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PAKISTAN CREDIT RATING AGENCY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

EY Ford Rhodes
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INDEPENDENT AUDITOR'S REPORT

To the members of The Pakistan Credit Rating Agency Limited

Report on the Audit of the Unconsolidated Financial Statements as at 30 June 2020

Opinion

We have audited the annexed unconsolidated financial statements of **The Pakistan Credit Rating Agency Limited**, which comprise the unconsolidated statement of financial position as at **30 June 2020** and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Director's report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstatement. If, based on the work we have performed,

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we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements for the year ended 30 June 2019 were audited by another firm of chartered accountants. The audit report dated 25 November 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 06 October 2020

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

EQUITY AND LIABILITIES	Note	2020 Rupees	Restated (note 17) 2019 Rupees
SHARE CAPITAL AND RESERVES			
Authorized share capital 12,500,000 (2019: 12,500,000) ordinary shares of Rs.10 each		125,000,000	125,000,000
Issued, subscribed and paid up share capital	6	74,529,000	74,529,000
Surplus on revaluation of freehold land	7	81,945,420	58,319,174
Accumulated profit		82,453,633	71,880,591
		238,928,053	204,728,765
NON CURRENT LIABILITIES			
Long term finance - secured	8	12,705,843	-
DEFERRED LIABILITIES			
Deferred government grants	9	901,985	-
CURRENT LIABILITIES			
Trade and other payables	10	50,624,826	46,058,762
Contract liability	11	40,163,758	36,288,958
Short term borrowing - secured	12	45,181,055	36,285,101
Accrued mark-up		1,348,115	1,373,344
		137,317,754	120,006,165
TOTAL EQUITY AND LIABILITIES		389,853,635	324,734,930
CONTINGENCIES AND COMMITMENTS	13		

ASSETS	Note	2020 Rupees	Restated (note 17) 2019 Rupees
NON-CURRENT ASSETS			
Property and equipment	14	153,574,855	129,824,202
Intangibles	15	254,885	636,869
Long term investments	16	70,100,000	70,100,000
Long term deposits		1,335,300	1,336,200
Deferred taxation	17	10,627,595	11,948,142
		235,892,635	213,845,413
CURRENT ASSETS			
Trade debts - unsecured	18	118,999,596	99,515,745
Contract asset		2,038,611	-
Loan to associated company- unsecured	19	30,000,000	-
Advances, deposits and prepayments	20	1,759,429	7,062,313
Advance income tax - net		230,662	1,571,175
Cash and bank balances	21	932,702	2,740,284
		153,961,000	110,889,517
TOTAL ASSETS		389,853,635	324,734,930

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Shahzad Saleem

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	Restated (note 17) 2019 Rupees
Revenue from contracts with customers - net	22	**249,852,225**	217,633,286
Administrative and general expenses	23	**(169,522,920)**	(155,092,410)
Provision for expected credit loss on trade debts	18	**(4,552,056)**	(1,441,798)
Operating profit		**75,777,249**	61,099,078
Other income	24	**2,195,076**	813,956
Finance cost	25	**(6,581,976)**	(4,496,570)
Profit before tax		**71,390,349**	57,416,464
Taxation	26	**(23,552,807)**	(14,758,356)
Profit after tax		**47,837,542**	42,658,108
Earnings per share - basic and diluted	27	**6.42**	5.72

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	Restated (note 17) 2019 Rupees
Profit after taxation		**47,837,542**	42,658,108
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit and loss account:			
- Recognition of actuarial loss on defined benefit plan		-	(3,916,160)
- Related deferred tax		-	1,135,686
- Gain on revaluation of freehold land	14	**23,626,246**	-
		23,626,246	(2,780,474)
Total comprehensive income for the year		**71,463,788**	39,877,634

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued, subscribed and paid up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profit	Total
	----------Rupees----------			
Balance as on 30 June 2018	74,529,000	58,319,174	61,253,729	194,101,903
Effect of initial application of IFRS 15, net of tax	-	-	(9,090,880)	(9,090,880)
Effect of initial application of IFRS 9, net of tax	-	-	(1,527,642)	(1,527,642)
Adjusted balance as at 1 July 2018	74,529,000	58,319,174	50,635,207	183,483,381
Total comprehensive income for the year				
Profit after taxation - restated	-	-	42,658,108	42,658,108
Other comprehensive loss	-	-	(2,780,474)	(2,780,474)
Total comprehensive income	-	-	39,877,634	39,877,634
Transaction with owners, recorded directly in equity				
Final dividend for the year ended 30 June 2019 at the rate of Rs 2.50 per share.	-	-	(18,632,250)	(18,632,250)
	-	-	(18,632,250)	(18,632,250)
Balance as on 30 June 2019 - restated	74,529,000	58,319,174	71,880,591	204,728,765
Balance as on 30 June 2019	74,529,000	58,319,174	67,388,628	200,236,802
Balance as on 01 July 2019 - restated	**74,529,000**	**58,319,174**	**71,880,591**	**204,728,765**
Total comprehensive income for the year				
Profit after taxation	-	-	**47,837,542**	**47,837,542**
Other comprehensive income	-	**23,626,246**	-	**23,626,246**
Total comprehensive income	-	**23,626,246**	**47,837,542**	**71,463,788**
Transaction with owners, recorded directly in equity				
Interim dividend for the year ended 30 June 2020 at the rate of Rs 5 per share.	-	-	**(37,264,500)**	**(37,264,500)**
Balance as on 30 June 2020	**74,529,000**	**81,945,420**	**82,453,633**	**238,928,053**

dhahzad dalean

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		71,390,349	57,416,464
Adjustment of non cash items:			
Depreciation on property and equipment	14	3,246,361	2,717,158
Amortization on intangible assets	15	381,984	652,912
Finance cost	25	6,581,976	4,496,570
Gratuity (income) / expense		(1,444,257)	3,881,083
Mark-up on saving accounts	24	(106,534)	(164,349)
Provision for expected credit loss on trade debts	18	4,552,056	1,441,798
Exchange gain	25	(41,259)	(36,007)
Liabilities no longer payable written back	24	(594,947)	(600,000)
		12,575,380	12,389,165
		83,965,729	69,805,629
Changes in working capital:			
(Increase) / decrease in trade debts		(23,994,648)	10,338,828
(Increase) in contract asset		(2,038,611)	-
Decrease / (Increase) in advances, deposits and prepayments		5,302,884	(1,125,275)
Increase / (decrease) trade and other payables		12,958,254	(1,970,586)
Increase contract liability		3,874,800	22,356,821
		(3,897,321)	29,599,788
Finance cost paid		(6,607,205)	(3,996,705)
Income tax paid		(20,872,019)	(28,082,563)
Contribution to gratuity fund		(6,352,986)	(3,302,626)
Net cash generated from operating activities		46,236,198	64,023,523
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(3,370,768)	(3,210,520)
Investment in associate		-	(7,500,000)
Interest received		106,534	164,349
Net cash used in investing activities		(3,264,234)	(10,546,171)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finance obtained		13,589,000	-
Loan to associated company		(30,000,000)	-
Dividend paid		(37,264,500)	(37,264,500)
Net cash used in financing activity	31	(53,675,500)	(37,264,500)
Net (decrease) / increase in cash and cash equivalents		(10,703,536)	16,212,852
Cash and cash equivalents at beginning of the year		(33,544,817)	(49,793,676)
Exchange gain on cash and cash equivalents		-	36,007
Cash and cash equivalents at end of the year	32	(44,248,353)	(33,544,817)

The annexed notes 1 to 36 form an integral part of these unconsolidated financial statements.

Chief Executive

Director

The PAKISTAN CREDIT RATING AGENCY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. Legal status and operations

The Pakistan Credit Rating Agency Limited ("the Company") was incorporated as a private limited company in Pakistan on 18 August 1994 and converted into a public limited company on 30 April 2004. The business of the Company is to carry out risk evaluation of companies and specific instruments. The evaluation is expressed in terms of assigned credit rating to the entity or the instrument reflecting the capacity to honor its debt or other fixed term obligations. The registered office of the Company is situated at Awami Complex, FB-1, Usman Block, New Garden Town, Lahore.

1.1 The Pakistan Credit Rating Agency Limited is part of PACRA Group which consist of:

Subsidiary companies	% age of Direct shareholding	% age of Effective shareholding
PACRA Analytics (Private) Limited	100%	100%
Aequitas Information Services Limited	20%	20%

The registered office of the PACRA Analytics (Private) Limited is situated at Awami Complex, FB-1, Usman Block, New Garden Town, Lahore. The objectives of the Company are to carry on business as management & financial consultants, risk managers, project manager, trust consultants, planners, advisors, surveyors, assessors, supervisors and / or technical advisors of or for any person, company, trust, banks and financial institutions.

The registered office of Aequitas Information Services Limited is situated at 35-A-II Aziz Avenue, Canal Bank, Gulberg V Lahore, Pakistan. The main objectives of the Company are to carry out the business of a Credit Information Company for collecting credit information as permissible by law relating to debtors.

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary and investment in associate are accounted for on cost basis rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2. Statement of compliance

These are unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 9, IAS 39 & IFRS 7	Interest rate Benchmark Reform — (Amendments)	1 January 2020
IAS 1	Presentation of Financial Statements — (Amendments)	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)	1 January 2020
IFRS 10 & 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments	1 January 2020
IAS 1 & 8	Definition of Material — (Amendments)	1 January 2020
IFRS 3	Definition of a business — (Amendments)	1 January 2020

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	01 July 2009
IFRS 17	Insurance Contracts	1 January 2020

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

2.2 New accounting standards, interpretations, and amendments applicable to the Financial Statements for the year ended 30 June 2020

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 1 July 2019, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement — (Amendments)	1 January 2019
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (Amendments)	1 January 2019
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization	1 January 2019

The adoption of above standards, interpretations and amendments applied for the first time in the year did not have impact on financial statements of the Company.

3. Basis of preparation

3.1 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for freehold land which is measured using revaluation model.

3.2 Presentation currency

These unconsolidated financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Figures have been rounded off to the nearest rupee, unless otherwise stated.

4. Significant Accounting Judgements, Estimates and Assumption

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

4.1 Useful lives, residual values, pattern of economic benefits and impairment

Estimates with respect to depreciable lives, residual values and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge.

4.2 Expected credit loss / loss allowances against trade debts, deposits and other receivables

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.

The Company reviews its trade receivables at each reporting date to assess whether provision should be recorded in the statement of profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.3 Revaluation of freehold land

Revaluation of freehold land was carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to current market values.

The frequency of revaluations depends upon the changes in market value of the freehold land, being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

4.4 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.5 Provisions and Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

4.6 Impairment

The management of the Company reviews carrying amounts of its non financial assets including cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

5. Significant Accounting Policies

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous year except as described in Note 2.2.

5.1 Revenue from Contracts with Customers

Revenue Recognition

Revenue is recognized when services are rendered to the customer, in an amount that reflects the consideration the Company expects to be entitled to those services excluding sales tax and after deduction of discounts. Specific revenue and other income recognition policies are as follows:

Fee income

Revenue from rating services is recognized at point in time when services are rendered to the customer, which is when ratings are assigned to the customer. Revenue attributed to monitoring is recognized ratably over the period in which monitoring is performed, generally one year.

Dividends

Dividend income is recognized when the Company's right to receive payment is established.

Interest income

Interest income is recognised as it accrues under the effective interest method.

5.2 Property and equipment

Items of property and equipment other than freehold land are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount being the fair value at the date of revaluation less subsequent impairment losses, if any. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and includes other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of property and equipment.

Land is recognized at revalued amount based on valuation by external independent valuer. A revaluation surplus credited to other reserves (capital reserves) in shareholders' equity and presented as separate line item in statement of financial position.

Increases in the carrying amounts arising on revaluation of land was recognised, in other comprehensive income and accumulated in reserves in shareholders' equity.

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

All other repairs and maintenance are charged to expense during the period in which these are incurred.

Depreciation charged on all property and equipment except freehold land, is based on the straight line method so as to write off the historical cost of an asset over its estimated useful life at rates mentioned in note 13 after taking into account their residual values. Depreciation on additions is charged from the month in which these are capitalized, while no depreciation is charged in the month in which an asset is disposed

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on sale of an item of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount of property, plant and equipment, and are recognized in statement of profit or loss.

