,986
Balance at 30 th June	6,919,299,970	5,431,116,902

2.1

Adjustment relating to previous year represents fees paid to Bangladesh Telecommunication Regulatory Commission (BTRC) erroneously capitalized in previous year under "Office Equipment".

2.2

Additions include Tk.795.04 million being the estimated value of assets of Tongi area taken over from DESA.

2.3

Details are shown in Annexur-1 attached.

3 CAPITAL WORK -IN- PROGRESS

33KV & 11KV UG Cable Line (Note 3.1)	20,623,499	-
Data Acquisition System (Note 3.2)	1,811,829	-
Prepaid Meter Project	35,635,000	35,635,000
Boundary Wall Central Store/Bounia S/s	10,076,010	-
11KV Switching Station	-	2,286,068
Sub-Station	-	547,120,298
	68,146,338	585,041,366

3.1

33KV & 11KV under ground cable works are in progress at Uttara & Mirpur respectively. The total contract price of the two works is Tk.44.91 million.

3.2

The Company entered into an agreement with Bureau of Research, Testing and Consultation (BRTC) to implement Data Acquisition System (DAS) whereby different parameters of power quality would be available at 33KV & 11KV level for System Design and Characteristics Identification. The System is expected to be upgraded to SCADA level. The total contract price is Tk19.12 million.

		<i>Taka</i>	
		2006-2007	2005-2006
4	STORES & SPARES		
	Stores & Spares (Note 4.1)	916,632,039	1,341,049,821
	Stores in Transit (Note 4.2)	86,279	50,995,774
		916,718,318	1,392,045,595
4.1			
	Stores & Spares have been valued at weighted average cost.		
4.2			
	This represents L/C charge paid against import of materials.		
5	ACCOUNTS RECEIVABLE		
	Receivable from Consumers (Note 5.1)	1,914,793,379	2,241,321,182
	Less: Provision for doubtful debts	(42,278,563)	(32,704,596)
		1,872,514,816	2,208,616,586
	Accrued Interest on FDR	2,221,750	9,106,750
	Expenses recoverable from employees	344,202	633,951
	DESA (Note 5.2)	548,995	-
	Others	1,652,182	736,925
		1,877,281,945	2,219,094,213
5.1			
	Receivable from consumers are as follows:		
	Government (Eqv. month 2.59)	118,885,667	359,511,467
	Semi- Government/Autonomous (Eqv. month 2.74)	123,723,146	377,310,495
	Private (Eqv. month 3.14)	1,672,184,566	1,504,499,220
		1,914,793,379	2,241,321,182
5.2			
	DESA has disputed the amount of receivable in their confirmation letter.		
6	ADVANCES & DEPOSITS		
	Advances		
	Against goods and services (Note 6.1)	51,544,107	35,994,307
	Employees against purchase & others	2,983,554	2,756,366
	BPDB against energy bill	-	400,000,000
		54,527,661	438,750,673
	Security Deposits:		
	Telephone/ Mobile	648,621	638,621
	City Corporation (against road work)	50,428,050	31,322,245
	WASA	10,441	10,410
	Central Depository Bangladesh Ltd (CDBL)	500,000	500,000
	Others	203,421	197,100
		51,790,533	32,668,377
		106,318,194	471,419,050

Taka

2006-2007

2005-2006

6.1

Advance against goods & services includes Tk.25.28 million paid to Bangladesh Power Development Board (BPDB) against purchase of spun pre-stressed concrete (SPC) poles, Tk.20 million paid to GEMCO for purchase of transformers and Tk.3.49 million paid to BRTC, BUET against E-Governance Project.

