

PESHAWAR ELECTRIC SUPPLY COMPANY

Directors' Report to the Members

The Board of Directors of Peshawar Electric Supply Company (PESCO) takes pleasure in presenting the 26th Directors' Report and Audited Financial Statements together with Auditors' Report of the Company for the year ended June 30, 2024.

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are to own, operate and maintain the power distribution network located within licensee's jurisdiction area to provide reliable and uninterrupted electric power to approximately 4.373 million consumers of Khyber Pakhtunkhwa.

2. OPERATIONAL REVIEW

During the year ended on 30th June, 2024, the Company sold 8,803 million units (2023: 9,549 million units) showing a decrease of 8%. The comparison of category wise units sold during the year under review with that of last year is appended below:

Consumer Category	(Units-kwh)	
	FY 2023-24	FY 2022-23
Domestic	4,822	5,128
Commercial	868	875
Industrial	1,893	2,236
Bulk & Other	1,162	1,242
Agriculture	45	56
Public lighting	12	12
Total	8,803	9,549

As compared to sales, the purchase of power during the year under review was 14,146 million units (2023: 15,255 million units). T&D losses during 2023-24 were 37.7% as compared to the last year (2022-23: 37.4%).

Consumption Behavior

It has been observed that during the year under review, normal variation in the consumption behavior is noted in all categories of consumers. The table appended below shows the category wise pattern of consumers during the year ended on 30th June, 2024 as compared to the previous year:

Category	FY 2023-24		FY 2022-23	
Domestic	3,852,895	88.10%	3,692,630	87.94%
Commercial	420,019	9.60%	407,191	9.70%
Industrial	28,782	0.66%	28,521	0.68%
Bulk & Other	47,109	1.08%	46,518	1.11%
Agriculture	23,215	0.53%	23,145	0.55%
Public lighting	1,242	0.03%	1,239	0.03%
Total	4,373,262	100%	4,199,244	100%

Total billing increased by 22% as compared to the previous year mainly because of increase in tariff. The table below shows the category wise pattern of billing during the year ended on 30th June, 2024 as compared to the previous year.

(Consumers in "thousand's and Billing in Million Rs.")

Category	FY 2023-24		FY 2022-23	
	Consumers	Billing including taxes	Consumers	Billing including taxes
Domestic	3,852	162,106	3,693	132,420
Commercial	420	57,224	407	44,263
Industrial	29	102,848	29	86,762
Bulk & Other	47	59,033	47	47,845
Agriculture	23	1,962	23	1,658
Public lighting	1	691	1	539
Total	4,373	383,863	4,199	313,486

3. FINANCIAL REVIEW

a) Financial Performance/ Profit & Loss FY 2023-24

The company has suffered a net loss of Rs. 88,723 million for the year under consideration as against the loss of Rs. 84,280 million in the previous year. The main reason for loss in 2023-24 was due to the increase in Power Purchase Cost because of increase in prices of Furnace Oil together with exchange rate parity, the T&D loss target of 19.71% and the revised tariff notified by GoP in July, 2023. The per unit purchase price for the year 2023-24 was Rs. 25.70 per kwh against Rs. 20.82 per kwh in FY 2022-23.

The tariff differential subsidy worth Rs. 20,595 million (2023: Rs. 39,272 million) is the difference between the tariff determined by NEPRA and the tariff notified by Govt. of Pakistan. Overall, the subsidies of PESCO has been decreased by 48% with respect to the last year, which is due to the revision of rates as determined by NEPRA for FY 2023-24 and notified by GoP.

Number of Consumers have been increased by 4% (2024: 4,373, 2023: 4,199) and units sold during the year were 8,803 kwh at an average rate of Rs. 34.81 per kwh (2023: 25.16 per kwh). During the year under consideration, Transmission and Distribution Losses have been increase by 0.4%.