5.3 Intangible

Intangible asset is stated at cost less accumulated amortization for finite intangible asset and any identified impairment loss. The estimated useful life and amortization method is reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Finite intangible assets are amortized using straight-line method at rates mentioned in note 15 to these unconsolidated financial statements. Amortization on additions to intangible assets is charged from the month in which an asset is put to use and on disposal up to the month of disposal.

5.4 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity, as the case may be.

Current

The charge for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits and tax rebates, if any. The charge for the current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

The Company accounts for deferred taxation, using the balance sheet method, on all temporary differences arising on differences between carrying amounts of assets and liabilities in the unconsolidated financial statements and their corresponding tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

5.5 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences arising on retranslation are recognized in statement of profit or loss.

5.6 Offsetting of financial assets and financial liabilities

A financial asset and financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

5.7 Provision

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

5.10 Trade debts, deposits and other receivable

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances and short term running finance.

5.12 Trade and other payable

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.

5.13 Contract Balances

Contract Asset

A contract asset is the right to consideration for rendering of services if the Company performs by providing services to customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract Liability

A contract liability is the obligation to render services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company render services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

5.14 Related Party Transactions

All transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Group to do so.

5.15 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.15.1 Financial assets

Financial assets - initial recognition

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include long-term deposits, trade debts, loans and advances, other receivables and bank balances.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at fair value through profit or loss
b) Financial assets at amortized cost (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the

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definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Company does not have financial assets recorded at fair value through profit or loss.

b) Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized costs includes trade debts and other receivables.

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets designated at fair value through OCI (equity instruments).

d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

• The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

• The rights to receive cash flows from the asset have expired; or

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial assets - Impairment

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade debts, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of profit or loss. The impact of ECL on trade debts is disclosed in note 18.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss however, the impact of ECL on bank balances is immaterial.

5.15.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

5.16 Employee benefits

Defined contribution plan

The Company operated a defined contributory approved Provident Fund Trust for all its employees. Equal monthly contributions are made both by the Company and employees at the rate of 6.25% of the basic salary to the Provident Fund Trust. Obligation for contributions to defined contribution plan is expensed as the related service is provided.

5.17 Contingent liabilities

A contingent liability is disclosed when:

i) there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

ii) there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.18 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.19 Long term investments

Investment in subsidiary

Investment in subsidiary companies are measured at cost as per the requirements of IAS-27 'Separate Financial Statements'. However, at subsequent reporting dates, the Company reviews the carrying amounts of the investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If such indication exists the carrying amounts of the investments are adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in profit and loss account.

Investments in equity instruments of associates

Associates are entities over which the Company has significant influence but not control. Investments in equity instruments of associate is measured at cost less impairment, if any, in the Company's separate financial statements.

5.20 Government grant

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When a grant related to non monetary asset is received, the asset and the grant are recorded at nominal amounts and released to statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

5.21 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset.

6 Issued, subscribed and paid up share capital

	2020	2019	2020	2019
	(Number of shares)		Rupees	Rupees
Ordinary shares of Rs 10 each fully paid in cash	**1,500,000**	1,500,000	**15,000,000**	15,000,000
Ordinary shares of Rs 10 each issued as fully paid bonus shares	**5,952,900**	5,952,900	**59,529,000**	59,529,000
	7,452,900	7,452,900	**74,529,000**	74,529,000

6.1 LSE Financial Services Limited, an associated undertaking holds 2,683,042 (2019: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Company.

6.2 Directors hold 4,769,858 (2019: 4,769,858) ordinary shares comprising 64% of total paid up share capital of the Company.

	2020	2019
7. Surplus on revaluation of freehold land	**Rupees**	Rupees
Revaluation surplus	**81,945,420**	58,319,174

The revaluation of freehold land was carried out by an independent valuer, M/S Tristar International Consultant (Private) Limited as at 16 March 2020. The revalued amount is determined based on present market value of the freehold land after considering location, size, frontage, general condition, financial involvement, present conditions of market and general practice of declaring sale value of urban property in accordance with approved government rates and overall economic condition of the Company.

	Note	2020	2019
8. Long term finance - secured		**Rupees**	Rupees
Bank AL Habib Limited	**8.1**	**12,705,843**	-

8.1 The Company has obtained long term finance facility from Bank AL Habib Limited under State Bank of Pakistan refinance scheme for payment of wages and salaries of workers and employees for the month of April 2020 to June 2020. This represents amount of term finance facility for paying salaries for the month of April 2020 and May 2020. The facility is repayable in eight equal quarterly installments, payable quarterly in arrears, commencing after a grace period of 9 months and it carries markup at the rate of 3% per annum. This facility is secured by way of first hypothecation charge over book debts of the Company for Rs. 40 million and furniture & fixtures of the Company for Rs. 10 million.

9. Deferred government grants

This represents deferred grant recognized on loan received from Bank AL Habib Limited at below market interest rate under SBP Refinance Scheme for Payment of Wages and Salaries of Workers and Employees (as described in Note 8).

Movement during the year is as follows:

	2020	2019
	Rupees	Rupees
Balance at beginning of the year	-	-
Amount recognized as deferred grant during the year	**937,275**	
Amount recognized as income during the year	**(35,290)**	-
Balance at end of the year	**901,985**	-

	Note	2020 Rupees	2019 Rupees
10. Trade and other payables			
Accrued expenses and other liabilities		**34,282,002**	23,312,473
Payable to related parties	10.1	**13,344,778**	7,665,773
Payable to Provident Fund		**746,094**	-
Payable to Gratuity Fund	10.2	**-**	7,797,243
Withholding tax payable		**754,749**	40,200
Sales tax payable - net		**1,497,203**	7,243,073
		50,624,826	46,058,762

10.1 Payable to related parties include:

	2020	2019
PACRA Analytics (Private) Limited (subsidiary)	**13,344,778**	7,276,414
Aequitas Information Services Limited (associate)	**-**	389,359
	13,344,778	7,665,773

10.1.1 This represents advance received from PACRA Analytics (Private) Limited which shall be adjusted against expense incurred on behalf of Company.

10.2 As approved by the Board of Directors of the Company in their meeting dated 12 March 2019, the retirement benefit plan related to gratuity has been discontinued effective 30 June 2019. Accordingly, the actual liability of the employees as at 30 June 2020 has been recorded in these financial statements.

	Note	2020 Rupees	2019 Rupees
11. Contract liability			
Advance from customers	11.1	**11,150,749**	7,995,373
Deferred revenue	11.2	**29,013,009**	28,293,585
	11.3	**40,163,758**	36,288,958

11.1 This represents advance received from customers for future rating of entities.

11.2 This represents deferred revenue relating to monitoring services recognized over time.

11.3 Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to Rs. 36 million.

	Note	2020 Rupees	2019 Rupees
12. Short term borrowing- secured			
JS Bank Limited	12.1	**44,619,505**	36,285,101
Bank AL Habib Limited	12.2	**561,550**	-
		45,181,055	36,285,101
Add : Related accured mark-up		**1,348,115**	1,373,344
		46,529,170	37,658,445
Less: Accrued mark-up shown as current liability		**(1,348,115)**	**(1,373,344)**
		45,181,055	**36,285,101**

12.1 This represents utilized balance of running finance facility obtained from JS Bank Limited of Rs. 90 million (2019: Rs. 60 million). This facility carries markup at the rate of 1 month KIBOR plus 150 bps per annum (2019: 1 month Kibor plus 150 bps per annum) payable quarterly in arrears. This is secured by way of equitable and legal mortgage of notional value of Rs. 100,000 over a commercial plot measuring 2-Kanals, 12-Marla and 107-Sq.Ft. situated at plot no. 34, Block-T, off Gurumangat Road, Gulberg-II, Lahore owned by the Company.

12.2 This represents utilized balance of running finance facility obtained from Bank AL Habib Limited of Rs.15 million (2019: Rs 10 million). This facility carries markup at the rate of 3 month KIBOR plus 150 bps per annum (2019: 3 month Kibor plus 150 bps per annum), payable quarterly. This is secured by way of first hypothecation charge of Rs. 20 million and Rs. 10 million on book debts and furniture and fixtures of the Company respectively.

13. CONTINGENCIES AND COMMITMENTS

13.1 JS Bank Limited has issued performance guarantee on behalf of the Company in favor of Finance Department of Government of Punjab amounting to Rs. 0.05 million (2019: Rs. 0.05 million).

13.2 Commitments

The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2020 Rupees	2019 Rupees
Not later than one year	**8,014,380**	6,707,440
Later than one year but not later than five years	-	9,198,432

14. Property and equipment

	2020									
	COST				ACCUMULATED DEPRECIATION					
	As at 01 July 2019	Additions / Revaluations during the year	Disposals	Cost / Revalued amount 30 June 2020	As at 01 July 2019	For the year	Disposals	As at 30 June 2020	Book value as at 30 June 2020	Rate
	Rupees				Rupees					%
Owned										
Freehold land	120,693,754	23,626,246	-	144,320,000	-	-	-	-	144,320,000	-
Furniture and fixtures	16,037,537	608,468	-	16,646,005	14,907,772	464,435	-	15,372,207	1,273,798	10 - 33.33
Office equipment and computers	15,400,337	2,762,300	-	18,162,637	10,571,986	1,874,426	-	12,446,412	5,716,225	10 - 25
Security and surveillance equipment	158,727	-	-	158,727	158,727	-	-	158,727	-	33.33
Vehicles	4,633,509	-	-	4,633,509	1,461,177	907,500	-	2,368,677	2,264,832	20
	156,923,864	26,997,014	-	183,920,878	27,099,662	3,246,361	-	30,346,023	153,574,855	

	2019									
	COST				ACCUMULATED DEPRECIATION					
	As at 01 July 2018	Additions during the year	Disposals	Cost / Revalued amount 30 June 2019	As at 01 July 2018	For the year	Disposals	As at 30 June 2019	Book value as at 30 June 2019	Rate
	Rupees				Rupees					%
Owned										
Freehold land	120,693,754	-	-	120,693,754	-	-	-	-	120,693,754	-
Furniture and fixtures	15,655,017	382,520	-	16,037,537	14,467,569	440,203	-	14,907,772	1,129,765	10 - 33.33
Office equipment and computers	12,572,337	2,828,000	-	15,400,337	9,206,031	1,365,955	-	10,571,986	4,828,351	10 - 25
Security and surveillance equipment	158,727	-	-	158,727	158,727	-	-	158,727	-	33.33
Vehicles	4,633,509	-	-	4,633,509	550,177	911,000	-	1,461,177	3,172,332	20
	153,713,344	3,210,520	-	156,923,864	24,382,504	2,717,158	-	27,099,662	129,824,202	

	Note	2020 Rupees	2019 Rupees
14.1 Depreciation charge is allocated as follows:			
Administrative and general expenses	23	3,246,361	2,717,158

14.2 As at 30 June 2020, the carrying value of freehold land would have been Rs. 62.37 million (2019: Rs. 62.37 million), had there been no revaluation.

14.3 The cost of the assets as at 30 June 2020 includes fully depreciated assets amounting to Rs. 31.78 million (2019: Rs. 21.85 million) still in use of the Company.

14.4 The forced sale value of freehold land measuring 2-Kanals, 12-Marla and 107-Sq.Ft. is Rs. 122,672,000 on the basis of revaluation conducted as at 16 March 2020. It is situated at plot no. 34, Block-T, off Gurumangat Road, Gulberg-II, Lahore.