7 ADVANCE INCOME TAX:

This is made-up as follows:

Balance at 1 st July	67,990,290	47,745,806
Deducted at source (on interest on FDR & STD)	19,639,659	12,057,022
Deducted at source (on imported materials)	319,452	8,187,462
Balance at 30 th June	87,949,401	67,990,290

8 CASH & BANK BALANCES:

Cash in Hand	40,668	37,065
Imprest Cash with S&D Division	507,405	417,000
Cash at Banks (Note 8.1)	5,667,188,999	3,300,992,314
	5,667,737,072	3,301,446,379

8.1 Cash at Banks

Current Account (Revenue Collection)	878,852,333	755,299,332
Current Account (VAT)	32,295,812	45,141,473
STD Accounts	1,153,733,701	947,348,614
Fixed Deposits	3,602,307,153	1,553,202,895
	5,667,188,999	3,300,992,314

Fixed Deposits include Tk.120.07 million with Oriental Bank Ltd. The FDR 's have been matured but the bank is not been able to pay the amount due to withdrawal restriction imposed by Bangladesh Bank.

9 CREDITORS FOR GOODS

Equipment & Materials (Note 9.1)	21,199,975	200,353,754
	21,199,975	200,353,754

9.1

This includes Tk 7.27 million payable to BTRC, BUET against Phase-1, Prepaid Meter, Tk.2.88 million to EHA Engineers against construction work, and Tk.5.5 million to Rangs Ltd, against purchase of Vehicles.

10 CREDITORS FOR EXPENSES

Audit Fees	137,800	156,925
Contribution to Provident Fund	1,475,593	748,539
Contribution to Gratuity Fund	15,877,711	-
Unpaid Dividend	1,284,182	-
Line maintenance & commercial services	63,584,927	30,980,689
	82,360,213	31,886,153

		<i>Taka</i>	
		<u>2006-2007</u>	<u>2005-2006</u>
11	CREDITORS FOR OTHER FINANCE		
	VAT collected against electricity bills	32,436,385	45,753,189
	Tax/VAT deducted from contractors, suppliers & others	916,633	147,635
	Retention money (contractors & suppliers)	24,578,801	18,356,023
	Receipt against Deposit Work (Purbachal)	340,000,000	-
	Others (Note 11.1)	162,266,352	166,304,066
		<u>560,198,171</u>	<u>230,560,914</u>
	11.1		
	In the year 2005-06, this included Tk23.40 million on account of Meter Rent, which has been transferred to prior year's adjustment in this year.		
12	ACCOUNTS PAYABLE		
	Bangladesh Power Development Board (Note 12.1)	1,016,526,692	765,155,484
	Power Grid Company of Bangladesh (Note 12.2)	107,960,224	90,322,906
	Dhaka Electric Supply Authority	-	459,089,124
		<u>1,124,486,916</u>	<u>1,314,567,514</u>
	12.1 Accounts Payable - BPDB		
	Balance at 1 st July	765,155,484	714,161,906
	Energy purchased during the year	4,444,296,442	3,926,872,833
		<u>5,209,451,926</u>	<u>4,641,034,739</u>
	Payment made during the year	(4,192,925,234)	(3,875,879,255)
	Balance at 30 th June	<u>1,016,526,692</u>	<u>765,155,484</u>
	The amount payable has not been confirmed by BPDB.		
	12.2 Accounts Payable - PGCB		
	Balance at 1 st July	90,322,906	83,745,585
	Wheeling charge during the year	502,064,235	463,520,309
		<u>592,387,141</u>	<u>547,265,894</u>
	Payment made during the year	(484,426,917)	(456,942,988)
	Balance at 30 th June	<u>107,960,224</u>	<u>90,322,906</u>
	The amount payable has not been confirmed by PGCB.		
13	CURRENT MATURITY OF LONG TERM LOANS:		
	ADB Loan No-1505 (Note 13.1)	41,253,173	34,789,200
	ADB Loan No-1731 (Note 13.2)	118,624,500	59,420,648
	GOB Loan (Note 13.3)	12,510,000	10,410,000
		<u>172,387,673</u>	<u>104,619,848</u>

