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THE PAKISTAN CREDIT RATING AGENCY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021

EY Firm ID: 000001
Chartered Accountants
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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 2021

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 2021, 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 2021, 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 2021, 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.

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.

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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 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.

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.

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



EY Ford Rhodes
Chartered Accountants
Lahore: 07 October 2021

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 12,500,000 (2020: 12,500,000) ordinary shares of Rs.10 each		<u>125,000,000</u>	<u>125,000,000</u>
Issued, subscribed and paid up share capital	6	74,529,000	74,529,000
Surplus on revaluation of freehold land	7	-	81,945,420
Accumulated profits		68,034,935	74,641,641
		<u>142,563,935</u>	<u>231,116,061</u>
NON CURRENT LIABILITIES			
Long term finance - secured	8	5,836,479	12,705,843
Lease liabilities	11	14,280,439	-
		<u>20,116,918</u>	<u>12,705,843</u>
DEFERRED LIABILITIES			
Deferred government grants	9	886,056	901,985
CURRENT LIABILITIES			
Short term borrowing- secured	13	-	45,181,055
Contract liability	12	59,198,767	40,288,758
Current portion of long term finance		23,791,691	-
Current portion of lease liabilities	11	5,281,409	-
Accrued mark-up		268,363	1,348,115
Trade and other payables	10	46,189,685	37,497,658
		<u>134,729,915</u>	<u>124,315,586</u>
TOTAL EQUITY AND LIABILITIES		<u>298,296,824</u>	<u>369,039,475</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Shahid Nadeem

Chief Executive

ASSETS

NON-CURRENT ASSETS

Note	2021 Rupees	2020 Rupees
15	12,314,311	153,574,855
16	228,179	254,885
17	17,870,370	-
18	69,284,852	48,695,765
	1,335,300	1,335,300
19	3,086,493	10,627,595
	<u>104,119,505</u>	<u>214,488,400</u>

CURRENT ASSETS

20	96,274,959	119,720,652
21	2,988,905	2,038,611
22	-	30,000,000
23	3,496,956	1,759,429
	815,105	72,916
24	90,601,394	959,467
	<u>194,177,319</u>	<u>154,551,075</u>

TOTAL ASSETS

298,296,824 **369,039,475**

Director
Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	Restated 2020 Rupees
Revenue from contracts with customers - net	25	271,930,530	258,736,017
Direct cost	26	(101,224,957)	(106,564,462)
Gross Profit		170,705,573	152,171,555
Operating Expenses			
Administrative and general expenses	27	(80,597,306)	(71,741,233)
Provision for expected credit loss on trade debts	20	(1,862,776)	(4,552,056)
		(82,460,082)	(76,293,289)
Operating profit		88,245,491	75,878,266
Other income	28	26,105,107	4,134,335
Finance cost	29	(5,928,551)	(6,585,030)
Share of loss of associated company		(8,569,085)	(9,533,312)
Profit before tax		99,852,962	63,894,259
Taxation	30	(34,778,810)	(24,448,817)
Profit after tax		65,074,152	39,445,442
Earnings per share - basic and diluted	31	8.73	5.29

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Mahad Hakeem

Chief Executive

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Director

**THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Profit after taxation		65,074,152	39,445,442
Other comprehensive (loss) / income for the year			
Items that will not be reclassified to profit and loss:			
- Gain on revaluation of freehold land	15	-	23,626,246
- Share of other comprehensive income of associated company		(841,828)	837,039
		(841,828)	24,463,285
Items that will be reclassified to profit and loss		-	-
Total comprehensive income for the year		<u>64,232,324</u>	<u>63,908,727</u>

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.



Chief Executive



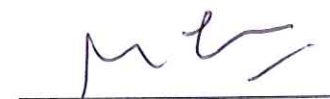
Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Issued, subscribed and paid up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profit	Total
	Rupees			
Balance as on 1 July 2019	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
		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
Total comprehensive income for the year				
Profit after taxation	-	-	65,074,152	65,074,152
Revaluation surplus transferred to accumulated profit	-	(81,945,420)	81,945,420	-
Other comprehensive income	-	-	(841,828)	(841,828)
	-	(81,945,420)	146,177,744	64,232,324
Transaction with owners, recorded directly in equity:				
Final dividend for the year ended 30 June 2020 at the rate of Rs 3 per share	-	-	(22,358,700)	(22,358,700)
Interim dividend for the year ended 30 June 2021 at the rate of Rs 17.5 per share	-	-	(130,425,750)	(130,425,750)
	-	-	(152,784,450)	(152,784,450)
Balance as on 30 June 2021	74,529,000	-	68,034,935	142,563,935

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.