Comparative position of various components of total revenue is given in table below for information:

Revenue Component	FY 2023-24		FY 2022-23 (Restated)	
	Rs -Million	Rs/kwh	Rs -Million	Rs/Kwh
Sale of energy	306,887	34.8	240,224	25.16
Tariff Diff Subsidies	20,595	2.3	39,272	4.11
Total Revenue	327,483	37.2	279,496	29.27
Rental & Service Income	57.01	0.01	52.48	0.01
Amortized deferred Credits	2,620	0.3	2,309	0.24
Other Income	13,244	1.5	10,122	1.06
Non-Tariff Rev	15,921	1.8	12,483	1.31
Total Revenue	343,407	39.0	291,979	30.58

The account of revenues and comparison of cost components given below would be helpful in better understanding of the financial facts of the company:

Cost Component	FY 2023-24		FY 2022-23 (Restated)	
	Rs -Million	Rs/Kwh	Rs -Million	Rs/Kwh
Power purchase	371,678	42.2	326,249	34.2
Salaries & wages	34,326	3.9	27,687	2.90
General & Admin Exp	2,269	0.3	1,717	0.2
R&M	1,350	0.1	1,018	0.1
Elec: Bill Collection	197	0.02	216	0.02
Insurance of GS	26	0.0	27	0.00
Bad Debts Provision	12,735	1.4	10,914	1.1
Depreciation	4,595	0.5	4,210	0.4
Financial Charges	922	0.1	1,066	0.1
Provision for Taxation	4,029	0.5	3,153	0.3
Total Cost	432,126	49.1	376,258	39.4

Since the company has a net loss during the Financial Year 2023-24, therefore, tax under Section 113 of the "Ordinance" was applicable on the company's Turnover at the rate of 1.25%.

Thus the resultant profit / (loss) for respective year has emerged as under:

Profit Component	FY 2023-24	FY 2022-23 (Restated)
	Rs -Million	Rs -Million
Total Revenue	343,407	291,979
Total Cost	(432,126)	(376,258)
Net Profit/(Loss)	(88,723)	(84,280)

The summarized six years Profit and Loss position is as under:

(Rs. in Million)

Description	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 (Restated)	FY 2023-24
Sales Revenue	107,567	127,504	133,645	171,782	240,224	306,887
Subsidy from GoP on sale of electricity	58,484	73,409	61,816	51,390	39,272	20,595
Total Revenue	166,051	200,914	195,461	223,172	279,496	327,483
Cost of electricity	(169,014)	(199,594)	(188,258)	(292,803)	(326,249)	(371,678)
Gross profit/ (Loss)	(2,963)	1,320	7,203	(69,630)	(46,753)	(44,196)
Rental and service income	46	46	59	49	52	57
Amortization of deferred credit	1,603	1,708	1,852	2,071	2,309	2,620
Profit before operating cost	(1,314)	3,074	9,114	(67,511)	(44,392)	(41,519)
Other operating cost excluding depreciation	(26,448)	(25,651)	(33,434)	(34,466)	(41,580)	(50,903)
Depreciation on property, plant and equipment	(2,871)	(3,026)	(3,296)	(3,709)	(4,210)	(4,595)
	(29,319)	(28,677)	(36,730)	(38,175)	(45,790)	(55,498)
Operating Profit/(Loss)	(30,633)	(25,603)	(27,616)	(105,686)	(90,182)	(97,017)
Other income	5,757	13,674	7,744	7,735	10,122	13,244
Financial expense	(2,870)	(842)	(708)	(1,914)	(1,066)	(922)
Net Loss before taxation	(27,746)	(12,772)	(20,580)	(99,866)	(81,126)	(84,695)
Taxation	(1,517)	(1,851)	(2,166)	(2,263)	(3,153)	(4,029)
Net loss after taxation	(29,263)	(14,622)	(22,746)	(102,128)	(84,280)	(88,723)

a) Financial Performance/ Balance Sheet FY 2023-24

Equity Injection

Ministry of Energy (Power Division) has issued various directions during FY 2023-24 to book GoP Equity amounting to Rs. 24,766 million (2022-23: Rs. 38,012) in PESCO books of accounts.

Staff Retirement Benefit

Based on the actuarial valuation results for FY 2023-24, Staff Retirement benefit provision have been increased by 16.32%.