13.1 ADB (Loan No 1505)

	2006-2007		2005-2006	
	\$	Taka	\$	Taka
Balance at 1 st July	498,934	34,789,200	329,128	21,162,930
Transfer from long term loan	588,172	40,936,765	493,487	34,409,436
	1,087,106	75,725,965	822,615	55,572,366
Paid during the year	(494,388)	(34,409,436)	(323,681)	(20,812,700)
	592,718	41,316,529	498,934	34,759,666
Exchange loss (Gain)	-	(63,356)	-	29,534
Balance at 30 th June	592,718	41,253,173	498,934	34,789,200

13.2 ADB (Loan No 1731)

	2006-2007		2005-2006	
	\$	Taka	\$	Taka
Balance at 1 st July	852,188	59,420,648	852,188	59,420,648
Transfer from long term loan	852,188	59,312,285	-	-
	1,704,375	118,732,933	852,188	59,420,648
Paid during the year	-	-	-	-
	1,704,375	118,732,933	852,188	59,420,648
Exchange Loss/(Gain)	-	(108,433)	-	-
Balance at 30 th June	1,704,375	118,624,500	852,188	59,420,648

13.3 GOB Loan

Balance at 1 st July	10,410,000	6,410,000
Transfer from long term loan	12,510,000	10,410,000
	22,920,000	16,820,000
Paid during the year	(10,410,000)	(6,410,000)
Balance at 30 th June	12,510,000	10,410,000

14 ACCRUED INTEREST ON LOANS

8% Interest payable on ADB Loan	889,797,210	697,923,539
7% Interest payable on 40% (Debt Portion) of GOB Loan	150,714,200	129,954,966
	1,040,511,410	827,878,505

15 PROVISION FOR INCOME TAX

Balance at 1 st July	110,749,184	10,749,184
Provided during the year (Note 32.1)	150,000,000	100,000,000
Balance at 30 th June	260,749,184	110,749,184

16 SHARE CAPITAL

Authorized

50000000 ordinary shares @Tk.100 each	5,000,000,000	5,000,000,000
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Issued & subscribed

750000 ordinary shares @Tk.100 each, fully paid up in cash	75,000,000	75,000,000
11961940 ordinary shares @Tk.100 each, for consideration against Mirpur assets taken over from DESA	1,196,194,000	1,196,194,000
12,711,940 Shares	1,271,194,000	1,271,194,000

Taka**2006-2007****2005-2006****16.1 Composition of Shareholding**

The composition of Share holding position as of 30th June, 2007 are as follows:

	No of share holders	Number of share	% of share
Sponsors (DESA)	7	9,533,955	75.00%
General Public	1356	1,109,685	8.73%
Financial Institution	138	1,131,350	8.90%
Mutual Fund	1	2,250	0.02%
Investor A/C	16	872,150	6.86%
Unit Fund	2	62,550	0.49%
	1520	12,711,940	100.00

16.2 Distribution Schedule

The Distribution Schedule as of 30th June, 2007 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	1167	76.78%	153,253	1.21%
500 to 5000	310	48.82%	396,800	3.12%
5001 to 10000	10	1.57%	69,250	0.54%
10001 to 20000	8	1.26%	111,500	0.88%
20001 to 30000	1	0.16%	21,150	0.17%
30001 to 40000	3	0.47%	102,100	0.80%
40001 to 50000	5	0.79%	231,450	1.82%
50001 to 100000	10	1.57%	599,750	4.72%
100001 to 1000000	5	0.79%	1,492,750	11.74%
1000001 to 10000000	1	0.16%	9,533,937	75.00%
	1520	100%	12,711,940	100%

17 SHARE MONEY DEPOSIT**75,000,000****75,000,000**

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

18 GOB EQUITY**1,241,940,000****1,235,940,000**

This represents 60% of loan received from the Government as "Equity" under Annual Development Program (ADP), the balance 40% being shown as loan. In the absence of any Govt. directive, no share have been issued against such equity.