Chief Executive


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		99,852,962	63,894,259
Adjustment of non cash items:			
Depreciation on property and equipment	15.1	1,266,603	3,246,361
Depreciation on right of use asset	17.2	5,956,790	-
Amortization on intangible assets	16.1	254,850	381,984
Finance cost		5,928,551	6,585,030
Gratuity expense		-	(1,444,257)
Mark-up on savings accounts		(327,667)	(255,873)
Gain on disposal of property and equipment		(18,227,633)	-
Government grant-net		(1,347,798)	-
Provision for expected credit loss		1,862,776	4,552,056
Exchange loss		9,832	8,341
Share of loss of associated company		8,569,085	9,533,312
Liabilities no longer payable written back		-	(594,947)
		<u>3,945,389</u>	<u>22,012,007</u>
		103,798,351	85,906,266
Changes in working capital:			
Decrease / (Increase) in trade debts		21,573,085	(21,687,096)
Increase in contract asset		(950,294)	(2,038,611)
(Increase) / decrease in advances, deposits and prepayments		(1,737,527)	5,316,721
Increase trade and other payables		8,692,027	6,942,500
Increase in contract liability		18,910,009	3,999,800
		46,487,300	(7,466,686)
Finance cost paid		(2,488,122)	(6,831,389)
Income tax paid		(27,979,894)	(21,238,529)
Gratuity paid		-	(6,352,986)
Net cash generated from operating activities		119,817,635	44,016,676
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(7,906,710)	(3,370,768)
Proceeds from disposal of property and equipment		164,059,500	-
Acquisition of intangible assets		(228,144)	-
Interest received		327,667	255,873
Net cash generated from / (used in) investing activities		156,252,313	(3,114,895)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finance obtained - net		18,254,196	13,589,000
Loan to associated company		-	(30,000,000)
Leases - net		(6,716,712)	-
Dividend paid		(152,784,450)	(37,264,500)
Net cash used in financing activities	35	(141,246,966)	(53,675,500)
Net increase / (decrease) in cash and cash equivalents		134,822,982	(12,773,719)
Cash and cash equivalents at beginning of the year		(44,221,588)	(31,447,869)
Cash and cash equivalents at end of the year	36	<u>90,601,394</u>	<u>(44,221,588)</u>

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.


Chief Executive


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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
<u>Holding Company</u>	
The Pakistan Credit Rating Agency Limited	
<u>Subsidiary Company</u>	
PACRA Analytics (Private) Limited	100%
<u>Associated Company</u>	
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 (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. The registered office of the Company is situated at Awami Complex, FB-1, Usman Block, New Garden Town, Lahore.

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

Aequitas Information Services Limited (the Company) was incorporated in Pakistan on 25 March 2016 as a public limited company under the Companies Ordinance, 1984 (repealed by the Companies Act, 2017). The Company's registered office is located at Building 8, Sector B, Commercial Area, Phase V, DHA, Lahore. 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 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 PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY

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 other comprehensive income are reclassified to profit or loss.

The Company has entered into a Technical Affiliation Agreement with Lanka Rating Agency Limited (LRA) dated March 26, 2021. Relevant services have been initiated at the beginning of financial year 2020. As a part of the arrangement, LRA is allocating 15% shareholding to the Company. However, the Company would not pay any consideration for this. The shareholding has a buy-back option attached to it exercisable after 5 years on successful execution of technical affiliation. Considering different known/unknown variables attached to the agreement and length of time involved, the management considers it prudent to not assign any value to such option.

2. Statement of compliance

These 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.