	Note	2020 Rupees	2019 Rupees
15. Intangibles			
Intangible assets	15.1	254,885	636,869

15.1 Intangible assets

	2020							
	COST			ACCUMULATED AMORTIZATION				
	As at 01 July 2019	Additions during the year	As at 30 June 2020	As at 01 July 2019	For the year	As at 30 June 2020	Net book value as at 30 June 2020	Rate
	Rupees			Rupees				%
Windows and MS office software	1,250,644	-	1,250,644	1,133,145	114,336	1,247,481	3,163	33.33
Rating software	1,912,960	-	1,912,960	1,912,960	-	1,912,960	-	33.33
Accounting software	932,930	-	932,930	413,560	267,648	681,208	251,722	33.33
Web development software	170,505	-	170,505	170,505	-	170,505	-	33.33
Database software	4,000,000	-	4,000,000	4,000,000	-	4,000,000	-	33.33
	8,267,039	-	8,267,039	7,630,170	381,984	8,012,154	254,885	

	2019							
	COST			ACCUMULATED AMORTIZATION				
	As at 01 July 2018	Additions during the year	As at 30 June 2019	As at 01 July 2018	For the year	As at 30 June 2019	Net book value as at 30 June 2019	Rate
	Rupees			Rupees				%
Windows and MS office software	1,250,644	-	1,250,644	741,489	391,656	1,133,145	117,499	33.33
Rating software	1,912,960	-	1,912,960	1,912,960	-	1,912,960	-	33.33
Accounting software	932,930	-	932,930	152,304	261,256	413,560	519,370	33.33
Web development software	170,505	-	170,505	170,505	-	170,505	-	33.33
Database software	4,000,000	-	4,000,000	4,000,000	-	4,000,000	-	33.33
	8,267,039	-	8,267,039	6,977,258	652,912	7,630,170	636,869	

	Note	2020 Rupees	2019 Rupees
15.1.1 Amortization charge has been allocated as follows:			
Administrative and general expenses	23	381,984	652,912

15.2 The cost of the assets as at 30 June 2020 includes fully amortized assets amounting to Rs. 7.12 million (2019: Rs. 6.99 million) still in use of the Company.

	Note	2020 Rupees	2019 Rupees
16. Long term investments			
Investment in subsidiary	16.1	100,000	100,000
Investment in associate	16.2	70,000,000	70,000,000
		70,100,000	70,100,000

16.1 This represents investment in PACRA Analytics (Private) Limited, a wholly owned subsidiary of the Company incorporated in Pakistan. The Company owns 10,000 (2019: 10,000) fully paid ordinary shares at the rate of Rs 10 each. The registered office of the Company is situated at Awami Complex, FB-1, Usman Block, New Garden Town, Lahore.

16.2 This represents 20% equity investment in Aequitas Information Services Limited and accordingly classified as investment in associate. At the year end the Company owns 7,000,000 (2019: 7,000,000) fully paid shares at the rate of Rs. 10 each. The registered office of Aequitas Information Services Limited is situated at 35-A-II Aziz Avenue, Canal Bank, Gulberg V Lahore, Pakistan. The investment has been made in accordance with the requirements under Companies Act 2017.

17. Deferred taxation

	2020			
	Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
	Rupees			
Deductible temporary difference				
Decelerated tax depreciation / amortization allowances	439,714	(182,251)	-	257,463
Provision for expected credit losses	1,042,088	578,180	-	1,620,268
Payable to gratuity fund	2,261,200	(1,877,536)	-	383,664
Contract liability	8,205,140	161,060	-	8,366,200
	11,948,142	(1,320,547)	-	10,627,595

	2019 - Restated					
	Opening balance	Effect of correction of error	Impact of adoption of new standards	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
	Rupees					
Deductible temporary difference						
Decelerated tax depreciation / amortization allowances	522,020	-	-	(82,306)	-	439,714
Provision for expected credit losses	-	-	623,967	418,121	-	1,042,088
Payable to gratuity fund	957,762	-	-	167,752	1,135,686	2,261,200
Contract liability (correction of error - note 17.1)	3,713,177	4,491,963	-	-	-	8,205,140
	5,192,959	4,491,963	623,967	503,567	1,135,686	11,948,142

17.1 In prior year the Company had recognized an advance tax amounting to Rs. 3.7 million instead of recording the same as deferred tax asset on initial adoption of IFRS 15 and similarly had not recorded deffered tax asset on closing contract liability as at 30 June 2019. The above has been identified as a fundamental error and adjusted retrospectively as per the requirements of IAS-8 'Changes in accounting policies, estimates and fundamental errors'. The effect of correction of the error on financial statements is summarized below. Since the error only relates to prior year, a third statement of financial position has not been presented.

	Effect on 2019 (Rupees)
Increase in deferred tax asset - 1 July 2018	3,713,177
Further increase in deferred tax asset - 30 June 2019	4,491,963
Decrease in advance income tax - net	(3,713,177)
Decrease in taxation for 2019	(4,491,963)
Increase in profit after tax	4,491,963

The effect of restatement on statement of financial position is summarized below:

	As reported at 01 July 2018	Restatement	Restated as at 01 July 2018
	(Rupees)		
Deferred tax asset	1,479,782	3,713,177	5,192,959

	As reported at 30 June 2019	Restatement	Restated as at 30 June 2019
	(Rupees)		
Deferred tax asset	3,743,002	8,205,140	11,948,142
Advance tax	5,284,352	(3,713,177)	1,571,175

The effect of restatement on statement of profit or loss is summarized below:

	As reported at 30 June 2019	Restatement	Restated as at 30 June 2019
	(Rupees)		
Taxation	19,250,319	(4,491,963)	14,758,356
Profit after tax	38,166,145	4,491,963	42,658,108

The effect of restatement on statement of changes in equity is summarized below:

	As reported at 30 June 2019	Restatement	Restated as at 30 June 2019
	(Rupees)		
Profit after taxation - restated	38,166,145	4,491,963	42,658,108

18. Trade debts

	Note	2020 Rupees	2019 Rupees
Trade debts - unsecured, considered good		**124,618,498**	103,109,152
Less: Provision for expected credit losses (ECL)	18.1	**(5,618,902)**	(3,593,407)
		118,999,596	99,515,745

18.1 The movement in provision for expected credit losses is as follows:

	2020	2019
Balance as at 1 July 2019	**3,593,407**	-
Effect of initial application of IFRS 9	**-**	2,151,609
Charge for the year	**4,552,056**	1,441,798
Trade debts written off directly	**(2,526,561)**	-
	2,025,495	1,441,798
Balance as at 30 June 2020	**5,618,902**	3,593,407

19. Loan to associated company

	Note	2020	2019
Loan to Aequitas Information Services Limited	19.1	**30,000,000**	-
Add : Related accured mark-up		**8,079**	-
		30,008,079	-
Less: Accrued mark-up shown as other receivable	20.1	**(8,079)**	-
		30,000,000	-

19.1 This represents loan given to Aequitas Information Services Limited (AISL) for the purpose of bridging AISL's cash shortfall till subscription of a right issue. The loan is repayable on June 2021 along with the markup of one month KIBOR plus 150 bps or at the rate paid by Aequitas Information Services Limited to its other sponsor shareholder, whichever is higher. Any delay would yield a service charge of 1% per month.

20. Advances, deposits, prepayments and other receivables

	Note	2020 Rupees	2019 Rupees
Advances - unsecured, considered good			
- to employees		**-**	340,538
- to suppliers		**3,919**	490,000
Prepayments		**1,405,675**	1,375,662
Other receivables	20.1	**349,835**	4,856,113
		1,759,429	7,062,313

20.1 Other receivables include following unsecured amounts against shared expenses:

	2020 Rupees	2019 Rupees
Aequitas (Private) Limited (related party)	**244,711**	2,989,795
Aequitas Information Services Limited (associated company)	**97,045**	-
	341,756	2,989,795

20.1.1 Other receivables include following unsecured amounts against accrued interest:

	2020 Rupees	2019 Rupees
Aequitas Information Services Limited (associate company)	**8,079**	-

20.1.2 The maximum aggregate amount outstanding at any time during the year was:

	2020 Rupees	2019 Rupees
Aequitas (Private) Limited (related party)	**2,989,795**	2,989,795
Aequitas Information Services Limited (associate company)	**105,124**	-

20.1.3 Age analysis of advance from associated companies, past due but not impaired is as follows:

	Note	2020 Rupees	2019 Rupees
0 to 6 months		**349,835**	1,329,410
6 to 12 months		-	1,650,590
Above 12 months		-	-
		349,835	2,980,000

21. Cash and bank balances

	Note	2020 Rupees	2019 Rupees
Cash in hand		-	45,331
Cash at bank			
Local currency			
- Current accounts		-	1,975,656
- Deposits and saving accounts	21.1	**932,702**	570,200
		932,702	2,545,856
Foreign currency			
- Current accounts		-	149,097
		932,702	2,740,284

21.1 These carries mark up at the rate of 6.5% to 11.5% (2019: 4.50% to 10.25%) per annum.

22. Revenue from contracts with customers

	Note	2020 Rupees	2019 Rupees
Income from rating business			
- domestic		**280,775,286**	247,287,570
- foreign		**1,420,000**	1,308,099
		282,195,286	248,595,669
Income from non-rating business		-	-
Less: Provincial Sales tax		**32,343,061**	30,962,383
	22.1	**249,852,225**	217,633,286

22.1 During the year, there were no clients who along with their associates contributed ten percent (10%) or more of the total revenue of the Company.

22.2 Disaggregation of Fees income

In the following table fees income from contracts with customers is disaggregated primarily by types of rating and timing of revenue recognition.

	Note	2020 Rupees	2019 Rupees
Type of rating - Local fees income			
Entity rating		**174,943,734**	146,741,595
Instrument rating		**52,929,172**	51,400,207
Fund rating		**20,559,319**	18,183,385
		248,432,225	216,325,187
Type of rating - Foreign fees income			
Entity rating		**1,420,000**	1,308,099
		249,852,225	217,633,286
Timing of revenue recognition			
Revenue recognized at a point in time		**201,692,399**	181,541,163
Revenue recognized overtime		**48,159,826**	36,092,123
		249,852,225	217,633,286

23. Administrative and general expenses

	Note	2020 Rupees	2019 Rupees
Salaries and other benefits	23.1	**132,031,895**	115,002,676
External rating committee members fee		**6,425,000**	5,452,466
Rent, rates and taxes		**9,405,086**	10,272,993
Postage and telephone		**922,249**	986,048
Utilities		**3,241,943**	3,336,293
Legal and professional charges		**2,510,939**	3,080,783
Director's meeting expenses		**2,630,000**	1,230,000
Travelling and entertainment		**3,062,657**	5,508,111
Printing, stationary and periodicals		**822,006**	812,140
Fee and subscription		**440,860**	1,505,976
Auditor's remuneration	23.2	**498,750**	552,135
Repairs and maintenance		**1,479,788**	1,050,243
Software maintenance and updation fee		**1,386,120**	733,038
Insurance		**28,469**	21,825
Depreciation on property and equipment	14.1	**3,246,361**	2,717,158
Amortization of intangible assets	15.1.1	**381,984**	652,912
Others		**1,008,813**	2,177,613
		169,522,920	155,092,410

23.1 Salaries and other benefits include Rs. 5.11 million (2019: Rs. 4.25 million) and Rs. Nil (2019: Rs. 3.88 million) in respect of contribution to provident fund and charge on account of gratuity fund respectively.

23.2 Auditor's remuneration

	2020 Rupees	2019 Rupees
Annual audit	**475,000**	456,500
Out of pocket expenses	**23,750**	95,635
	498,750	552,135

24. Other income

	2020 Rupees	2019 Rupees
Income from financial assets:		
Mark-up based income from conventional banks:		
Mark-up on saving accounts	106,534	164,349
Mark-up on loan given to associate	8,079	-
Exchange gain	41,259	36,007
	155,872	200,356
Income from non-financial assets:		
Liabilities no longer payable written back	594,947	600,000
Miscellaneous income	1,444,257	13,600
	2,039,204	613,600
	2,195,076	813,956

25. Finance cost

	2020 Rupees	2019 Rupees
Mark-up on long term borrowings	55,693	-
Mark-up on short term borrowings	6,471,911	4,462,989
Bank charges	54,372	33,581
	6,581,976	4,496,570

26. Taxation

	2020 Rupees	Restated 2019 Rupees
Current	20,554,741	16,122,153
Prior year	1,677,519	3,631,733
Deferred	1,320,547	(4,995,530)
	23,552,807	14,758,356

26.1 Relationship between the tax expense and accounting profit

	2020 Rupees	Restated 2019 Rupees
Profit before taxation	71,390,349	57,416,464
Tax calculated at the rate of 29%	20,703,201	16,650,775
Tax effect of:		
- income chargeable under Final Tax Regime	(66,331)	(50,507)
- income chargeable under minimum tax regime	955,214	2,622,373
- tax impact on discontinuation of gratuity fund	1,877,536	-
- prior years	1,677,519	3,631,733
- impact on inadmissible & admissible expenses	(1,644,269)	(8,205,140)
- impact of deferred revenue	373,425	-
- impact due to change in rate	(58,251)	-
- others	(272,839)	109,122
	23,545,206	14,758,356

27. Earnings per share - basic and diluted

	2020	2019
Profit after tax	47,837,542	42,656,060
Weighted average number of ordinary shares outstanding during the year	7,452,900	7,452,900
Earnings per share - basic and diluted	6.42	5.72

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares.