19 UN-APPROPRIATED PROFIT

Balance at 1 st July	413,600,294	552,139,650
Prior year's adjustment (Note 34)	76,116,003	(463,008,156)
Net Profit for the year	711,078,330	578,707,600
Balance at 30 th June	1,200,794,627	667,839,094
Proposed Dividend	(317,798,500)	(254,238,800)
	882,996,127	413,600,294

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20 LONG TERM LOANS

Loan from Asian Development Bank (ADB)

Loan No 1505 (Note 20.1)

Loan No 1731 (Note 20.2)

Loan from Government of Bangladesh (Note 20.3)

	2006-2007	2005-2006
Loan No 1505 (Note 20.1)	1,147,019,902	1,190,127,797
Loan No 1731 (Note 20.2)	1,754,522,910	1,817,150,119
	2,901,542,811	3,007,277,915
Loan from Government of Bangladesh (Note 20.3)	520,743,369	529,253,369
	3,422,286,180	3,536,531,284

20.1 Loan from ADB (No - 1505, 9th Power Project)

This has been arrived at as under

	2006-2007		2005-2006	
	\$	Taka	\$	Taka
Balance at 1 st July	17,068,343	1,190,127,797	17,561,830	1,129,225,619
Drawn	-	-	-	-
	17,068,343	1,190,127,797	17,561,830	1,129,225,619
Transfer to Current Liability	(588,172)	(40,936,765)	(493,487)	(34,409,436)
	16,480,171	1,149,191,032	17,068,343	1,094,816,183
Exchange Loss/(Gain)	-	(2,171,130)	-	95,311,614
Balance at 30 th June	16,480,171	1,147,019,902	17,068,343	1,190,127,797

20.1.1 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.

20.1.2 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.

20.1.3 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).

20.1.4 The term of the project under which the loan was sanctioned expired on 30th June, 2004.

20.2 Loan from ADB (No - 1731, 10th Power Project)

This has been arrived at as under

	2006-2007		2005-2006	
	\$	Taka	\$	Taka
Balance at 1 st July	26,060,851	1,817,150,119	17,061,497	1,097,054,228
Add Drawn	-	-	9,851,541	666,567,882
	26,060,851	1,817,150,119	26,913,038	1,763,622,110
Transfer to Current Liability	(852,188)	(59,312,285)	(852,188)	(59,420,648)
	25,208,663	1,757,837,834	26,060,851	1,704,201,462
Exchange Loss/(Gain)	-	(3,314,924)	-	112,948,657
Balance at 30 th June	25,208,663	1,754,522,910	26,060,851	1,817,150,119

Taka

2006-2007	2005-2006
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- 20.2.1 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.
- 20.2.2 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.
- 20.2.3 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).
- 20.2.4 The term of the project under which the loan was sanctioned expired on 30th June, 2006.

20.3 Loan from GOB

This has been arrived at as under

Balance at 1 st July	529,253,369	553,282,439
Received during the year	4,000,000	223,400,000
	533,253,369	776,682,439
Refund during the year	-	(237,019,070)
	533,253,369	539,663,369
Transfer to Current Liability	(12,510,000)	(10,410,000)
Balance at 30 th June	520,743,369	529,253,369

20.3.1 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 project related expenses. The balance 60% is accounted for under "GOB Equity".

20.3.2 The loan carries interest at 7% p.a, and is repayable as per Debt Service Liability (DSL) schedule provided by the Government.

21 LOAN FROM DESA (AGAINST ASSETS)

Balance at 1 st July, 2007 (Note 21.1)	2,871,494,532	1,998,920,000
Addition during the year for assets (Note 21.2)	795,040,000	872,574,532
Balance at 30 th June	3,666,534,532	2,871,494,532

21.1

This represents the provisionally estimated value of assets of greater Gulshan area and two grid Sub-station which have been taken over from DESA.

21.2

This represents the provisionally estimated value of assets of Tongi area which have been taken over from DESA on 04 March 2007.

Taka

22 CONSUMER SECURITY DEPOSITS

	2006-2007	2005-2006
Balance at 1 st July	330,996,246	256,528,919
Received during the year	116,913,891	75,343,912
	447,910,137	331,872,831
Refunded during the year	(2,644,548)	(876,585)
Balance at 30 th June	445,265,589	330,996,246

This represents security deposit received from consumers against connections given by the company. Security deposits from consumers taken over from DESA have been retained by DESA, and not reflected in these accounts.