Trade and Other Payables

The significant change in Trade Payables is due to the increase in Payables to CPPA amounting Rs.94 billion.

Growing Receivables

The continuous accumulation of PESCO's receivables from consumers as well as Govt. of Pakistan has remained a major concern for the Company and has had a significant impact on the Company's working capital position. As on 30 June 2024, PESCO's net receivables from Govt of Pakistan in respect of Subsidy stand at Rs. 28 billion and Receivables from consumers are Rs. 224 billion. On the issue of receivables and payables in relation to government entities, the Company remains in continuous engagements with relevant stakeholders to seeks a fair and amicable resolution, with all settlements whether Federal or Provincial, tabled together under one umbrella.

UPDATE ON TARIFF RELATED MATTERS

While it is crucial to highlight that the cost of power purchase constitutes a significant portion, specifically over 87.36%, of total expenditure being part of tariff. As per NEPRA directives, PESCO filed Multi-Year Tariff (MYT) Petition spanning a five-year period from FY 2020-21 to FY 2024-25 on June 03, 2021, for determination of tariff for Distribution and Supply of Power functions in line with the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2018, which was determined by NEPRA on June 02, 2022. Subsequently, a uniform tariff application was filed by the Federal Government, which was also decided by NEPRA on July 22, 2022 and accordingly, the tariff was notified by the Federal Government on July 25, 2022.

PESCO in line with the adjustment mechanism provided in its notified MYT determination, has filed its request for adjustment/ indexation of different components of its revenue requirement for the FY 2023-24 in terms of Distribution and Supply functions on February 28, 2023 and the Authority has issued its decision thereon on July 14, 2023 and the same was accordingly notified by Govt. of Pakistan on July, 26 2023.

RISK MANAGEMENT

The Company is facing challenge of increasing payables because of increase in Power Purchase Cost, high Technical & Distribution Losses and low recovery. In addition to these operational issues, the company is also contending with challenges in the realms of credit and liquidity risks within the context of financial risk management. The Board of Directors is unequivocally committed to addressing and mitigating these challenges effectively through a comprehensive approach encompassing rigorous strategic planning, expeditious decision-making, and the strategic management of load dynamics.

SAFETY MANAGEMENT SYSTEM

The organization has implemented a Safety Management System (SMS) and has allocated Safety Key Performance Indicators (KPIs) to its workforce. This has resulted in considerable improvement in the safety performance of the company as it was upped by two categories from "POOR" to "GOOD" in the past two years (2021-22, 2022-23) annual safety audit by NEPRA. Due to safety culture improvement a better position is excepted for the current year (2023-24). Also positive efforts were done to reinforce the safety system and equipped all the line staff with the latest type of PPE/T&P. Further, 30 Master Trainers were have been trained in Safety Management who trained the employees to

provide effective safety oversight in the field. This practice will be prevail/continued for further improvement in the safety culture. The old safety syllabus will be revised, that will reflect more positive improvement in the safety culture. This will provide the latest safety techniques and tools to PESCO employees and all PESCO employees shall undergo mandatory Safety Training. The company has also taken a comprehensive review of safety protocols and procedures concerning earthing and grounding to enhance system stability and safety. Furthermore, the organization is currently engaged in the revalidation of earthing and grounding across its network, involving a meticulous examination of each utility pole. This assessment is accompanied by a systematic tagging process within the company's management system. Additionally, efforts are underway to optimize feeder configurations to minimize energy loss and improve safety. The organization has formulated a robust safety plan encompassing various initiatives, including the modernization of protection systems, the substitution of bare conductors with Aerial Bundled Conductors (ABC), and the restoration of stolen or damaged grounding elements on both High Tension (HT) and Low Tension (LT) networks. This safety plan also incorporates public awareness campaigns of significant scope. To reinforce safety awareness and practices, the organization conducts safety walks and discussions, often complemented by visual aids. Safety committees have been established at the Headquarter, Circles, Divisions, and Sub-Divisions levels to identify and rectify gaps in the existing safety management framework. These committees prioritize the safety of line staff and the general public. Moreover, the organization conducts regular safety training sessions, encompassing both formal and informal methods, as well as safety seminars and parades. Senior management also conducts unannounced inspections to ensure compliance with safety protocols. As part of the organizational restructuring & the direction of the regulator, the Safety Department has been created and market based hiring of the required resources is under progress and will be completed shortly in order to strengthen this directorate. This realignment signifies the company's heightened commitment to safety and underscores its top priority.