27.1 There is no dilutive effect on the basic earnings per share of the Company.

28. Remuneration of Chief Executive, directors and executives

The aggregate amounts charged in these unconsolidated financial statements for the year for remuneration, including certain benefits to the Chief Executive, Directors and other Executives of the Company are as follows:

	Note	Chief Executive		Non - Executive directors		Executives	
		2020	2019	**2020**	2019	**2020**	2019
		Rupees					
Managerial remuneration		**16,137,924**	14,190,000	-	-	**38,503,452**	32,154,000
Contribution to provident and gratuity funds		**968,280**	1,554,282	-	-	**2,310,205**	3,573,305
Bonus		**3,250,000**	2,500,000	-	-	**8,241,517**	7,623,000
Meeting fee		-	-	**2,630,000**	1,230,000		-
Reimbursable expenses		-	344,317	-	-		1,820,642
Others	28.1	**6,033,320**	2,685,899	-	-	**7,190,738**	5,760,685
Total		**26,389,524**	21,274,498	**2,630,000**	1,230,000	**56,245,912**	50,931,632
Numbers	28.2	**1**	1	**5**	6	**14**	8

28.1 The Company also provides the Chief Executive with vehicle allowance and club membership facility clubbed in 'others'.

28.2 This includes compensation provided to Mr. Adnan Afaq up to December 2019, after which Mr. Shahzad Saleem was appointed as the Company's CEO.

29. Transactions and balances with related parties

Balances and transactions with related parties are as follows:

	2020 Rupees	2019 Rupees
100 % owned Subsidiary company		
PACRA Analytics (Private) Limited		
On account of:		
Expense paid on behalf of subsidiary company	**6,630,003**	7,937,168
Year end balances - unsecured		
Payable to related party - unsecured	**13,344,778**	7,276,414
Associated company (20% owned)		
Aequitas Information Services Limited		
On account of:		
Investment in associate during the year	**-**	7,500,000
On account of:		
Amount given on account of loan	**30,000,000**	-
Expense paid on behalf of related party	**1,505,018**	1,064,864
Expenses paid by related party on behalf of Company	**1,018,614**	1,454,223
Mark-up on loan	**8,079**	
(Receivable) / payable to related party - unsecured	**(105,124)**	389,359
Other related party		
Aequitas (Private) Limited		
On account of:		
Expense paid on behalf of related party	**1,138,626**	1,064,964
Amount reimbursed by related party	**3,883,710**	430,259
Year end balances - unsecured		
Receivable from related party	**244,711**	2,989,795
Post employment benefit plans / Other related parties		
On account of:		
Contributions to Provident Fund Trust	**5,105,362**	4,254,388
Contributions to Employees Gratuity Fund Trust	**-**	3,302,626
Year end payable balance		
Gratuity fund	**-**	7,797,243
Provident fund	**746,094**	-

Directors	2020 Rupees	2019 Rupees
Muhammad Adnan Afaq (10% equity held)		
On account of:		
Dividend paid	3,726,450	3,726,450
Remuneration	14,943,900	21,274,498
Meeting fee	120,000	-
Year end payable balance		
Salary payable	-	2,500,000
Retirement benefit payable	2,035,085	-
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	11,445,624	-
Year end payable balance		
Salary payable	1,782,604	-
Mumtaz Hussain Syed (27% equity held)		
On account of:		
Dividend paid	10,061,400	10,061,400
Meeting fee	460,000	270,000
Sardar Ali Watto (13% equity held)		
On account of:		
Dividend paid	5,030,700	5,030,700
Meeting Fee	340,000	-
Usman Haider (13% Equity held)		
On account of:		
Dividend paid	5,030,705	5,030,705
Other Directors (0.000065% equity held)		
On account of:		
Dividend paid	24	24
Meeting fee	1,710,000	960,000
Share holders holding more than 20% equity:		
Lahore Stock Exchange (36% Equity held)		
On account of:		
Dividend paid	13,415,220	13,415,220
Key Management Personnel (other than directors)		
Mr. Shahzad Saleem, COO		
On account of:		
Remuneration	10,770,312	18,585,832
Year end payable balance		
Salary payable	-	3,000,000

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The management reviews and agrees policies for managing each of these risks which are summarized below:

30.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on trade debts, deposits, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Note	Carrying Values 2020 (Rupees)	2019 (Rupees)
Trade debts - unsecured	18	118,999,596	99,515,745
Advances, deposits, prepayments and other receivables	20	1,759,429	7,062,313
Advance income tax - net		230,662	1,571,175
Cash and bank balances	21	932,702	2,740,284
		121,922,389	110,889,517

Quality of Financial Assets

30.1.1 Trade debts

Analysis of trade debts that are neither past due nor impaired and that are past due but not impaired is described in Note 16.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Company's trade debts using a provision matrix:

	0-90 days	91-180 days	181-270 days	Over 271 days	365 and above	Total
As at 30 June 2020						
Expected credit loss rate	**0.3%**	**7.9%**	**14.2%**	**8.1%**	**100.0%**	-
Estimated total gross carrying amount at default	**86,947,522**	**29,639,755**	**4,105,549**	**1,624,340**	**2,301,332**	**124,618,498**
Expected credit loss	**262,517**	**2,341,541**	**581,940**	**131,572**	**2,301,332**	**5,618,902**

	0-90 days	91-180 days	181-270 days	Over 271 days	365 and above	Total
As at 30 June 2019						
Expected credit loss rate	0.94%	4.93%	10.99%	32.52%	100.00%	-
Estimated total gross carrying amount at default	83,012,053	11,309,478	7,111,623	300,792	1,375,206	103,109,152
Expected credit loss	780,313	557,557	781,567	97,818	1,375,206	3,592,461

As at 30 June 2020, trade debts of Rs. 5.6 million (2019: Rs. 3.6 million) were impaired and provided for.

30.1.2 Bank balances

	Rating Short Term	Long Term	Rating Agency	2020 (Rupees)	2019 (Rupees)
Bank Al Habib	A-1+	AA+	PACRA	932,702	2,408,996
MCB Islamic Bank Limited	A-1	A	PACRA	-	32,711
Faysal Bank Limited	A-1+	AA	PACRA	-	149,097
FINCA Microfinance Bank	A-1	A	PACRA	-	104,149
				932,702	2,694,953

30.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended 30 June 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	---Amount in Rupees---					
Markup accrued	1,348,115	1,348,115	-	-	-	1,348,115
Trade and other payables	50,624,826	-	50,624,826	-	-	50,624,826
Contract Liability	40,163,758	40,163,758		-	-	40,163,758
	92,136,699	41,511,873	50,624,826	-	-	92,136,699

Year ended 30 June 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	---Amount in Rupees---					
Markup accrued	1,373,344	1,373,344	-	-	-	1,373,344
Trade and other payables	46,058,762	-	46,058,762	-	-	46,058,762
Contract Liability	36,288,958	36,288,958	-	-	-	36,288,958
	83,721,064	37,662,302	46,058,762	-	-	83,721,064

30.3 Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	2020 (Rupees)	2019 (Rupees)
Bank balances	-	149,097
The following significant exchange rates have been applied at the reporting dates: USD = PKR	166.9	164

The Company has assessed that hedging its foreign currency exposure will be more expensive than assuming the risk itself.

Sensitivity Analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the above exchange rates, with all other variables held constant, of the Company's loss / profit before tax and the Company's equity.

Increase / decrease in Exchange rate (%)	Effect on profit before tax 2020 (Rupees)	2019 (Rupees)
+10	-	14,910
-10	-	(14,910)

30.4 Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rate.

The Company's exposure to the risk of changes in market interest rates relates primarily to the fund obtained from parent company with floating interest rates.

(Increase) / decrease in basis points	Effect on profit before tax 2020 (Rupees)	2019 (Rupees)
+100	93,270	57,020
-100	(93,270)	(57,020)

30.5 Fair Value of Financial Instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at each reporting date.

31. Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020		2019	
	Dividend payable	Total	Dividend payable	Total
	---- Rupees ----		---- Rupees ----	
Balance as at 01 July	-	-	18,632,250	18,632,250
Changes from financing activities				
Dividend paid	37,264,500	37,264,500	(37,264,500)	(37,264,500)
Total changes from financing cash flows	**37,264,500**	**37,264,500**	(37,264,500)	(37,264,500)
Other changes				
Dividend declared	37,264,500	37,264,500	18,632,250	18,632,250
Total liability related other changes	**37,264,500**	**37,264,500**	18,632,250	18,632,250
Closing as at 30 June	-	-	-	-

32. Cash and cash equivalents

	Note	2020 Rupees	2019 Rupees
Cash and bank balances	21	**932,702**	2,740,284
Short term borrowing - secured	12	**(45,181,055)**	(36,285,101)
		(44,248,353)	(33,544,817)

33. Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

34. Provident fund related disclosures

The following information is based on latest un-audited financial statements of the Fund:

	Un-audited 2020 Rupees	Audited 2019 Rupees
Size of the fund - Total assets	**29,809,628**	24,095,579
Cost of investments made	**29,465,833**	23,885,817
Percentage of investments made	**98.85%**	99.13%
Fair value of investments	**29,465,833**	23,885,817

34.1 The break-up of fair value of investments is:

	2020		2019	
	Rupees	%	Rupees	%
Deposit and saving accounts	9,465,833	32%	7,993,616	33%
Term deposit receipts	20,000,000	68%	15,892,201	67%
	29,465,833	100%	23,885,817	100%

34.2 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

35. Number of employees

The total and average number of employees during the year and as at June 30 are as follows:

	2020	2019
	-----(No. of employees)-----	
Average number of employees during the year	69	61
Number of employees as at 30 June	69	68

36. General

36.1 Date of authorization

These unconsolidated financial statements were authorized for issue on ________________ by the Board of Directors of the Company.

36.2 Events after reporting date

The Board of Directors of the Company in its meeting held on 05 October 2020 has proposed final cash dividend of Rs. 3 per share amounting to Rs. 22,358,700. These appropriations will be approved in the forthcoming Annual General Meeting.

These unconsolidated financial statements for the year ended 30 June 2020 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending 30 June 2021.

Shahzad Saleem

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

EY
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EY Ford Rhodes
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INDEPENDENT AUDITOR'S REPORT

To the members of The Pakistan Credit Rating Agency Limited

Report on the Audit of the Consolidated Financial Statements as at 30 June 2020

Opinion

We have audited the annexed consolidated financial statements of **The Pakistan Credit Rating Agency Limited and its subsidiary (the Group)**, which comprise the consolidated statement of financial position as at **30 June 2020**, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors Report for the year ended 30 June 2020, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures

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are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matter

The consolidated financial statements for the year ended 30 June 2019 were audited by another firm of chartered accountants. The audit report dated 25 November 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.