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY

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, interpretation and amendments applicable to the Financial Statements for the year ended June 30, 2021

The accounting policies and the methods of computation adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended June 30, 2020, except for the following:

New Amendments

IAS 1	Presentation of Financial Statements: Definition of Material — (Amendments)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material — (Amendments)
IFRS 3	Business Combinations: Definition of Business — (Amendments)
IFRS 9	Financial Instruments: Interest Rate Benchmark Reform — (Amendments)
IFRS 7	Financial Instruments Disclosures: Interest Rate Benchmark Reform — (Amendments)
IAS 39	Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform — (Amendments)
IFRS 16	Covid-19-Related Rent Concessions (Amendments)
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

The adoption of above amendments applied for the first time in the year did not have any material impact on the financial statements of the Company.

2.2 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 years beginning on or after)
IFRS 3	Reference to conceptual framework — (Amendments)	January 01, 2022
IAS 16	Property, plant and equipment: Proceeds before intended use — (Amendments)	January 01, 2022
IAS 37	Onerous contracts - costs of fulfilling a contract — (Amendments)	January 01, 2022
AIP IAS 1	First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter	January 01, 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
AIP IAS 41	Agriculture — Taxation in fair value measurements	January 01, 2022
IAS 1	Classification of liabilities as current or non-current — (Amendments)	January 01, 2023
IAS 8	Definition of accounting estimates — (Amendments)	January 01, 2023
IAS 1 and IFRS Practice	Disclosure of accounting policies — (Amendments)	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction — (Amendments)	January 01, 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	January 01, 2023

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

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 January 01, 2022.

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY

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

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 years beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standard	July 01, 2009
IFRS 17	Insurance Contracts	January 01, 2023

The Company expects that above mentioned standards will not have any material impact on the Company's financial statements in the period of initial application.

3. Basis of preparation

3.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention unless

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 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 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 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.

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 pro-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 which are of revenue nature are charged to profit and loss 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.

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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.

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 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 or equity instrument of another entity.

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.

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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.

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6. Issued, subscribed and paid up share capital

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(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
	<u>7,452,900</u>	<u>7,452,900</u>	<u>74,529,000</u>	<u>74,529,000</u>

6.1 LSE Financial Services Limited, an associated undertaking holds 2,683,042 (2020: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Holding Company.

6.2 Directors hold 3,763,718 (2020: 3,763,718) ordinary shares comprising 51% of total paid up share capital of the Holding Company.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		Rupees	Rupees
7. Surplus on revaluation of freehold land			
Revaluation surplus		-	81,945,420

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 Holding Company. During the current year, the land has been disposed off.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		Rupees	Rupees
8. Long term finance - secured			
Bank AL Habib Limited	8.1	<u>5,836,479</u>	<u>12,705,843</u>
Balance as at 01 July 2020		12,705,843	-
Receipts during the year		25,770,131	12,651,725
Re-payments during the year		(11,162,300)	-
Accrued interest		2,314,496	54,118
Balance as at 30 June 2021		<u>29,628,170</u>	<u>12,705,843</u>
Less: Current portion of long term finance		<u>(23,791,691)</u>	-
		<u>5,836,479</u>	<u>12,705,843</u>

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. 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 Holding Company for Rs. 65 million and furniture & fixtures of the Holding Company for Rs. 10 million. Being a loan below market rate of interest, a portion of the loan has been treated as Government grant as described on note 9.

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:

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		Rupees	Rupees
Balance at beginning of the year		901,985	-
Amount recognized as deferred grant during the year		1,331,869	937,275
Amount recognized as income during the year		(1,347,798)	(35,290)
Balance at end of the year		<u>886,056</u>	<u>901,985</u>

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10. Trade and other payables

Accrued expenses and other liabilities	40,949,992	34,499,612
Payable to Provident Fund	700,948	746,094
Withholding tax payable	1,005,895	754,749
Sales tax payable	3,532,850	1,497,203
	<u>46,189,685</u>	<u>37,497,658</u>

11. Lease Liability

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) is 11%. The amount of future payments and the period during which they will become due are:

	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Period ending 30 June 2021		
2022	6,956,325	-
2023	7,478,049	-
2024	8,038,903	-
	<u>22,473,277</u>	<u>-</u>
Less: future finance charges	(2,911,429)	-
	<u>19,561,848</u>	<u>-</u>
Less: current maturity shown under current liabilities	(5,281,409)	-
	<u>14,280,439</u>	<u>-</u>

