

# Audited Project Financial Statements

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Project Number: 38456-037  
Loan Number: 3096  
Period covered: 01 July 2015 to 30 June 2016

## PAK: Power Distribution Enhancement Investment Program, Tranche 4

Prepared by Lahore Electric Supply Company

For the Asian Development Bank  
Date received by ADB: 30 December 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Lahore Electric Supply Company.

ASIAN DEVELOPMENT BANK  
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ISLAMABAD



**Financial Attest Audit Report on the  
Accounts of Power Distribution Enhancement  
Investment Program Tranche-IV Lahore  
Electric Supply Company Limited (LESCO),  
Asian Development Bank (ADB) Loan No.  
3096-PAK for the Financial Year 2015-16**

**Auditor-General of Pakistan Islamabad**

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## ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AGP	Auditor-General of Pakistan
Dev	Development
DISCO	Distribution Companies
GOP	Government of Pakistan
ISSAI	International Standards of Supreme Audit Institutions
KV	Kilo volt
LC	Letter of Credit
LD	Liquidated Damages
LESCO	Lahore Electric Supply Company
MVA	Mega volt ampere
NTDC	National Transmission and Dispatch Company
PC-I	Planning Commission Performa-I
PD	Project Director
PDEIP	Power Distribution Enhancement Investment Program
PEPCO	Pakistan Electric Power Company
PMU	Project Management Unit
SCC	Special Conditions of contract
STG	Secondary Transmission Grid
WAPDA	Water and Power Development Authority

## PREFACE

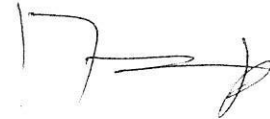
The Auditor-General of Pakistan conducts audit subject to Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The audit of Power Distribution Enhancement Investment Program Tranche-IV under ADB Loan-3096-Pak (LESCO portion) was carried out accordingly.

The Directorate General Audit WAPDA conducted audit of the Power Distribution Enhancement Investment Program Tranche-IV ADB Loan-3096-Pak (LESCO portion) during August, 2016 for the financial year 2015-16 with a view to reporting significant findings to the stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the Power Distribution Enhancement Investment Program Tranche-IV ADB Loan-3096-Pak (LESCO portion). In addition, Audit also assessed, on test check basis whether the management complied with applicable laws, rules, and regulations in managing the Power Distribution Enhancement Investment Program Tranche-IV. The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives of the Power Distribution Enhancement Investment Program Tranche-IV.

The Report consists of two parts. Part-I contains Auditor's Report (Audit Opinion) and Financial Statements. Part-II contains Executive Summary, Management Letter and Audit Findings.

The Report has been prepared for submission to the Asian Development Bank in terms of Loan Agreement 3096-Pak Tranche-IV (LESCO Portion).

Dated: 27.12.2016  
Place: Lahore



**BILAL MAJEED**  
**DIRECTOR GENERAL**  
**Audit WAPDA Lahore**

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**PART-I**

- 1. PROJECT OVERVIEW**
- 2. AUDITOR'S REPORT TO THE MANAGEMENT**
- 3. FINANCIAL STATEMENTS**

## PROJECT OVERVIEW

Name of Project	Power Distribution Enhancement Investment Program (Tranche-IV)
Sponsoring Authority	Asian Development Bank (ADB)
Executing Authority	Lahore Electric Supply Company (LESCO)
Loan No.	ADB 3096-PAK
PC-I Cost	US \$ 56.90 million
Loan amount	US \$ 41.54 million
Date of Commencement	July 18, 2014
Actual Date of Commencement	July 18, 2014
Date of Completion (as per PC-I)	June 30, 2017
Date of Approval by ECNEC	April 30, 2014
Loan Closing Date	June 30, 2017
Loan utilization status in F.Y 2015-16	US \$ 0.745 million (Rs.78.02 million)
Progressive Expenditure up to 2014-15	----

## AUDITOR'S REPORT TO THE MANAGEMENT

We have audited the accompanying financial statements (pages 07-13) of the Power Distribution Enhancement Investment Program Tranche-IV, Lahore Electric Supply Company (LESCO) financed under the Asian Development Bank Loan No.3096-Pak as on June 30, 2016 and for the financial year then ended.