23 ENERGY SALES

	Tariff	%		
Domestic	A	41.05	2,963,181,973	2,970,472,288
Agricultural Pumping	B	0.01	721,847	628,007
Small Industries	C	6.05	436,717,441	407,576,430
Non-Residential	D	1.56	112,608,133	116,809,270
Commercial & Office	E	12.08	871,991,187	535,061,816
Medium Voltage	F	36.49	2,634,019,737	2,172,275,612
Street Light, Pump	J	0.13	9,384,011	27,004,294
High Voltage	H	0.42	30,317,574	1,256,014
Construction & others	2E	2.21	159,528,189	48,984,532
		100	7,219,587,714	6,280,068,262

24 OTHER OPERATING REVENUE

	161,691,524	44,910,911
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This represents disconnection/reconnection fees, bills of materials, meter testing fees, meter rent etc.

25 ENERGY PURCHASE

2006-2007		2005-2006	
Unit (KWH)	Taka	Unit (KWH)	Taka
2,191,463,265	4,946,360,677	2,023,222,646	4,390,393,141

25.1

Electricity is purchased solely from Bangladesh Power Development Board (BPDB) at the rate of Tk.1.9409 per KWH, which was enhanced to Tk 2.1935/KWH effective from March 2007. The company also pays wheeling charge to Power Grid Co. Ltd (PGCB) at Tk 0.2291/KWH.

26 OPERATING EXPENSES

Commercial Support Services	42,310,112	30,034,999
Schedule & Preventive Maintenance	67,860,816	47,901,748
Special Action Team & Collection Drive	1,833,120	1,403,791
Consultancy Fees for Distribution network	3,097,226	2,638,413
Monitoring Cell expenses	3,309,723	1,776,991
Installation & Replacement of Meters (Note 26.1)	148,047,613	2,035,490
Maintenance of distribution of line & equipment (Note 26.1)	120,336,970	2,887,298
Repair & Maintenance of Transformer (Note 26.2)	26,675,679	8,806,131
Revenue Stamp Charge Against Consumer Bill	8,814,272	7,856,742
System maintenance & Rehabilitation	253,688	284,081
	422,539,220	105,625,684
Less: Received against Deposit Works	(28,760,962)	(26,224,897)
	393,778,258	79,400,787

Taka**26.1**

During the year extensive meter replacement & line renovation works was carried out in all S&D divisions by way replacement of defective / tampered meters. Maintenance of distribution Line & Equipment amount is arrived at after deduction of Tk.2,105,952 for store adjustment (surplus) arising from year-end physical inventory.

26.2

The Company's transformer workshop went into full operation during the year; about 93 nos of single phase and 162 nos of three phase transformers were repaired during the year.

27 ADMINISTRATION EXPENSES

	2006-2007	2005-2006
Audit Fees	95,825	151,125
Advertisement & Notice	4,598,230	2,504,827
Annual General Meeting	1,380,545	575,890
Annual Staff Meeting	21,292	428,061
Bank charges	597,303	1,091,663
Conveyance	1,055,553	795,145
Directors' Fees	391,000	242,000
Electricity, gas & water	11,612,976	11,324,368
Entertainment	2,599,187	2,497,305
Fuel for Vehicles	7,829,923	6,920,615
Honorarium	1,311,250	993,024
Insurance of vehicles	1,328,278	982,124
Legal Fees	2,114,474	688,598
Newspaper & Periodicals	255,142	253,205
Office maintenance	1,765,973	1,376,899
Office Rent	4,290,600	3,544,503
Office Security	4,391,828	2,847,411
Postage , telephone & internet	4,013,288	2,833,442
Printing & Stationery	7,441,965	7,268,994
Rates & Taxes	64,561	245,712
Repair & Maintenance of Non operating Assets	10,112,055	2,575,727
Repair & Servicing of Vehicle	4,189,922	2,292,296
Recruitment Expenses	144,530	98,570
Survey & Consultancy fees	374,491	138,367
Staff Training	1,227,693	795,145
Share offloading Expenses	-	4,319,507
Annual Listing Fee/Service Charge	263,282	-
Miscellaneous	249,934	622,037
	73,721,100	58,406,560