EY Ford Rhodes

EY Ford Rhodes
Chartered Accountants
Lahore: 06 October 2020

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 Rupees	Restated (note 17) 2019 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 12,500,000 (2019: 12,500,000) ordinary shares of Rs.10 each		125,000,000	125,000,000
Issued, subscribed and paid up share capital	6	74,529,000	74,529,000
Surplus on revaluation of freehold land	7	81,945,420	58,319,174
Accumulated profit		74,641,641	71,623,660
		231,116,061	204,471,834
NON CURRENT LIABILITIES			
Long term finance - secured	8	12,705,843	-
DEFERRED LIABILITIES			
Deferred government grants	9	901,985	-
CURRENT LIABILITIES			
Trade and other payables	10	37,497,658	38,947,348
Contract liability	11	40,288,758	36,288,958
Short term borrowing- secured	12	45,181,055	36,285,101
Accrued mark-up		1,348,115	1,373,344
		124,315,586	112,894,751
TOTAL EQUITY AND LIABILITIES		369,039,475	317,366,585
CONTINGENCIES AND COMMITMENTS	13		

	Note	2020 Rupees	Restated (note 17) 2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	14	153,574,855	129,824,202
Intangibles	15	254,885	636,869
Long term deposits		1,335,300	1,336,200
Investment in associate	16	48,695,765	57,392,038
Deferred taxation	17	10,627,595	11,948,142
		214,488,400	201,137,451
CURRENT ASSET			
Trade debts - unsecured	18	119,720,652	102,593,953
Contract Asset		2,038,611	-
Loan to associated company- unsecured	19	30,000,000	-
Advances, prepayments and other receivables	20	1,759,429	7,076,150
Advance tax-net		72,916	1,721,799
Cash and bank balances	21	959,467	4,837,232
		154,551,075	116,229,134
TOTAL ASSETS		369,039,475	317,366,585

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	Restated (note 17) 2019 Rupees
Revenue from contracts with customers - net	22	**258,736,017**	234,355,610
Administrative and general expenses	23	**(176,466,175)**	(164,999,645)
Provision for expected credit loss on trade debts	18.1	**(4,552,056)**	(3,089,162)
Operating profit		**77,717,786**	66,266,803
Other income	24	**2,294,815**	1,133,872
Finance cost	25	**(6,585,030)**	(4,497,730)
Share of loss of associated company	16.1	**(9,533,312)**	(5,749,524)
Profit before tax		**63,894,259**	57,153,421
Taxation	26	**(24,448,817)**	(16,215,458)
Profit after tax		**39,445,442**	40,937,963
Earnings per share - basic and diluted	27	**5.29**	5.49

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	2020 Rupees	Restated (note 17) 2019 Rupees
Profit after taxation	**39,445,442**	40,937,963
Other comprehensive income / (loss) for the year		
Items that will not be reclassified to profit and loss account:		
- Recognition of actuarial loss on defined benefit plan	-	(3,916,160)
- Related deferred tax	-	1,135,686
- Share of other comprehensive income of associated company - net	**837,039**	-
- Gain on revaluation of freehold land	**23,626,246**	-
	24,463,285	(2,780,474)
Total comprehensive income for the year	**63,908,727**	38,157,489

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.

Shahzad Saleem

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued, subscribed and paid up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profit	Total
	-----Rupees-----			
Balance as on 30 June 2018	74,529,000	58,319,174	62,716,943	195,565,117
Effect of initial application of IFRS 15, net of tax	-	-	(9,090,880)	(9,090,880)
Effect of initial application of IFRS 9, net of tax	-	-	(1,527,642)	(1,527,642)
Adjusted balance as at 1 July 2018	74,529,000	58,319,174	52,098,421	184,946,595
Total comprehensive income for the year				
Profit after taxation - restated	-	-	40,937,963	40,937,963
Other comprehensive loss	-	-	(2,780,474)	(2,780,474)
Total comprehensive income	-	-	38,157,489	38,157,489
Transaction with owners, recorded directly in equity				
Final dividend for the year ended 30 June 2019 at the rate of Rs 2.50 per share.	-	-	(18,632,250)	(18,632,250)
	-	-	(18,632,250)	(18,632,250)
Balance as on 30 June 2019 - restated	74,529,000	58,319,174	71,623,660	204,471,834
Balance as on 30 June 2019	74,529,000	58,319,174	67,131,697	199,979,871
Balance as on 01 July 2019 - restated	**74,529,000**	**58,319,174**	**71,623,660**	**204,471,834**
Total comprehensive income for the year				
Profit after taxation	-	-	**39,445,442**	**39,445,442**
Other comprehensive Income	-	**23,626,246**	**837,039**	**24,463,285**
Total comprehensive income	-	**23,626,246**	**40,282,481**	**63,908,727**
Transaction with owners, recorded directly in equity				
Interim dividend for the year ended 30 June 2020 at the rate of Rs 5 per share.	-	-	**(37,264,500)**	**(37,264,500)**
Balance as on 30 June 2020	**74,529,000**	**81,945,420**	**74,641,641**	**231,116,061**

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.

Shahzad Saleem

Chief Executive

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		63,894,259	57,153,421
Adjustment of non cash items:			
Depreciation on property and equipment	14.1	3,246,361	2,717,158
Amortization on intangible assets	15.1.1	381,984	652,912
Finance cost	25	6,585,030	4,497,730
Gratuity (income) / expense	24	(1,444,257)	3,881,083
Mark-up on saving accounts	24	(255,873)	(371,421)
Provision for expected credit loss on trade debts	18.1	4,552,056	1,441,798
Trade debts written off	24	2,526,561	1,647,364
Exchange loss / (gain)	24	8,341	(148,851)
Liabilities no longer payable written back	24	(594,947)	(600,000)
Share of loss of associated company	16.1	9,533,312	7,932,731
Gain on dilution of equity interest in associate during the year	16.1	-	(2,183,207)
		24,538,568	19,467,297
		88,432,827	76,620,718
Changes in working capital:			
(Increase) / decrease in trade debts		(24,213,657)	7,655,486
Increase in contract asset		(2,038,611)	-
Decrease / (increase) in advances, deposits and prepayments		5,316,721	(1,927,930)
Increase / (decrease) in trade and other payables		6,942,500	(9,619,762)
Increase in contract liability		3,999,800	22,356,821
		(9,993,247)	18,464,615
Finance cost paid		(6,831,389)	(3,997,865)
Income tax paid		(21,238,529)	(29,314,692)
Contribution to gratuity fund		(6,352,986)	(3,302,626)
Net cash generated from operating activities		44,016,676	58,470,150
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(3,370,768)	(3,210,520)
Investment in associate		-	(7,500,000)
Interest received		255,873	371,421
Net cash used in investing activities		(3,114,895)	(10,339,099)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(37,264,500)	(37,264,500)
Loan to associated company		(30,000,000)	-
Long term finance obtained		13,589,000	-
Net cash used in financing activity	31	(53,675,500)	(37,264,500)
Net (decrease) / increase in cash and cash equivalents		(12,773,719)	10,866,551
Cash and cash equivalents at beginning of the year		(31,447,869)	(42,463,271)
Exchange gain on cash and cash equivalents		-	148,851
Cash and cash equivalents at end of the year	32	(44,221,588)	(31,447,869)

The annexed notes 1 to 36 form an integral part of these consolidated financial statements.

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. Legal status and operations

The PACRA Group ("the Group") comprises of The Pakistan Credit Rating Agency Limited ("PACRA") ("the Holding Company"), PACRA Analytics (Private) Limited ("PAPL") (100% owned) and Aequitas Information Services Limited ("AISL") (20% owned). For the purpose of these consolidated financial statements, PACRA and its consolidated subsidiary & associate are referred to as the Group.

The Pakistan Credit Rating Agency Limited is part of PACRA Group which consists of:

	%age of holding
Holding Company	
The Pakistan Credit Rating Agency Limited	
Subsidiary Company	
PACRA Analytics (Private) Limited	100%
Associated Company	
Aequitas Information Services Limited	20%

The Holding Company was incorporated as a private limited company in Pakistan on 18 August 1994 and converted into a public limited company on 30 April 2004. The business of the Company is to carry out risk evaluation of companies and specific instruments. The evaluation is expressed in terms of assigned credit rating to the entity or the instrument reflecting the capacity to honor its debt or other fixed term obligations. The registered office of the Company is situated at Awami Complex, FB-1, Usman Block, New Garden Town, Lahore.

PACRA Analytics (Private) Limited - (the "Subsidiary Company")

Pacra Analytics (Private) Limited (the "Subsidiary Company") was incorporated as a private limited company in Pakistan on 04 January 2010 under the Companies Ordinance, 1984 which was superseded by the Companies Act, 2017. The objectives of the Company are to carry on business as management & financial consultants, risk managers, project manager, tax & trust consultants, planners, advisors, accountants, share registrars, surveyors, assessors, supervisors, promoters and / or technical advisors of or for any person, company, trust, banks and financial institutions.

Aequitas Information Services Limited - (the "Associated Company")

Aequitas Information Services Limited (the "Associated Company") was incorporated in Pakistan on 25 March 2016 as a Public Limited Company under the Companies Ordinance, 1984 (repealed by Companies Act. 2017). The Associated Company's registered office is located at 35-A-II, Aziz Avenue, Canal Bank, Gulberg V, Lahore. The main objectives of the Associated Company are to carry out the business of a Credit Information Company for collecting credit information as permissible by law relating to debtors of banks, financial institutions, non-banking financial institutions, non-financial companies and other lenders or authorities including retailers, insurance companies, utility providers and also to collect and maintain any credit information, with respect to individuals, partnerships, corporations, institutions, trusts, estates, cooperatives, associations, Government or Governmental subdivisions or agencies or any other entity.

1.1 Basis of Consolidation

Subsidiaries are all entities over which the Holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Holding Company controls another entity. The Holding Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Holding Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies, etc.

Subsidiary are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Group consolidated financial statements include the consolidated financial statements of Holding Company ("PACRA") and its subsidiary & associate.

The Holding Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Holding Company recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The consolidated financial statements of the Holding Company and its subsidiaries are prepared upto the same reporting date using consistent accounting policies.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

Any contingent consideration to be transferred by the Holding Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in consolidated statement of profit or loss or as a change to consolidated statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of profit or loss. After initial recognition, is measured at carrying value i.e. cost at the date of acquisition less any accumulated impairment.

The financial statements of subsidiaries have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Holding Company ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Holding Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in

2. Statement of compliance

These are consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These financial statements are the consolidated financial statements of the Group in which investment in subsidiary is accounted for on the basis of acquisition method and investment in associate is accounted for on the basis of equity interest method. Standalone financial statements of the Holding Company and its subsidiaries are prepared separately.

2.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 9, IAS 39 & IFRS 7	Interest rate Benchmark Reform — (Amendments)	1 January 2020
IAS 1	Presentation of Financial Statements — (Amendments)	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)	1 January 2020
IFRS 10 & 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments	1 January 2020
IAS 1 & 8	Definition of Material — (Amendments)	1 January 2020
IFRS 3	Definition of a business — (Amendments)	1 January 2020

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	01 July 2009

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

2.2 New accounting standards, interpretations, and amendments applicable to the Financial Statements for the year ended 30 June 2020

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 1 July 2019, as listed below. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Standards, Interpretations and Amendments

IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation — (Amendments)	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures — (Amendments)	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement — (Amendments)	1 January 2019
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (Amendments)	1 January 2019
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization	1 January 2019

The adoption of above standards, interpretations and amendments applied for the first time in the year did not have impact on financial statements of the Group.

3. Basis of preparation

3.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for freehold land which is measured using revaluation model.

3.2 Presentation currency

These consolidated financial statements are presented in Pak Rupee, which is the Group's functional and presentation currency. Figures have been rounded off to the nearest rupee, unless otherwise stated.

4. Significant Accounting Judgements, Estimates and Assumption

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

4.1 Useful lives, residual values, pattern of economic benefits and impairment

Estimates with respect to depreciable lives, residual values and pattern of flow of economic benefits are based on the analysis of the management of the Group. Further the Group reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the

4.2 Expected credit loss / loss allowances against trade debts, deposits and other receivables

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.

The Group reviews its trade receivables at each reporting date to assess whether provision should be recorded in the statement of profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.3 Revaluation of freehold land

Revaluation of freehold land was carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to current market values.

The frequency of revaluations depends upon the changes in market value of the freehold land, being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

4.4 Taxation

The Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.5 Provisions and Contingencies

The Group reviews the status of all pending litigations and claims against the Group. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Group would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

4.6 Impairment

The management of the Group reviews carrying amounts of its non financial assets including cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

5. Significant Accounting Policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous year except as described in Note 2.2:

5.1 Revenue from Contracts with Customers

Revenue Recognition
Revenue is recognized when services are rendered to the customer, in an amount that reflects the consideration the Group expects to be entitled to those services excluding sales tax and after deduction of discounts. Specific revenue and other income recognition policies are as follows:

Fee income
Revenue from rating services is recognized at point in time when services are rendered to the customer, which is when ratings are delivered to the customer. Revenue attributed to monitoring is recognized ratably over the period in which monitoring is performed, generally one year.