These financial statements are the responsibility of the management of LESCO. Our responsibility is to express an opinion on the accompanying statements based on our audit.

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

The LESCO's policy is to prepare the accompanying statements in the format agreed between the Asian Development Bank and the Government of Pakistan as noted in the Minutes of Negotiations for the Loan, on a cash receipts and disbursements basis in which cash is recognized when received and expenses are recognized when paid, rather than when incurred. Since, no imprest account is being maintained in PMU LESCO, hence no bank reconciliation statements are prepared.

In our opinion, (A) the aforementioned financial statements and appended notes that were also subject of the audit, fairly present in all material respects the financial position of the Power Distribution Enhancement Investment Program Tranche-IV as on June 30, 2016 and the results of its operations for the financial year ended June 30, 2016, in conformity with International Public Sector Accounting Standards, applied on a basis consistent in all material respects with that of previous years; (B) the LESCO has utilized all proceeds of the loan withdrawn from the Asian Development Bank only for purposes of the Project as agreed between the Asian Development Bank and LESCO in accordance with the Loan Agreement; and no proceeds of the loan have been utilized for other purposes; and (C) the LESCO was in compliance as on the date of the balance sheet of the year of audit with all financial covenants of the Loan Agreement.



**BILAL MAJEED**  
**DIRECTOR GENERAL**  
Audit WAPDA, Lahore

Dated: 27.12.2016



# FINANCIAL STATEMENTS

Lahore Electric Supply Company Limited  
Asian Development Bank, Distribution Enhancement Investment Program -  
Tranche 4, Investment Project (ADB loan # 3096-PAK)  
Statement of Cash Receipts and Payments  
For the Financial Year ended on 30 June 2016

Note	2015-16		2014-15	
	Receipts (Payments) Controlled by Project	Payment by Third Parties	Receipts (Payments) Controlled by Project	Payment by Third Parties
<b>Rupees</b>				
<b>Receipts</b>				
External Assistance	5	-	78,020,512	-
Counterpart Funds	6	176,709,034	-	0
<b>Total Receipts</b>		<b>176,709,034</b>	<b>78,020,512</b>	<b>-</b>
<b>Payments</b>				
Turnkey Projects (5A)	5	-	-	-
Equipment (5B)	5	-	78,020,511.75	-
Civil work	6	41,164,794	-	-
Allocated overheads	6	88,831,558	-	-
Labour	6	312,865,886	-	-
Other expenses	6	15,426,096	-	-
Custom duties paid (non-refundable)	6	-	-	-
<b>Total Payments</b>		<b>176,709,034</b>	<b>78,020,512</b>	<b>-</b>
Increase (Decrease) in Cash		-	-	-
Cash at Beginning of Year		-	-	-
Cash at End of Year		-	-	-
Contingencies and Commitments		-	-	-

The accompanying notes from and integral part of these financial statements  
and are to be read therewith.

  
Manager Project Finance  
PMU LESCO LAHORE

  
C.E. (Dev) / Project Director  
PMU LESCO LAHORE

Lahore Electric Supply Company Limited  
Asian Development Bank, Distribution Enhancement Investment Program -  
Tranche 4, Investment Project (ADB loan # 3096-PAK)  
Statement of Budget and Actual Expenditure  
For the Financial Year ended on 30 June 2016