28 EMPLOYEES EXPENSES

Salary & Allowances (Note 28.1)	147,960,747	111,048,400
Employees Welfare & Recreation	265,000	1,040,897
Festival Bonus	12,689,890	11,134,700
Incentive Bonus	12,663,990	11,230,000
Company's Contribution to Provident Fund	6,932,169	4,061,008
Company's Contribution to Gratuity Fund	16,543,811	7,051,850
Group Insurance premium	3,088,202	3,128,244
Electricity Expense reimbursed (Note 28.2)	2,852,682	1,760,005
Medical Expense reimbursed (Note 28.3)	2,675,761	1,864,388
Uniform & Liveries	404,680	26,742
	206,076,932	152,346,234

Taka**2006-2007****2005-2006****28.1**

Salary & allowances includes Tk.3,884,660 as remuneration to the Management, comprising the Managing Director, Director (Technical) and Director (Finance).

28.2

Electricity bills are reimbursed to employees against domestic consumption on actual basis, subject to ceiling.

28.3

Medical expenses are reimbursed on actual basis, subject to ceiling.

29 INTEREST EXPENSE (NET)

Interest earned on STD/FDR	194,020,551	69,165,127
Interest Expense against ADB/GOB Loan	(283,783,491)	(238,044,737)
Late payment Charge (Note 29.1)	53,085,332	-
	(36,677,608)	(168,879,609)

29.1

LPC recovered in previous year (2005-2006) has been shown in "Adjustment relating to previous years " (Note 34)

30 EXCHANGE LOSS

5,657,843	(208,289,805)
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This represents gain arising from conversion of foreign currency loan into taka at balance sheet date at Tk.69.60/\$1. (2005-2006: Tk69.72/\$1)

31 MISCELLANEOUS INCOME

Sale of Tender Documents	146,700	465,200
Sale of Obsolete Store Materials	9,749,080	3,662,868
	9,895,781	4,128,068

32 DEPRECIATION

Depreciation (Operating)	442,201,454	366,976,252
Depreciation (Non operating)	27,364,536	18,966,036
	469,565,990	385,942,288

33 INCOME TAX**33.1 Current Tax Provision**

The provision of Tk.150 million this year has been made on lump- sum basis considering tax on interest income on fixed deposits & STD accounts and probable 'add-backs' by the DCT. The company has an assessed "Tax Loss" of Tk.841.98 million up to Assessment Year 2004-2005 available for set-off against future profits.

33.2 Deferred Tax Provision

The company has recognized deferred tax liability arising out of timing difference arising out of depreciation charged in the accounts and that allowed for tax purpose. Deferred tax provided for the year is estimated at Tk.400 million.

Taka

	2006-2007	2005-2006
34 ADJUSTMENT RELATED TO PREVIOUS YEAR		
The amount has been arrived at as follows:		
Fees paid to BTRC capitalized in previous year (net)	581,872)	-
Late Payment Charge (LPC) realized in previous year credited to other liability	39,371,208	-
Value of excess stores arising from physical verification in previous year credited to other liability	13,919,757	-
Meter Cost & Meter Rent credited to other liability	23,406,910	-
Deferred tax provision relating to previous year	-	(463,008,156)
	76,116,003	(463,008,156)

35 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 25 October 2007 recommended dividend of Tk.25/- per share (amounting to Tk.317,798,500) which is shown under "Shareholders Equity" as per BAS-10. The dividend proposal is subject to shareholders' approval at the forthcoming 11th AGM.

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.

36 CONTINGENT LIABILITY

As the value of assets taken over from DESA in the Gulshan and Tongi area have been estimated, the Company may have to incur additional cost after finalization of the value of the assets.