Dividends

Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized as it accrues under the effective interest method.

5.2 Property and equipment

Items of property and equipment other than freehold land are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount being the fair value at the date of revaluation less subsequent impairment losses, if any. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and includes other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of property and equipment.

Land is recognized at revalued amount based on valuation by external independent valuer. A revaluation surplus credited to other reserves (capital reserves) in shareholders' equity and presented as separate line item in statement of financial position.

Increases in the carrying amounts arising on revaluation of land was recognized, in other comprehensive income and accumulated in reserves in shareholders' equity.

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

All other repairs and maintenance are charged to expense during the period in which these are incurred.

Depreciation charged on all property and equipment except freehold land, is based on the straight line method so as to write off the historical cost of an asset over its estimated useful life at rates mentioned in note 14 after taking into account their residual values. Depreciation on additions is charged from the month in which these are capitalized, while no depreciation is charged in the month in which an asset is disposed off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on sale of an item of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount of property, plant and equipment, and are recognized in statement of profit or loss.

5.3 Intangible

Intangible asset is stated at cost less accumulated amortization for finite intangible asset and any identified impairment loss. The estimated useful life and amortization method is reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Finite intangible assets are amortized using straight-line method at rates mentioned in note 15 to these consolidated financial statements. Amortization on additions to intangible assets is charged from the month in which an asset is put to use and on disposal up to the month of disposal.

5.4 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity, as the case may be.

Current

The charge for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits and tax rebates, if any. The charge for the current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

The Group accounts for deferred taxation, using the balance sheet liability method, on all temporary differences arising on differences between carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

5.5 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

5.6 Offsetting of financial assets and financial liabilities

A financial asset and financial liability are offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

5.7 Provision

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

5.8 Trade debts, deposits and other receivable

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances and short term running finance.

5.10 Trade and other payable

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost.

5.11 Contract Balances

Contract Asset

A contract asset is the right to consideration for rendering of services if the Group performs by providing services to customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract Liability

A contract liability is the obligation to render services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group render services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

5.12 Related Party Transactions

All transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Group to do so.

5.13 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability

5.13.1 Financial assets

Financial assets - initial recognition

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include long-term deposits, trade debts, loans and advances, other receivables and bank balances.

Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at fair value through profit or loss
b) Financial assets at amortized cost (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group does not have financial assets recorded at fair value through profit or loss.

b) Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized costs includes trade debts and other receivables.

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any financial assets designated at fair value through OCI (equity instruments).

d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments recorded at fair value through OCI with recycling of cumulative gains and losses.

Financial assets - Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized when:

• The rights to receive cash flows from the asset have expired; or
• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets - Impairment

The Group recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade debts, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of profit or loss. The impact of ECL on trade debts is disclosed in note 18

For bank balances, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss however, the impact of ECL on bank balances is immaterial.

5.13.2 Financial liabilities

Financial liabilities - initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

Financial liabilities - derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

5.14 Employee benefits

Defined contribution plan

The Group operated a defined contributory approved Provident Fund Trust for all its employees. Equal monthly contributions are made both by the Group and employees at the rate of 6.25% of the basic salary to the Provident Fund Trust. Obligation for contributions to defined contribution plan is expensed as the related service is provided.

5.15 Contingent liabilities

A contingent liability is disclosed when:

i) there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

ii) there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.16 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Group that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.17 Government grant

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions shall be complied with. When the grant relates to an expense item, it is recognized as income on systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When a grant related to non monetary asset is received, the asset and the grant are recorded at nominal amounts and released to statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

5.18 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset.

6 **Issued, subscribed and paid up share capital**

	2020 (Number of shares)	2019 (Number of shares)	2020 Rupees	2019 Rupees
Ordinary shares of Rs 10 each fully paid in cash	**1,500,000**	1,500,000	**15,000,000**	15,000,000
Ordinary shares of Rs 10 each issued as fully paid bonus shares	**5,952,900**	5,952,900	**59,529,000**	59,529,000
	7,452,900	7,452,900	**74,529,000**	74,529,000

6.1 LSE Financial Services Limited, an associated undertaking holds 2,683,042 (2019: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Holding Company.

6.2 Directors hold 4,769,858 (2019: 4,769,858) ordinary shares comprising 64% of total paid up share capital of the Holding Company.

7 **Surplus on revaluation of freehold land**

	2020 Rupees	2019 Rupees
Revaluation surplus as at 01 July	**81,945,420**	58,319,174

The revaluation of freehold land was carried out by an independent valuer, M/S Tristar International Consultant (Private) Limited as at 16 March 2020. The revalued amount is determined based on present market value of the freehold land after considering location, size, frontage, general condition, financial involvement, present conditions of market and general practice of declaring sale value of urban property in accordance with approved government rates and overall economic condition of the Group.

8 **Long term finance - secured**

	Note	2020 Rupees	2019 Rupees
Bank AL Habib Limited	8.1	**12,705,843**	-

8.1 The Holding Company has obtained long term finance facility from Bank AL Habib Limited under State Bank of Pakistan refinance scheme for payment of wages and salaries of workers and employees for the month of April 2020 to June 2020. This represents amount of term finance facility for paying salaries for the month of April 2020 and May 2020. The facility is repayable in eight equal quarterly installments, payable quarterly in arrears, commencing after a grace period of 9 months and it carries markup at the rate of 3% per annum. This facility is secured by way of first hypothecation charge over book debts of the Company for Rs. 40 million and furniture & fixtures of the Company for Rs. 10 million.

9 **Deferred government grants**

This represents deferred grant recognized on loan received from Bank AL Habib Limited at below market interest rate under SBP Refinance Scheme for Payment of Wages and Salaries of Workers and Employees (as described in Note 8).

Movement during the year is as follows:	Note	2020 Rupees	2019 Rupees
Balance at beginning of the year		**-**	-
Amount recognized as deferred grant during the year		**937,275**	
Amount recognized as income during the year		**(35,290)**	-
Balance at end of the year		**901,985**	-

10 **Trade and other payables**

	Note	2020 Rupees	2019 Rupees
Accrued expenses and other liabilities		**34,499,612**	23,866,832
Payable to Provident Fund		**746,094**	-
Payable to gratuity fund	10.1	**-**	7,797,243
Withholding tax payable		**754,749**	40,200
Sales tax payable - net		**1,497,203**	7,243,073
		37,497,658	38,947,348

10.1 As approved by the Board of Directors of the Holding Company in their meeting dated 12 March 2019, the retirement benefit plan related to gratuity has been discontinued effective 30 June 2019. Accordingly, the actual

11 Contract liability

	Note	2020 Rupees	2019 Rupees
Advance from customers	11.1	**11,150,749**	7,995,373
Deferred revenue	11.2	**29,138,009**	28,293,585
	11.3	**40,288,758**	36,288,958

11.1 This represents advance received from customers for future rating of entities.

11.2 This represents deferred revenue relating to monitoring services recognised over time.

11.3 Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to Rs. 36 million.

12 Short term borrowing- secured

	Note	2020 Rupees	2019 Rupees
JS Bank Limited	12.1	**44,619,505**	36,285,101
Bank AL Habib Limited	12.2	**561,550**	-
		45,181,055	36,285,101
Add : Related accured mark-up		**1,348,115**	**1,373,344**
		46,529,170	**37,658,445**
Less: Accrued mark-up shown as current liability		**(1,348,115)**	**(1,373,344)**
		45,181,055	**36,285,101**

12.1 This represents utilized balance of running finance facility obtained from JS Bank Limited of Rs. 90 million (2019: Rs. 60 million). This facility carries markup at the rate of 1 month KIBOR plus 150 bps per annum (2019: 1 month Kibor plus 150 bps per annum) payable quarterly in arrears. This is secured by way of equitable and legal mortgage of notional value of Rs. 100,000 over a commercial plot measuring 2-Kanals, 12-Marla and 107-Sq.Ft. situated at plot no. 34, Block-T, off Gurumangat Road, Gulberg-II, Lahore owned by the Holding Company.

12.2 This represents utilized balance of running finance facility obtained from Bank AL Habib Limited of Rs.15 million (2019: Rs 10 million). This facility carries markup at the rate of 3 month KIBOR plus 150 bps per annum (2019: 3 month Kibor plus 150 bps per annum), payable quarterly. This is secured by way of first hypothecation charge of Rs. 20 million and Rs. 10 million on book debts and furniture and fixtures of the Holding Company respectively.

13 CONTINGENCIES AND COMMITMENTS

13.1 JS Bank Limited has issued performance guarantee on behalf of the Holding Company in favor of Finance Department of Government of Punjab amounting to Rs. 0.05 million (2019: Rs. 0.05 million).

13.2 Commitments

The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2020 Rupees	2019 Rupees
Not later than one year	**8,014,380**	6,707,440
Later than one year but not later than five years	-	9,198,432

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14 Property and equipment

2020

	COST				ACCUMULATED DEPRECIATION					
	As at 01 July 2019	Additions / Revaluations during the year	Disposals	Cost / Revalued amount 30 June 2020	As at 01 July 2019	For the year	Disposals	As at 30 June 2020	Net Book value as at 30 June 2020	Rate
	Rupees				Rupees					%
Owned										
Freehold land	120,693,754	23,626,246	-	144,320,000	-	-		-	144,320,000	-
Furniture and fixtures	16,037,537	608,468	-	16,646,005	14,907,772	464,435	-	15,372,207	1,273,798	10 - 33.33
Office equipment and computers	15,400,337	2,762,300	-	18,162,637	10,571,986	1,874,426	-	12,446,412	5,716,225	10 - 25
Security and surveillance equipment	158,727	-	-	158,727	158,727	-	-	158,727	-	33.33
Vehicles	4,633,509	-	-	4,633,509	1,461,177	907,500	-	2,368,677	2,264,832	20
	156,923,864	26,997,014	-	183,920,878	27,099,662	3,246,361	-	30,346,023	153,574,855	

2019

	COST				ACCUMULATED DEPRECIATION					
	As at 01 July 2018	Additions during the year	Disposals	Cost / Revalued amount 30 June 2019	As at 01 July 2018	For the year	Disposals	As at 30 June 2019	Net Book value as at 30 June 2019	Rate
	Rupees				Rupees					%
Owned										
Freehold land	120,693,754	-	-	120,693,754	-	-	-	-	120,693,754	-
Furniture and fixtures	15,655,017	382,520	-	16,037,537	14,467,569	440,203	-	14,907,772	1,129,765	10 - 33.33
Office equipment and computers	12,572,337	2,828,000	-	15,400,337	9,206,031	1,365,955	-	10,571,986	4,828,351	10 - 25
Security and surveillance equipment	158,727	-	-	158,727	158,727	-	-	158,727	-	33.33
Vehicles	4,633,509	-	-	4,633,509	550,177	911,000	-	1,461,177	3,172,332	20
	153,713,344	3,210,520	-	156,923,864	24,382,504	2,717,158	-	27,099,662	129,824,202	

14.1 Depreciation charge is allocated as follows:

	Note	2020 Rupees	2019 Rupees
Administrative and general expenses	23	3,246,361	2,717,158

14.2 As at 30 June 2020, the carrying value of freehold land would have been Rs. 62.37 million (2019: Rs. 62.37 million), had there been no revaluation.

14.3 The cost of the assets as at 30 June 2020 includes fully depreciated assets amounting to Rs. 31.78 million (2019: Rs. 21.85 million) still in use of the Company.

14.4 The forced sale value of freehold land measuring 2-Kanals, 12-Marla and 107-Sq.Ft. is Rs. 122,672,000 on the basis of revaluation conducted as at 16 March 2020. It is situated at plot no. 34, Block-T, off Gurumangat Road, Gulberg-II, Lahore.