Note	2015-16		2014-15	
	Budget Amount	Actual Amount	Budget Amount	Actual Amount
<b>Rupees</b>				
<b>Receipts</b>				
External Assistance	5	200,000,000	78,020,512	9,000,000
Counterpart Funds	6	200,000,000	176,709,034	10,000,000
<b>Total Receipts</b>		<b>400,000,000</b>	<b>254,729,545</b>	<b>19,000,000</b>
<b>Payments</b>				
Civil work	6	50,000,000	41,164,794	6,000,000
Allocated overheads	6	100,000,000	88,831,558	1,500,000
Labour	6	30,000,000	31,286,586	100,000
Other expenses	6	20,000,000	15,426,096	900,000
Custom duties paid (non-refundable)	6		-	1,500,000
Equipment/Turnkey Projects	7	200,000,000	78,020,512	9,000,000
<b>Total Payments</b>		<b>400,000,000</b>	<b>254,729,545</b>	<b>19,000,000</b>
Increase (Decrease) in Cash		-	-	-
Cash at Beginning of Year		-	-	-
Cash at End of Year		-	-	-
Contingencies and Commitments		-	-	-

The accompanying notes from and integral part of these financial statements and are to be read therewith.

  
Manager Project Finance  
PMU LESCO LAHORE

  
C.E (Dev) / Project Director  
PMU LESCO LAHORE

**1 Introduction (Company Profile)**

Lahore Electric Supply Company Limited ("the Company"), is a public limited Company incorporated in Pakistan. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Lahore Area Electricity Board owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated on 13 May 1998 and commenced commercial operation on 01 July 1998. The principal activity of the Company is the distribution of electricity within defined geographical territory.

Power Distribution Enhancement Investment Program (PDEIP-TIV) was agreed in between Islamic Republic of Pakistan and Asian Development Bank on 30 April 2014 for financing the support activities required for the preparation, implementation and monitoring of projects under the PDEIP to be financed under the facility.

**2 Certification by Project Management on Application of Funds.**

The LESCO's Project Management Unit (PMU) certified that the Funds have been applied/ Expenditure have been incurred for the purpose intended in the Financing agreement.

**3 Accounting convention and Statement of compliance**

The Statement has been prepared on cash receipts and disbursement basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash receipt and disbursement basis, remittances and other receipts are recognized when received rather than when due and expenses are recognized when paid rather than when incurred.

**4 Significant accounting policies**

**4.1 Accounting convention**

The Statement has been prepared under the cash basis of accounting which recognizes transactions and events only when cash is received or paid by the entity.

**4.2 Foreign currencies**

Foreign currency transactions are converted into Pak Rupees using the rates prevailing on the date of transaction.

**4.3 Revenue Recognition**

Revenue recognition on the date of receipt of money by bank or clearance of cheque. Revenue is recognized on gross basis and any related costs are recorded separately.

**4.4 Recognizaion of Expenditure**

Expenditure is recognized on the date when payment is made or cheque is issued financial year to which the payments pertain is determined by the date on which a cheque payment advice is issued.

**4.5 Employee Terminal Benefit.**

service benefit of government deputations employee are accounted for in their repective departments while no service terminal benefit are paid to the contractual employee.

**4.6 Payment by Third Party**

The payments made by third parties do not constitute cash receipts or payments controlled by the project but do benefit the Project as the Project does not receive cash (including cash equivalent directly from, or gain control of the bank accounts or similar facility established for its benefit by, the third parties. payment by third parties, if any, are disclosed in the payments by third parties column on the face statement of cash receipts and payments and noted to the financial.

**5 External Assistance**

External assistance was received in the form of credit from ADB under loan no 3096-Pak (Trache-IV) as per loan agreement between Islamic Republic of Pakistan & Asian Development Bank as well as Project agreement signed between Lahore Electric Supply company limited & Asian Development Bank. The following amounts were received and paid by the project during the period.