37 CLAIM NOT ACKNOWLEDGED AS DEBT

There was no claim against the company not acknowledged as debt as on 30 June 2007.

38 CREDIT FACILITY AVAILED

There was no credit facility availed to the company under any contract as on June 30, 2007 other than trade credit available in the ordinary course of business.

39 CAPITAL COMMITMENT

39.1

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.

39.2

The Company has entered into contracts for various construction works, land development, installation renovation and dismantling O/H and U/G cables to the tune of Tk.37.84 million, works of which will be started in the next financial year.

40 EMPLOYEES' SALARY

The company paid an aggregate amount of Tk.36000 or more to 835 employees (2005-06: 782 employees) who were in employment for full year. There was no employee drawing less than Tk.36000 per year.

41 GENERAL

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

SCHEDULE OF PROPERTY, PLANT & EQUIPMENT

as on 30 June 2007

Annexure-1

Sl No.	Category of Assets	Cost				Rate	Balance as on 01-07-06	Charged during the year	Depreciation			Written down value as on 30-6-07	Written down value as on 30-6-06
		Balance as on 01-07-06	Addition during the year	Adjustment	Total as on 30-6-2007				Adjustment	Total as on 30-6-07	Written down value as on 30-6-07		
1	Land	520,763,883	357,421,245	-	878,185,128	-	-	-	-	-	878,185,128	520,763,883	
2	Building	134,723,756	18,692,463	-	153,416,219	2.50%	15,801,689	5,095,094	-	20,896,783	132,519,436	118,922,067	
3	Motor Vehicles	48,886,485	42,729,567	-	91,616,052	20%	29,616,979	15,405,210	-	45,022,189	46,593,863	19,269,506	
4	Furniture & Fixture	13,387,579	5,231,815	-	18,619,394	10%	3,807,682	1,497,808	-	5,305,490	13,313,904	9,579,897	
5	Office Equipment	54,503,311	22,972,820	1,057,950	76,418,181	15%	20,209,847	10,461,518	476,078	30,195,287	46,222,893	34,293,464	
6	Distribution Equipment	1,328,371,309	907,770,051	-	2,236,141,360	2%-10%	236,783,733	114,787,799	-	351,571,532	1,884,569,828	1,091,587,576	
7	Cables	4,646,148,566	603,512,965	-	5,249,661,532	2%-10%	1,009,448,056	322,318,560	-	1,331,766,614	3,917,894,918	3,636,700,513	
	Total	6,746,784,889	1,958,330,926	1,057,950	8,704,057,866		1,315,667,986	469,565,989	476,078	1,784,757,896	6,919,299,970	5,431,116,902	

*Building includes Store Godown Sheds

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

TARIFF

Sl No.	Tariff Category	Consumption Slab	Unit	Present Tariff (from March 01, 2007)
				Taka
1.	Domestic - A	1st	000 to 100	2.50
		2nd	101 to 400	3.15
		3rd	above 400	5.25
2.	Small Industries - C	Flat Rate	-	4.02
		Off-Peak hour	-	3.20
		Peak hour	-	5.62
3.	Non-Residential - D		-	3.35
4.	Commercial & Office - E	Flat Rate	-	5.30
		Off-Peak hour	-	3.80
		Peak hour	-	8.20
5.	Medium Voltage - F	Flat Rate	-	3.80
		Off-Peak hour	-	3.14
		Peak hour	-	6.73
6.	Street Light & Pump - J		-	3.86
7.	BPDB to DESCO			2.1609
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 11th Annual General Meeting of the Company to be held on Tuesday, the 19th February, 2008
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, 2008.

Affix
Revenue
Stamp

(Signature of the proxy)

(Signature of the Shareholder)

BO ID No. :

BO ID No. :

Date:

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 17th February, 2008.

Signature Verified

Authorized Signatory

Dhaka Electric Supply Company Ltd. (DESCO)

ATTENDANCE SLIP

I hereby record my attendance at the 11th Annual General Meeting being held on Tuesday, the 19th February, 2008 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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