	Note	2020 Rupees	2019 Rupees
15 Intangibles			
Intangible assets	15.1	254,885	636,869

15.1 Intangible assets

	2020						
	COST			ACCUMULATED AMORTIZATION			Net book value as at 30 June 2020
	As at 01 July 2019	Additions during the year	As at 30 June 2020	As at 01 July 2019	For the year	As at 30 June 2020	
	------ Rupees ------			------ Rupees ------			
Windows and MS office software	1,250,644	-	1,250,644	1,133,145	114,336	1,247,481	3,163
Rating software	1,912,960	-	1,912,960	1,912,960	-	1,912,960	-
Accounting software	932,930	-	932,930	413,560	267,648	681,208	251,722
Web development software	170,505	-	170,505	170,505	-	170,505	-
Database software	4,000,000	-	4,000,000	4,000,000	-	4,000,000	-
	8,267,039	-	8,267,039	7,630,170	381,984	8,012,154	254,885

	2019						
	COST			ACCUMULATED AMORTIZATION			Net book value as at 30 June 2019
	As at 01 July 2018	Additions during the year	As at 30 June 2019	As at 01 July 2018	For the year	As at 30 June 2019	
	------ Rupees ------			------ Rupees ------			
Windows and MS office software	1,250,644	-	1,250,644	741,489	391,656	1,133,145	117,499
Rating software	1,912,960	-	1,912,960	1,912,960	-	1,912,960	-
Accounting software	932,930	-	932,930	152,304	261,256	413,560	519,370
Web development software	170,505	-	170,505	170,505	-	170,505	-
Database software	4,000,000	-	4,000,000	4,000,000	-	4,000,000	-
	8,267,039	-	8,267,039	6,977,258	652,912	7,630,170	636,869

	Note	2020 Rupees	2019 Rupees
15.1.1 Amortization charge has been allocated as follows:			
Administrative and general expenses	23	381,984	422,684

12.1.2 The cost of the assets as at 30 June 2020 includes fully amortized assets amounting to Rs. 7.12 million (2019: Rs. 6.99 million) still in use of the Company.

		Note	2020 Rupees	2019 Rupees
16	**Investment in associate**	16.1	48,695,765	57,392,038

16.1 Cost of investment

	2020 Rupees	2019 Rupees
Aequitas Information Services Limited		
7,000,000 (2019: 7,000,000) fully paid shares of Rs. 10 each	70,000,000	70,000,000
Share of loss		
As at 01 July	(12,607,962)	(6,858,438)
Share of loss for the year	(9,533,312)	(7,932,731)
Share of other comprehensive income	837,039	-
Gain on dilution of equity interest in associate during the year	-	2,183,207
As at 30 June	(21,304,235)	(12,607,962)
Net investment as at 30 June	48,695,765	57,392,038

16.1.1 The Holding Company owns 7 million (2019: 7 million) fully paid shares at the rate of Rs. 10 each resulting in total 20% equity investment in Aequitas Information Services Limited and accordingly has classified this interest as investment in associate. The registered office of Aequitas Information Services Limited is situated at 35-A-II Aziz Avenue, Canal Bank, Gulberg V Lahore, Pakistan. The investment has been made in accordance with the requirements under Companies Act 2017.

16.1.2 Summarized financial information in respect of Aequitas Information Services Limited, an associated company, on the basis of audited financial statements for the year ended 30 June 2020 are set out below:

	2020 Rupees	2019 Rupees
Non current assets	316,312,686	233,271,258
Current assets	51,479,508	69,491,341
Non current liabilities	(19,229,709)	(5,707,026)
Current liabilities	(81,383,662)	(10,095,381)
Net assets	267,178,823	286,960,192
Less: Share deposit money	23,700,000	-
	243,478,823	286,960,192
Percentage ownership interest	20.00%	20.00%

	2020 Rupees	2019 Rupees
Group's share of net assets representing carrying amount of interest in associated company	48,695,765	57,392,038
Revenue	29,075,072	-
Loss for the year from continuing operations	(47,666,559)	(34,229,693)
Other comprehensive income	4,185,190	-
Share of total comprehensive loss for the year from continuing operations	(8,696,273)	(7,932,731)

17 Deferred taxation

	2020			
	Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
	Rupees			
Deductible temporary difference				
Accelerated tax depreciation allowances	439,714	(182,251)	-	257,463
Provision for expected credit losses	1,042,088	578,180	-	1,620,268
Payable to gratuity fund	2,261,200	(1,877,536)	-	383,664
Contract liability	8,205,140	161,060	-	8,366,200
	11,948,142	(1,320,547)	-	10,627,595

	2019 - Restated					
	Opening balance	Effect of correction of error	Impact of adoption of new standards	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
	(Rupees)					
Deductible temporary difference						
Accelerated tax depreciation / amortization allowances	522,020	-	-	(82,306)	-	439,714
Provision for expected credit losses	-	-	623,967	418,121	-	1,042,088
Payable to gratuity fund	957,762	-	-	167,752	1,135,686	2,261,200
Contract liability (correction of error - note 17.1)	3,713,177	4,491,963	-	-	-	8,205,140
	5,192,959	4,491,963	623,967	503,567	1,135,686	11,948,142

17.1 In prior year the Company had recognized an advance tax amounting to Rs. 3.7 million instead of recording the same as deferred tax asset on initial adoption of IFRS 15 and similarly had not recorded deffered tax asset on closing contract liability as at 30 June 2019. The above has been identified as a fundamental error and adjusted retrospectively as per the requirements of IAS-8 'Changes in accounting policies, estimates and fundamental errors'. The effect of correction of the error on financial statements is summarized below. Since the error only relates to prior year, a third statement of financial position has not been presented.

	Effect on 2019
	(Rupees)
Increase in deferred tax asset	3,713,177
Increase in deferred tax asset	4,491,963
Decrease advance income tax - net	(3,713,177)
Decrease in taxation	(4,491,963)
Increase in profit after tax	4,491,963

The effect of restatement on statement of financial position is summarized below:

	As reported at 01 July 2018	Restatement	Restated as at 01 July 2018
	(Rupees)		
Deferred tax asset	1,479,782	3,713,177	5,192,959

	As reported at 30 June 2019	Restatement	Restated as at 30 June 2019
	---------- (Rupees) ----------		
Deferred tax asset	3,743,002	8,205,140	11,948,142
Advance tax	5,434,976	(3,713,177)	1,721,799

The effect of restatement on statement of profit or loss is summarized below:

	As reported at 30 June 2019	Restatement	Restated as at 30 June 2019
	---------- (Rupees) ----------		
Taxation	20,707,421	(4,491,963)	16,215,458
Profit after tax	36,446,000	4,491,963	40,937,963

The effect of restatement on statement of changes in equity is summarized below:

	As reported at 30 June 2019	Restatement	Restated as at 30 June 2019
	---------- (Rupees) ----------		
Profit after taxation - restated	36,446,000	4,491,963	40,937,963

Since error relates to comparative year ended 2019, accordingly third balance sheet has not been presented.

	Note	2020 Rupees	2019 Rupees
18 Trade debts			
Trade debts - unsecured, considered good		125,339,554	106,187,360
Less: Provision for expected credit losses (ECL)	18.1	(5,618,902)	(3,593,407)
		119,720,652	102,593,953

18.1 The movement in provision for expected credit losses is as follows:

	2020	2019
Balance as at 30 June	3,593,407	-
Effect of initial application of IFRS 9	-	2,151,609
Charge for the year	4,552,056	3,089,162
Trade debts written off directly	(2,526,561)	(1,647,364)
	2,025,495	1,441,798
Balance as at 30 June	5,618,902	3,593,407

	Note	2020	2019
19 Loan to associated company			
Loan to Aequitas Information Services Limited	19.1	30,000,000	-
Add : Related accrued mark-up		8,079	-
		30,034,290	-
Less: Accrued mark-up shown as other receivable	20.1	(8,079)	-
		30,000,000	-

19.1 This represents loan given to Aequitas Information Services Limited (AISL) for the purpose of bridging AISL's cash shortfall till subscription of a right issue. The loan is repayable after one year along with the markup of one month KIBOR plus 150 bps or at the rate paid by Aequitas Information Services Limited to its other sponsor shareholder, whichever is higher. Any delay would yield a service charge of 1% per month.

		Note	2020	2019
20	**Advances, deposits, prepayments and other receivables**		Rupees	Rupees
	Advances - unsecured, considered good			
	- to employees		-	340,538
	- to suppliers		3,919	490,000
	Prepayments		1,405,675	1,375,662
	Other receivables	20.1	349,835	4,869,950
			1,759,429	7,076,150

20.1 Other receivables include following unsecured amounts due from related parties:

	2020	2019
	Rupees	Rupees
Aequitas (Private) Limited (related party)	244,711	2,989,795
Aequitas Information Services Limited (associate)	97,045	-
	341,756	2,989,795

20.1.1 Other receivables include following unsecured amounts against accrued interest:

	2020	2019
	Rupees	Rupees
Aequitas Information Services Limited (associate)	8,079	-

20.1.2 The maximum aggregate amount outstanding at any time during the year was:

	2020	2019
	Rupees	Rupees
Aequitas (Private) Limited (related party)	2,989,795	2,989,795
Aequitas Information Services Limited (associate company)	105,124	-

20.1.3 Age analysis of advance from associated companies, past due but not impaired is as follows:

	2020	2019
	Rupees	Rupees
0 to 6 months	349,835	1,329,410
6 to 12 months	-	1,650,590
Above 12 months	-	-
	349,835	2,980,000

		Note	2020 Rupees	2019 Rupees
21	**Cash and bank balances**			
	Cash in hand		-	45,331
	Cash at bank			
	Local currency			
	- Current accounts		232	2,421,593
	- Deposits and saving accounts	21.1	959,235	2,221,211
			959,467	4,642,804
	Foreign currency			
	- Current accounts		-	149,097
			959,467	4,837,232

21.1 This carries mark up at the rate of 6.5% to 11.5% (2019: 4.50% to 10.25%) per annum.

		Note	2020 Rupees	2019 Rupees
22	**Revenue from contracts with customers**			
	Income from rating business			
	- domestic		280,775,286	247,287,570
	- foreign		1,420,000	1,308,099
			282,195,286	248,595,669
	Income from non-rating business		9,292,292	18,352,724
	Less: Provincial Sales tax		32,751,561	32,592,783
		22.1	258,736,017	234,355,610

22.1 During the year, there were no clients who along with their associates contributed ten percent (10%) or more of the total revenue of the Group.

22.2 Disaggregation of Fees income

In the following table fees income from contracts with customers is disaggregated primarily by types of services and timing of revenue recognition.

	2020 Rupees	2019 Rupees
Type of services - Local fees income		
Entity rating	174,943,734	146,741,595
Instrument rating	52,929,172	51,400,207
Fund rating	20,559,319	18,183,385
Training services	4,480,000	10,190,000
	252,912,225	226,515,187
Type of services - Foreign fees income		
Entity rating	1,420,000	1,308,099
Training services	4,403,792	6,532,324
	5,823,792	7,840,423
	258,736,017	234,355,610
Timing of revenue recognition		
Revenue recognized at a point in time	210,576,191	191,731,163
Revenue recognized overtime	48,159,826	42,624,447
	258,736,017	234,355,610

23 Administrative and general expenses	Note	2020 Rupees	2019 Rupees
Salaries and other benefits	23.1	**136,542,254**	121,098,749
External rating committee members and consultancy fee		**7,238,000**	5,375,000
Rent, rates and taxes		**9,950,841**	11,118,176
Postage and telephone		**927,047**	1,045,562
Utilities		**3,241,943**	3,336,293
Legal and professional charges		**2,510,939**	3,154,990
Director's meeting expenses		**2,630,000**	1,230,000
Travelling and entertainment		**3,337,108**	6,144,427
Printing, stationery and periodicals		**913,445**	1,179,363
Fee and subscription		**507,410**	1,136,339
Auditor's remuneration	23.2	**648,750**	677,135
Repairs and maintenance		**1,497,729**	1,113,631
Software usage and maintenance		**1,386,120**	733,038
Insurance		**29,842**	23,142
Depreciation on property and equipment	14.1	**3,246,361**	2,717,158
Amortization on intangible assets	15.1.1	**381,984**	652,912
Others		**1,476,402**	4,263,730
		176,466,175	164,999,645

23.1 Salaries and other benefits include Rs. 5.32 million (2019: Rs. 4.45 million) and Rs. Nil (2019: Rs. 3.88 million) in respect of contribution to provident fund and charge on account of gratuity fund respectively.