Loan No 3096-Pak	2015-16		2014-15	
	US \$	Pak Rupees	US \$	Pak Rupees
SOE Procedure	0	0	0	0
Direct Payment	7 745,354.05	78,020,512		
Total	745,354.05	78,020,512	-	-

**5.1 Assignement Account**

No Assignment Account is being operated under ADB Loan #3096-PAK. Therefore expenditure against SOE Procedures have not been incurred

5.2 Direct Payment represent amount paid directly by Asian Development Bank (ADB) on behalf of the project in respect of goods and services procured/imported by the project. The payments were made on the basis of withdrawal application submitted by the LESCO

### 5.3 Category Wise Usage of Funds ( As per loan agreement)

#### Payments made for

	2015-16		2014-15	
	US \$	Pak Rupees	US \$	Pak Rupees
Turnkey Grid Stations (Category 05-A)				
Equipment's and materials (Category 05-B)	745,354.05	78,020,512	0	
	<b>745,354.05</b>	<b>78,020,512</b>	-	-

### 5.4 Loan proceeds

This represents a re-lent portion of loan obtained by Government of Pakistan (GOP) from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GOP. Pursuant to the re-lent agreement between GOP and the Company, the facility amount of US\$ .745 million out of total amount of US\$ 41.550 million has been transferred to the Company. This facility carries interest rate of 15% inclusive of relending interest of 8.2 + ERC free of 6.8% which shall be charged both on principal amount and interest amount separately. Repayment should be made within maximum period of 17 years excluding a grace period of 3 years.

### 5.5 Undrawn External Assistance

Undrawn credit at reporting date represent amounts specified in the financing agreement between the Asian Development Bank and GoP that the ADB will disburse for LESCO Project purposes.

	2015-16	2014-15
	US \$ in Mln	US \$ in Mln
Total Allocation as per loan agreement	41.55	41.55
Accumulated Disbursement	0.745	
un disburse Balace	<b>40.805</b>	<b>41.55</b>

### 6 Counter part funding by LESCO

	2015-16	2014-15
	Rupees	Rupees
Civil Work	41,164,794	
Labour	31,286,586	
Allocated overheads	88,831,558	
Other expenses	15,426,096	
	<b>176,709,034</b>	<b>-</b>

### 7 Usage of loan proceeds

	2015-16	2014-15
	Rupees	Rupees
<b>Direct to Supplier :</b>		
M/S Siyan Electric china	14,532,282	
M/S Pak Elektron (PEL) Limited	47,625,100	
M/s SGWI	15,863,130	
	<b>78,020,512</b>	<b>-</b>
Paid from Imprest	-	-
	<b>78,020,512</b>	<b>-</b>
<b>Counter part funding by LESCO</b>	<b>6 176,709,034</b>	<b>6 -</b>
	<b>254,729,545</b>	<b>-</b>

8 Withdrawal Applications (Direct payment)	W.A #	Dated	2015-16		2014-15	
			US \$	Eql. Pak Rupees	US \$	Eql. Pak Rupees
	L001	20-May-16	82,936.00	8,687,546.00		
	L001	20-May-16	55,797.00	5,844,735.75		
	L002	27-May-16	151,471.25	15,863,130.00		
	L003	3-Jun-16	455,149.80	47,625,100.00		
			<b>745,354.05</b>	<b>78,020,511.75</b>		

9 Authorization for Issue

These Financial Statements have been authorized for issued by Project Director on 30 Nov 2016



Manager Project Finance  
PMU LESCO LAHORE



C.E (Dev) / Project Director  
PMU LESCO LAHORE



**LAHORE ELECTRIC SUPPLY COMPANY LIMITED**  
**Office of the Chief Engr. (Development) LESCO**  
132KV Qurtaba Grid Bahawalpur Road, Lahore  
Ph: 99214410 FAX: 99214412

## CERTIFICATE

It is hereby certified that no Imprest advance was taken by LESCO from ADB, under loan No. 3096 T-IV. The disbursement was made directly by the ADB to Supplier account through direct payment mode or through LC/Commitment Letter. Hence, No Bank Reconciled Statement is Prepared.

Manager Project (Finance)  
PMU LESCO

D/letters