INVESTMENT AND DEVELOPMENT PROGRAM

Aligned with our strategic vision to provide uninterrupted power supply while enhancing system reliability and service excellence, our company remains committed for making continuous investments in various critical areas such as capacity expansion, technological advancements to enhance network performance & safety and the safeguarding of our network infrastructure.

During FY 2023-24, despite facing significant financial and liquidity challenges, our company has successfully managed to continue investing in expansion and renovation of system through System Augmentation Program (SAP). During the year an amount of Rs. 17,202 million (2022-23: Rs. 18,306 million) was invested in the system. It is noteworthy that our net fixed asset base has exhibited substantial growth, increasing from Rs. 72,106 million as of June 30, 2019, to increase Rs. 128,535 million as of June 30th, 2024. This represents an approximate 78% over a span of just five years, underscoring our steadfast commitment to enhancing our infrastructure and service levels.

ERP & BILLING SYSTEM

PESCO was provided computers and Oracle software, for ERP and billing, in the shape of grant by USAID in 2014. Due to sustained efforts of the Board of Directors, the Management has finally operationalized the billing system (IBS provided by PITC) on the same system and has operationalized the ERP comprising Financial Management, and Material Management.

ELIMINATION OF OVERBILLING AND RECOVERY OF LEGITIMATE ARREARS

To eliminate the chances of overbilling, Mobile Meter Reading (MMR) and Automatic Meter Reading (AMR) system has been introduced on the directives of the BoD. Further with the help of Provincial Govt Task Force at District and Tehsil level has been established to improve the recovery of legitimate outstanding electricity dues and eliminating the menace of theft of electricity. It is expected that fruitful results will be achieved in coordination with Provincial Govt.

PERFORMANCE MANAGEMENT SYSTEM:

In order to introduce performance-based culture, PESCO has embarked on a journey where a paradigm shift is being brought about the working of the company. To ensure focus and direction "Performance Management System" has been introduced, where the senior management have been given annual targets (KPIs) and their performance is measured against the achievements of targets at the year end. Performance Evaluation Reports have been revised and made quantifiable to bring about a system of transparency, accountability and merit. Performance has been linked to the individual's promotion and the promotion policy has been revised. The new developed system has been broadcasted and communicated throughout the company and the master trainers have been developed who are providing training for better comprehension. The board has also the vision to introduce proper reward and reprimand system in the company to encourage those who perform well and non-performer would be brought to book.

FUTURE OUTLOOK

PESCO is adjusting its long-term business plan and strategy to adopt new technology-based solution for the long-standing issues related to its financial health, customer services and supply of reliable power to its customers. The company is in the process of up-gradation, rehabilitation, extension and renovation of Transmission and Distribution Network i.e Grid Stations, Transmission Lines and Feeders during the year to improve the voltage profile of its system. For FY 2024-25, PESCO has a plan to invest Rs. 18,479 million from its own resources as well as PSDP budget allocated by the GOP to improve its transmission and distribution system to ensure uninterrupted power supply to the consumers. Despite of all the challenges being facing by PESCO i.e., T&D loss above NEPRA target, less than 100% Recovery, Severe shortage of staff, geographical issues etc. the Board has a strong belief & confidence to turnaround PESCO into a good performing DISCO. Strategic plan has been drawn which includes:

- Bifurcation and Combing of 11kv feeders

- Transitioning 130 Feeders from Low-Tension Bare Conductor Lines to Aerial Bundled Cable (ABC) to Combat Electricity Theft via Unauthorized Connections. Additionally, the implementation of the Asset Performance Management System (APMS) will be executed on 100 & 200 KVA Transformers within selected feeders undergoing ABC installation.
- Conversion of all consumers having load 5KW & above to Automated Meter Reading (AMR)/Advanced Metering Infrastructure (AMI) Meters.
- Deployment of Insulated Conductors for Transformer Jumpers and in narrow Streets to Ensure Safety.
- Area Planning of Overloaded i-e high loss and high voltage drop feeders.
- Up-gradation of PESCO's GIS Infrastructure through deployment of Arc-GIS Enterprise.
- Extension of High-Tension (HT) Lines, Low-Tension (LT) Lines, Distribution Transformers, HT and LT Feeders.
- Establishment of a Task Force in Collaboration with Local Authorities to Reduce Losses and Enhance Recovery.
- Installation of Shunt Capacitors for Improved Power Quality.
- Revamping of Internal Audit Department to ensure Operating Effectiveness of Internal Controls in accordance with Institute of Internal Audit (IIA) standards.
- Operationalization of Payroll and Pension Payment System.
- Optimum use of new Billing and ERP systems to bring efficiency and transparency in PESCO's operations.
- Replacement of Non-Static Energy Meters with Static Energy Meters.
- Bifurcations of circles/divisions/subdivision for better services to consumers.

EARNINGS PER SHARE

The Earnings per Share (EPS) of the company for the year ended on 30th June 2024 has been Rs. (88.23) Million.

PATTERN OF SHARE HOLDING

Out of 1,000 ordinary shares of Rs.10/- each, 993 shares are held in the name of WAPDA/President, Islamic Republic of Pakistan, whereas, 7 shares (@ 1 share each) are in the name of 07 directors nominated by the Ministry of Energy (Power Division).

BOARD OF DIRECTORS

The previous Board continued discharging its responsibilities till 20-08-2024. The Ministry of Energy (Power Division) re-constituted the Board vide Notification No.7(1)2018-CA-I dated 21-08-2024. Presently the Company's Board consists of nine (09) Directors; of which one is an Executive Director with the following detail;

S.No	Name of Directors	Status
01	Mr. Himayat Ullah	Independent
02	Mr. Tahir Ali Khan	Independent
03	Mr. Saud Azam	Independent
04	Mr. Fazal-e-Khaliq	Independent
05	Ms. Saima Akbar Khattak	Independent
06	Mr. Javed Iqbal, Rep: MoE (Power Division)	Ex-Officio/ Non-Executive
07	Syed Shahid Raza Zaidi, Rep: MoF (Finance Division)	Ex-Officio/ Non-Executive
08	Mr. Irfan Ullah Khan, Rep: Energy & Power Deptt: KP	Ex-Officio/ Non-Executive
09	Mr. Akhtar Hamid Khan	Executive Director

Mr. Himayat Ullah has been nominated as Chairman Board of Directors PESCO and has been discharging the responsibilities of Chairman Board since from the date of his nomination as a Chairman BoD on dated 21-08-2024. Mr. Hasan Raza Saeed, representative of Ministry of Energy (Power Division) was replaced on 06.09.2024 from the Board and Mr. Javed Iqbal, Deputy Secretary (PF), MoE (Power Division) was nominated in his place. As well as Mr. Tashfeen Haider representative of Energy & Power Deptt: KP was replaced on 29-10-2024 from the Board and Mr. Irfan Ullah Khan, Special Secretary was nominated in his place.

In line with Public Sector Companies (Corporate Governance) Rules, 2013, the positions of Chairman and Chief Executive Officer are kept separate. The Chairman of the Board is an independent Director. The Board has constituted different Sub-Committees which give their best input and expert opinion on different strategic issues, for final approval by the Board. Detail of the meetings attended by the Board of Directors during FY 2023-24 is as follows;