23.2 Auditors' remuneration	Note	2020 Rupees	2019 Rupees
Annual audit		**475,000**	481,500
Audit of consolidated accounts		**150,000**	100,000
Out of pocket expenses		**23,750**	95,635
		648,750	677,135

24. Other income

Income from financial assets:		
Mark-up based income from conventional banks:		
Mark-up on saving accounts	**255,873**	371,421
Mark-up on loan given to associate	**8,079**	-
Exchange (loss) / gain	**(8,341)**	148,851
	255,611	520,272
Income from non-financial assets:		
Liabilities no longer payable written back	**594,947**	600,000
Miscellaneous income	**1,444,257**	13,600
	2,039,204	613,600
	2,294,815	1,133,872

25 Finance cost

	2020 Rupees	2019 Rupees
Mark-up on borrowings	**6,527,604**	4,462,989
Bank charges	**57,426**	34,741
	6,585,030	4,497,730

26 Taxation

	2020 Rupees	Restated (note 17) 2019 Rupees
For the year		
Current tax	**21,075,236**	17,219,353
Prior year	**2,053,034**	3,991,635
Deferred tax	**1,320,547**	(4,995,530)
	24,448,817	16,215,458

26.1 Relationship between the tax expense and accounting profit

	2020	2019
Profit before taxation	**73,453,782**	57,153,421
Tax calculated at the rate of 29%	**21,179,363**	16,574,492
Tax effect of:		
- income chargeable under Final Tax Regime	**(106,177)**	(381,250)
- prior years	**2,053,034**	278,458
- tax impact on discontinuation of gratuity fund	**1,877,536**	-
- Income chargeable under minimum tax regime	**1,046,994**	2,709,757
- Permanent difference	-	1,667,362
- impact on inadmissible & admissible expenses	**(1,644,269)**	-
- impact of deferred revenue	**373,425**	-
- Tax impact due to change in rate	**(58,250)**	-
- Others	**(272,839)**	(4,633,361)
	24,448,817	16,215,458

27 Earnings per share - basic and diluted

	2020	2019
Profit after tax	**39,445,442**	40,937,963
Weighted average number of ordinary shares outstanding during the year	**7,452,900**	7,452,900
Earnings per share - basic and diluted	**5.29**	5.49

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Holding Company by weighted average number of ordinary shares.

27.1 There is no dilutive effect on the basic earnings per share of the Group.

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28 Remuneration of Chief Executive, directors and executives

The aggregate amounts charged in these consolidated financial statements for the year for remuneration, including certain benefits to the Chief Executive, Directors and other Executives of the holding company are as follows:

	Note	Chief Executive		Non - Executive directors		Executives	
		2020	2019	**2020**	2019	**2020**	2019
		Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Managerial remuneration		**16,137,924**	14,190,000	**-**	-	**40,773,761**	32,154,000
Contribution to provident and gratuity funds		**968,280**	1,554,282	**-**	-	**2,439,896**	3,573,305
Bonus		**3,250,000**	2,500,000	**-**	-	**8,241,517**	7,623,000
Meeting fee		**-**	-	**2,630,000**	1,230,000	**-**	-
Reimbursable expenses		**-**	344,317	**-**	-	**-**	1,820,642
Others	28.1	**6,033,320**	2,685,899	**-**	-	**7,642,634**	5,760,685
Total		**26,389,524**	21,274,498	**2,630,000**	1,230,000	**59,097,808**	50,931,632
Numbers	28.2	**1**	1	**5**	6	**14**	8

28.1 The Holding Company also provides the Chief Executive with vehicle allowance, and club membership facility clubbed in 'others'.

28.2 This includes compensation provided to Mr. Adnan Afaq up to December 2019, after which Mr. Shahzad Saleem was appointed as the Company's CEO.

29. Transactions and balances with related parties

Balances and transactions with related parties are as follows:

	2020 Rupees	2019 Rupees
Associated company (20% owned)		
Aequitas Information Services Limited		
On account of:		
Investment in associate during the year	-	7,500,000
On account of:		
Amount given on account of loan	30,000,000	-
Expense paid on behalf of related party	1,505,018	1,064,864
Expenses paid by related party on behalf of Company	1,018,614	1,454,223
Mark-up on loan	8,079	-
(Receivable) / payable to related party - unsecured	(105,124)	389,359
Other related party		
Aequitas (Private) Limited		
On account of:		
Expense paid on behalf of related party	1,138,626	1,064,964
Amount reimbursed by related party	3,883,710	430,259
Year end balances - unsecured		
Receivable from related party	244,711	2,989,795
Post employment benefit plans / Other related parties		
On account of:		
Contributions to Provident Fund Trust	5,105,362	4,254,388
Contributions to Employees Gratuity Fund Trust	-	3,302,626
Year end payable balance		
Gratuity fund	-	7,797,243
Provident fund	746,094	-
Directors		
Muhammad Adnan Afaq (10% equity held)		
On account of:		
Dividend paid	3,726,450	3,726,450
Remuneration	14,684,834	21,274,498
Meeting fee	120,000	-
Year end payable balance		
Salary payable	-	2,500,000
Retirement benefit payable	2,035,085	-

	2020 Rupees	2019 Rupees
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	**11,445,624**	-
Year end payable balance		
Salary payable	**1,728,604**	-
Mumtaz Hussain Syed (27% equity held)		
On account of:		
Dividend paid	**10,061,400**	10,061,400
Meeting fee	**460,000**	270,000
Sardar Ali Watto (13% equity held)		
On account of:		
Dividend paid	**5,030,700**	5,030,700
Meeting Fee	**340,000**	-
Usman Haider (13% Equity held)		
On account of:		
Dividend paid	**5,030,705**	5,030,705
Other Directors (0.000065% equity held)		
On account of:		
Dividend paid	**24**	24
Meeting fee	**1,760,000**	960,000
Share holders holding more than 20% equity:		
Lahore Stock Exchange (36% Equity held)		
On account of:		
Dividend paid	**13,415,220**	13,415,220
Key Management Personnel (other than directors)		
Mr. Shahzad Saleem, COO		
On account of:		
Remuneration	**10,770,312**	18,585,832
Year end payable balance		
Salary payable	-	3,000,000
Mr. Tariq Maqbool, CEO of the Subsidiary Company		
On account of:		
Remuneration	**2,851,896**	2,663,505

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The management reviews and agrees policies for managing each of these risks which are summarized below:

30.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on trade debts, deposits, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Note	Carrying Values 2020 (Rupees)	Carrying Values 2019 (Rupees)
Trade debts - unsecured	18	119,720,652	102,593,953
Advances, deposits, prepayments and other receivables	20	1,759,429	7,076,150
Advance income tax - net		72,916	1,721,799
Cash and bank balances	21	959,467	4,837,232
		122,512,464	116,229,134

Quality of Financial Assets

30.1.1 Trade debts

Analysis of trade debts that are neither past due nor impaired and that are past due but not impaired is described in Note 16.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Company's trade debts using a provision matrix:

	0-90 days	91-180 days	181-270 days	Over 271 days	365 and above	Total
As at 30 June 2020						
Expected credit loss rate	0.3%	7.9%	14.2%	8.1%	100.0%	-
Estimated total gross carrying amount at default	86,947,522	29,639,755	4,105,549	1,624,340	2,301,332	124,618,498
Expected credit loss	262,517	2,341,541	581,940	131,572	2,301,332	5,618,902

	0-90 days	91-180 days	181-270 days	Over 271 days	365 and above	Total
As at 30 June 2019						
Expected credit loss rate	0.94%	4.93%	10.99%	32.52%	100.00%	-
Estimated total gross carrying amount at default	83,012,053	11,309,478	7,111,623	300,792	1,375,206	103,109,152
Expected credit loss	780,313	557,557	781,567	97,818	1,375,206	3,592,461

As at 30 June 2020, trade debts of Rs. 5.6 million (2019: Rs. 3.6 million) were impaired and provided for.

30.1.2 Bank balances

	Rating Short Term	Rating Long Term	Rating Agency	2020 (Rupees)	2019 (Rupees)
Bank Al Habib	A-1+	AA+	PACRA	959,235	4,060,007
Askari Bank Limited	A1+	AA+	PACRA	232	445,937
MCB Islamic Bank Limited	A-1	A	PACRA	-	32,711
Faysal Bank Limited	A-1+	AA	PACRA	-	149,097
FINCA Microfinance Bank	A-1	A	PACRA	-	104,149
				959,467	4,791,901

30.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended 30 June 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	--------	--------	-----Amount in Rupees-----	--------	--------	--------
Markup accrued	1,348,115	1,348,115	-	-	-	1,348,115
Trade and other payables	37,497,658	-	37,497,658	-	-	37,497,658
Contract Liability	40,288,758	40,288,758		-	-	40,288,758
	79,134,531	41,636,873	37,497,658	-	-	79,134,531

Year ended 30 June 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	--------	--------	-----Amount in Rupees-----	--------	--------	--------
Markup accrued	1,373,344	1,373,344	-	-	-	1,373,344
Trade and other payables	38,947,348	-	38,947,348	-	-	38,947,348
Contract Liability	36,288,958	36,288,958	-	-	-	36,288,958
	76,609,650	37,662,302	38,947,348	-	-	76,609,650

30.3 Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	2020 (Rupees)	2019 (Rupees)
Bank balances	-	149,097
The following significant exchange rates have been applied at the reporting dates:		
USD = PKR	164.5	121.4

The Company has assessed that hedging its foreign currency exposure will be more expensive than assuming the risk itself.

Sensitivity Analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the above exchange rates, with all other variables held constant, of the Company's loss / profit before tax and the Company's equity.

Increase / decrease in Exchange rate (%)	Effect on profit before tax 2020 (Rupees)	2019 (Rupees)
+10	-	14,910
-10	-	(14,910)

30.4 Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rate.

The Company's exposure to the risk of changes in market interest rates relates primarily to the fund obtained from parent company with floating interest rates.

(Increase) / decrease in basis points	Effect on profit before tax 2020 (Rupees)	2019 (Rupees)
+100	95,924	222,121
-100	(95,924)	(222,121)

30.5 Fair Value of Financial Instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at each reporting date.

31. Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020		2019	
	Dividend payable	**Total**	Dividend payable	Total
	---- Rupees ----		---- Rupees ----	
Balance as at 01 July	-	-	18,632,250	18,632,250
Changes from financing activities				
Dividend paid	37,264,500	37,264,500	(37,264,500)	(37,264,500)
Total changes from financing cash flows	**37,264,500**	**37,264,500**	(37,264,500)	(37,264,500)
Other changes				
Dividend declared	37,264,500	37,264,500	18,632,250	18,632,250
Total liability related other changes	**37,264,500**	**37,264,500**	18,632,250	18,632,250
Closing as at 30 June	-	-	-	-

32. Cash and cash equivalents

	Note	2020 Rupees	2019 Rupees
Cash and bank balances	20	**959,467**	4,837,232
Short term borrowing- secured	11	**(45,181,055)**	(36,285,101)
		(44,221,588)	(31,447,869)

33. Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

34. Provident fund related disclosures

The following information is based on latest un-audited financial statements of the Fund:

	Un-audited 2020	Audited 2019
	Rupees	Rupees
Size of the fund - Total assets	**29,809,628**	24,095,579
Cost of investments made	**29,465,833**	23,885,817
Percentage of investments made	**98.85%**	99.13%
Fair value of investments	**29,465,833**	23,885,817

34.1 The break-up of fair value of investments is:

	2020		2019	
	Rupees	%	Rupees	%
Deposit and saving accounts	**9,465,833**	**32%**	7,993,616	33%
Term deposit receipts	**20,000,000**	**68%**	15,892,201	67%
	29,465,833	**100%**	23,885,817	100%

34.2 The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

35. Number of employees

The total and average number of employees during the year and as at June 30 are as follows:

	2020	2019
	-----(No. of employees)-----	
Average number of employees during the year	69	61
Number of employees as at 30 June	69	68

36. General

36.1 Date of authorization

These consolidated financial statements were authorized for issue on ________________ by the Board of Directors of the Company.

36.2 Events after reporting date

The Board of Directors of the Holding Company in its meeting held on 05 October 2020 has proposed final cash dividend of Rs. 3 per share amounting to Rs. 22,358,700. These appropriations will be approved in the forthcoming Annual General Meeting.

These consolidated financial statements for the year ended 30 June 2020 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending 30 June 2021.

Chief Executive

Director