11.1 Maximum lease term for the existing lease contracts is upto 4 years.

11.2 Minimum Lease Payments (MLP) and their Present Value (PV) are as follow:

	<u>MLP</u>	<u>PV of MLP</u>
	(Rupees)	(Rupees)
Due not later than 1 year	6,956,325	5,281,409
Due later than 1 year but not later than 5 years	15,516,952	14,280,439
	<u>22,473,277</u>	<u>19,561,848</u>

11.3 Set out below are the carrying amounts of lease liabilities and the movement during the year:

	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Balances as at 01 July	-	-
Additions during the year	23,827,160	-
Markup on lease liabilities	2,205,688	-
	<u>26,032,848</u>	<u>-</u>
Less: Lease rentals paid	(6,471,000)	-
Balance as at 30 June	<u>19,561,848</u>	<u>-</u>

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	Note	2021	2020
		Rupees	Rupees
12. Contract liability			
Advance from customers	12.1	10,482,725	7,995,373
Deferred revenue	12.2	48,716,042	28,293,585
		59,198,767	36,288,958

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

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

	Note	2021	2020
		Rupees	Rupees
13. Short term borrowing- secured			
JS Bank Limited	13.1	-	44,619,505
Bank AL Habib Limited	13.2	-	561,550
		-	45,181,055
Add : Related accrued mark-up		268,363	1,348,115
		268,363	46,529,170
Less: Accrued mark-up shown as current liability		(268,363)	(1,348,115)
		-	45,181,055

13.1 This represent utilized balance of running finance facility obtained from JS Bank Limited of Rs. 90 million (2020: Rs. 60 million). This facility carried markup at the rate of 1 month KIBOR plus 150 bps per annum (2020: 1 month Kibor plus 150 bps per annum) payable quarterly in arrears. This was 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. The entire amount of loan has been paid during the year.

13.2 This represents utilized balance of running finance facility obtained from Bank AL Habib Limited of Rs.30 million (2020: Rs 10 million). This facility carries markup at the rate of 3 month KIBOR plus 150 bps per annum (2020: 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. The entire amount of loan has been paid during the year.

14. CONTINGENCIES AND COMMITMENTS

14.1 Commitments

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 (2020: Rs. 0.05 million).

14.2 Contingencies

14.2.1 The Deputy Commissioner Inland Revenue (the "DCIR") issued order dated April 24, 2019 under section 161(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2014 and 2017 whereby tax amounting to Rs. 1.85 million and Rs. 1.35 million respectively, for non-deduction of withholding tax was levied. The Holding Company preferred an appeal on May 23, 2019 before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is pending adjudication. The management expects a favorable outcome in this regard.

14.2.2 The Deputy Commissioner Inland Revenue (the "DCIR") issued order dated May 31, 2021 under section 122(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2015 whereby tax amounting to Rs. 10.1 million on account of disallowance of expenses was levied. The Holding Company preferred an appeal on June 18, 2021 before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is pending adjudication. The management expects a favorable outcome in this regard.

14.2.3 The Deputy Commissioner Inland Revenue (the "DCIR") issued order dated February 22, 2019 under section 161(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2016 whereby tax amounting to Rs. 2.2 million for non-deduction of withholding tax was levied. The Company preferred an appeal before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is decided against the Holding Company by confirming the tax liability of Rs. 0.59 million. Being aggrieved, the Company filed an appeal on September 16, 2021 before the Appellate Tribunal Inland Revenue (the "ATIR"), which is pending adjudication. The management expects a favorable outcome in this regard.

14.2.4 The Deputy Commissioner Inland Revenue (the "DCIR") issued order dated June 23, 2021 under section 122(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2015, whereby tax amounting to Rs. 0.55 million on account of disallowance of expenses was levied. The Holding Company preferred an appeal on July 12, 2021 before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is pending adjudication. The management expects a favorable outcome in this regard.