Meetings detail of the previous Board (01.07.2023 to 30.06.2024): -

Name of Directors	Meeting Attended	Total
Mr. Faiz Ullah Khan	188,189,190,191,192,193,194,195,196,197,198,199,200,201,202,203	16
Mr. Azam Khan Durrani	188,189,190,192,194	05
Mr. Iftikhar Ahmad Khan	188,189, 190, 191,192, 193, 194, 195, 196, 197, 198, 199, 200, 201,202, ,203	16
Mr. Mushtaq Ahmad Abbasi	188,189, 190, 191,192, 193,194, 195, 196, 197, 198, 199, 200, 201, 202, ,203	16
Muhammad Nadeem	188,189, 190, 191,192, 193,194, 195,	08
Mr. Abdul Haq	188,189, 190, 191,192, 193,194, 195, 197, 198, 199, 200, 201,202, ,203	15

Syed Samar Shah	188,189, 190, 191,192, 193, 194, 195, 196, 198, 199, 200, 201,202, ,203	15
Mr. Farhan Zafar Jhagra	188,189, 190, 191,192, 193, 194, 195, 196, 197, 198, 199, 200, 201,202,	15
Mr. Misbah-ud-Din	188,189, 190, 191,192, 193, 195,	07
Muhammad Haroon Khan	188,189, 190, 191,192, 193, 194,	07
Mr. Hassan Raza Saeed, Rep: MoE (Power Division)	188,189, 190, 191,192, 193, 194, 195, 196, 197, 198, 199, 200, 201,202, ,203	16
Syed Shahid Raza Zaidi, Rep: MoF (Finance Division)	188,189, 190, 191,192, 193, 194, 195, 196, 197, 198, 199, 200, 201,202, ,203	16
Mr. Tashfeen Haider, Rep: Energy Deptt. KPK	188,189, 190, 191,192, 193, 196, 197, 198, 199, 200, 201,202, ,203	14
Mr. Arif Mehmood Sadozai, CEO PESCO	188,189, 190,	03
Mr. Fazal-e-Rabi	191	01
Qazi Muhammad Tahir, CEO PESCO	192,194,195,196,197	05
Engr. Akhtar Hamid Khan CEO PESCO	198,199,200,201,202,203	06

There were five committees of the previous Board of Directors PESCO. Detail of meetings held during the period is given as under.

Audit & Legal Committee	01
Steering Committee: i.e. Technical Up-Gradation, Automation & Special Projects Committee	01
Finance, Procurement & Risk Management Committee	03
HR & Nomination Committee	01
Policy, Strategy & Market Reforms - CTBCM Committee	01

In light of the directions issued by the Ministry of Energy (Power Division) vide letter No. 12(03)/2023/CA-I dated 21.06.2023, regarding the re-constitution of BoD sub-committees to bring uniformity across DISCOs, the Board of Directors PESCO has accorded approval of the following five committees under Standard Board Committees for Power Sector PSCs/State-Owned Enterprises (SOEs). Detail of meetings held during the period is given as under.

Audit, Finance, Investigation, Financial Risk Management and Internal Control Committee.	03
HR, Legal and Other Miscellaneous Matters Committee.	01
Technical Initiatives, Development, Operational Risk Management and Procurement Committee.	05
Policy, Strategy, Other Operations and Marketing Committee.	02
Recovery, Theft Control and Consumer Grievances Committee.	02

Remuneration

Board of Directors have a formal policy and transparent procedure for remuneration of Directors in accordance with Companies Act, 2017 and Code of Corporate Governance (CCG). Details of aggregate amount of remuneration are available in Note 30 of the Financial Statements. An amount of Rs. 60,000/- (Rs. 48,000 net of Taxes) is paid for attending BoD meetings and Committee meetings to each member. Moreover, reimbursement is made regarding expenditure on account of travelling, boarding and lodging.

CORPORATE GOVERNANCE & COMPLIANCE WITH COMPANIES ACT

The Board of Directors hereby declares that for the year ended June 30, 2024:

The financial statements give true and fair view of the state of the company's affairs as at June 30, 2024 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year as stated in the Auditors' Report.

The Board of Directors has complied with relevant principles of Corporate Governance, and has identified the rules, if any, have not been complied along with the reason for such noncompliance in the Statement of Compliance.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

Proper Books of Accounts of the company have been maintained.