15. Property and equipment

	2021										
	COST					ACCUMULATED DEPRECIATION					
	As at 01 July 2020	Revaluations during the year	Additions during the year	Disposals	Cost 30 June 2021	As at 01 July 2020	For the year	Disposals	As at 30 June 2021	Book value as at 30 June 2021	
	Rupees					Rupees					%
Owned											
Freehold land	144,320,000	-	-	144,320,000	-	-	-	-	-	-	
Furniture and fixtures	16,646,005	-	6,472,165	7,808,639	14,309,631	15,372,207	407,670	7,808,639	7,974,338	6,338,293	
Office equipment and computers	18,321,364	-	2,357,645	4,320,430	16,358,679	12,605,139	2,081,352	3,410,430	11,276,061	5,082,518	
Vehicles	4,633,609	-	76,900	2,311,000	2,399,409	2,368,677	846,365	1,709,133	1,606,909	893,600	
	183,920,878	-	7,906,710	158,769,969	33,067,619	30,346,023	3,335,387	12,928,102	20,763,308	12,314,311	
	2020										
	COST					ACCUMULATED DEPRECIATION					
	As at 01 July 2019	Revaluations during the year	Additions 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	
	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	
Office equipment and computers	15,559,064	-	2,762,300	-	18,321,364	10,730,713	1,874,426	-	12,605,139	5,716,225	
Vehicles	4,633,509	-	-	-	4,633,509	1,461,177	907,500	-	2,368,677	2,264,832	
	156,923,864	23,626,246	3,370,768	-	183,920,878	27,099,662	3,246,361	-	30,346,023	153,574,855	

15.1 Depreciation charge is allocated as follows:

Direct cost
Administrative and general expenses

Note	2021 Rupees	2020 Rupees
26	2,068,784	2,148,327
27	1,266,603	1,098,034
	3,335,387	3,246,361

15.2 Description	Cost	Accumulated Depreciation	NBV	Sale proceed	Gain/(Loss)	Mode of disposal	Relationship with buyer	Particulars of Buyer
Land	144,320,000	-	144,320,000	160,000,000	15,680,000	Sale	Others	Almas Retail (Private) Limited
Toyota Corolla LEB-17A-8493	2,257,000	1,585,958	671,042	3,015,000	2,343,958	Sale	Others	Babar Abbas
Others	14,090,969	11,980,456	2,110,513	2,314,188	203,675	Sale / Writeoff	Others	Miscellaneous
	160,667,969	13,566,414	147,101,555	165,329,188	18,227,633			

4,727

	2020									
	COST				ACCUMULATED AMORTIZATION				Net book value as at 30 June 2020	Rate %
	As at 01 July 2019	Additions during the year	Disposals during the year	As at 30 June 2020	As at 01 July 2019	For the year	Disposals	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	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
Database software	4,000,000	-	-	4,000,000	4,000,000	-	-	4,000,000	-	33.33
	8,096,534	-	-	8,096,534	7,459,665	381,984	-	7,841,649	254,885	

16.1 Amortization charge has been allocated as follows:

Administrative and general expenses

Note	2021 Rupees	2020 Rupees
27	254,850	381,984

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17. Right of Use Asset	Note	2021 Rupees	2020 Rupees
Balances as at 01 July		-	-
Additions during the year		23,827,160	-
Less: depreciation	17.2	(5,956,790)	-
Balance as at 30 June		<u>17,870,370</u>	<u>-</u>

17.1 These include 1 leasehold buildings having 2 floors for the head office of Holding Company, Lahore.

17.2 Depreciation charge on right of use asset is allocated as follows:

	Note	2021 Rupees	2020 Rupees
Direct cost	26	3,062,072	-
Administrative and general expenses	27	2,894,718	-
		<u>5,956,790</u>	<u>-</u>

18. Cost of Investment

Aequitas Information Services Limited			
10,000,000 (2020: 7,000,000) fully paid shares of Rs. 10 each		100,000,000	70,000,000

Share of loss

As at 01 July	(21,304,235)	(12,607,962)
Share of loss for the year	(8,569,085)	(9,533,312)
Share of other comprehensive (loss) / income	(841,828)	837,039
Gain on dilution of equity interest in associate during the year	-	-
As at 30 June	<u>(30,715,148)</u>	<u>(21,304,235)</u>
Net investment as at 30 June	<u>69,284,852</u>	<u>48,695,765</u>

The Holding Company owns 10 million (2020: 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 Building 8, Commercial Area, Phase V, DHA, Lahore, Pakistan. The investment has been made in accordance with the requirements under Companies Act 2017.