System of internal controls is regularly monitored by the Audit & Legal Committee and reported to the Board of Directors, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty in the manner prescribed in the rules.

The principal activities and the development and performance of the Company's business during the financial year are covered in preceding pages of this Directors' Report.

No change occurred during the financial year concerning the nature of the business of the Company or of its subsidiaries, or any other company in which the Company has interest.

There has been no material departure from the best practices of Corporate Governance as detailed in Code of Corporate Governance.

International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of Financial Statements.

The main trends and factors likely to affect the future development, performance and position of the company's business are described under "Future Outlook".

The details of contingencies and commitments are available under Note 14 and 20.2 of the Financial Statements.

Key Operational and Financial data of the last six years in summarized form is a part of this Directors' Report.

The company has started the Employee's Retirement Fund during current year 2024 and has transferred Rs. 425 million in the retirement fund account in accordance with the NEPRA determination.

All statutory payments on account of taxes, duties, levies and charges in the normal course of business, payable as on June 30, 2024, have been cleared subsequent to the year end.

As at June 30, 2024 the principal and markup due has aggregated to Rs. 3,083 million and Rs. 4,748 million against GOP, ADB related loans and PSDP loans mentioned in Note 08 and 13 of the financial statements due to non-finalization of Repayment Schedule and outstanding subsidies.

The Auditors Report to the Shareholders for the financial year ended 30.06.2024 is qualified on account of non-recording of supplemental charges and reproduced as under: "The Company has partially recorded supplemental charges since 2010 being charged Central Power Purchasing Agency (CPPA) which are delayed payment charges by of Independent Power Producers (IPPs). In our view, had these charges been recorded, trade and other payables and negative equity would have been higher by Rs. 146.598 billion (2023: Rs. 98.931billion) and loss for the year would have been higher by Rs. 47.667 billion (2023: Rs. 10.758 billion)".

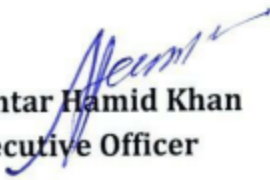
These supplemental charges are delayed payment charges for Power Producers and PESCO has taken up the said matter with NEPRA who have not allowed the same to PESCO, rather asked PESCO to adjust the same against the late payment charges received from consumers. Considering the quantum of supplemental charges, these cannot be adjusted against late payment charges received from consumers being on lower side, therefore, this matter has been taken up with NEPRA. However, NEPRA has not allowed the same to PESCO and has directed CPPA to file separate petition regarding supplemental charges of the whole system. However, during current year an amount of Rs. 18.327 billion has been recorded as supplemental charges to the extent of the amount received for consumers (2024: Rs. 103.557 billion and remaining in previous period).

Further, as explained in note 14 of the financial statements, the auditors have reported material uncertainties relating to going concern. The Company has prepared the financial statements on going concern basis as the Company has managed to continue its operations due to continuous support from GoP. The management is of the view that support is likely to be continued in future, therefore, these financial statements have not been adjusted under the "Going Concern Assumption".

Financial statements show PKR. 50.596 billion (2023: PKR. 46.944 billion) as receivable from TESCO. Management believes that since TESCO is a Government entity there is no likelihood of default by TESCO in paying its dues and is confident of recovering the debts; and Company has not yet issued shares equivalent to share deposit money of PKR. 18.082 billion.

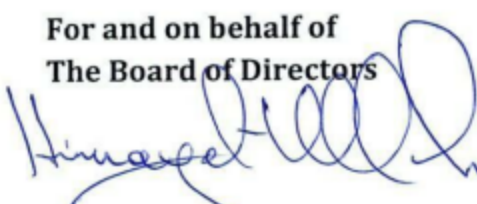
ACKNOWLEDGEMENT

The Directors wish to praise all the Management, Executive Officers, Finance, Administrative and Technical staff members for their contribution and dedication for the smooth running of the Company's Operations.



Engr. Akhtar Hamid Khan
Chief Executive Officer
PESCO

For and on behalf of
The Board of Directors



(Mr. Himayat Ullah)
Chairman, BoD, PESCO.