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:

	2021 Rupees	2020 Rupees
Non current assets	376,164,945	316,312,686
Current assets	67,930,945	51,479,508
Non current liabilities	(27,645,167)	(19,229,709)
Current liabilities	(70,026,464)	(81,383,662)
Net assets - 100%	<u>346,424,259</u>	<u>267,178,823</u>
Less: Share deposit money	-	23,700,000
	<u>346,424,259</u>	<u>243,478,823</u>
Percentage ownership interest	20.00%	20.00%
Group's share of net assets representing carrying amount of interest in associated company	<u>69,284,852</u>	<u>53,435,765</u>
Revenue	87,750,070	29,075,072
Loss for the year from continuing operations	<u>(42,845,425)</u>	<u>(47,666,559)</u>
Other comprehensive (loss) / income	<u>(4,209,139)</u>	<u>4,185,190</u>
Total comprehensive loss for the year from continuing operations	<u>(9,410,913)</u>	<u>(8,696,273)</u>

19. Deferred taxation

Deferred taxation		2021		
	Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
	----- Rupees -----			
<u>Deductible temporary difference</u>				
Accelerated tax depreciation / amortization allowances	257,463	(786,093)	-	1,043,556
Provision for expected credit losses	1,620,268	189,923	-	1,430,345
Payable to gratuity fund	383,664	258,854	-	124,810
Contract liability	8,366,200	8,366,200	-	-
Lease liabilities - net	-	(487,782)	-	487,782
	<u>10,627,595</u>	<u>7,541,102</u>	<u>-</u>	<u>3,086,493</u>
2020				
	Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
	----- Rupees -----			
<u>Deductible temporary difference</u>				
Accelerated 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
	<u>11,948,142</u>	<u>(1,320,547)</u>	<u>-</u>	<u>10,627,595</u>

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	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
20. Trade debts - unsecured			
Trade debts		101,234,958	125,339,554
Less: Provision for expected credit losses (ECL)	20.1	(4,959,999)	(5,618,902)
		<u>96,274,959</u>	<u>119,720,652</u>

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

	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Balance as at 1 July 2020		5,618,902	3,593,407
Charge for the year		1,862,776	4,552,056
Trade debts written off directly		(2,521,679)	(2,526,561)
		<u>(658,903)</u>	<u>2,025,495</u>
Balance as at 30 June 2021		<u>4,959,999</u>	<u>5,618,902</u>

21. Contract asset

This includes cost of provisioning of services by the Holding Company to the customers, but right to receive payments against such goods and services has not yet been established.

22. Loan to associated company

	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Loan to Aequitas Information Services Limited	22.1	-	30,000,000
Add : Related accrued mark-up		(2,603,861)	8,079
		<u>(2,603,861)</u>	<u>30,008,079</u>
Less: Accrued mark-up		2,603,861	(8,079)
		<u>-</u>	<u>30,000,000</u>
Balance as at 01 July 2020		30,000,000	-
Payments during the year		-	30,000,000
Issue of shares		(30,000,000)	-
Balance as at 30 June 2021		<u>-</u>	<u>30,000,000</u>

22.1 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 was repayable in 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. During the year AISL has issued 3,000,000 share having par value of Rs. 10 each against this loan.

	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
23. Advances, deposits, prepayments and other receivables			
Advances - unsecured, considered good			
- to employees		124,426	-
- to suppliers		709,503	3,919
		<u>833,929</u>	<u>3,919</u>
Prepayments		1,663,129	1,405,675
Receivable from related parties		787,535	349,835
Other receivables		212,363	-
		<u>3,496,956</u>	<u>1,759,429</u>

23.1 Receivable from related parties include following unsecured amounts against shared expenses:

	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Aequitas (Private) Limited		-	244,711
Aequitas Information Services Limited		250,160	97,045
Analytics (Private) Limited		537,375	-
		<u>787,535</u>	<u>341,756</u>

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY

23.1.1 Receivable from related party include following unsecured amounts against accrued interest:

	<u>Note</u>	<u>2021</u> <u>Rupees</u>	<u>2020</u> <u>Rupees</u>
Aequitas Information Services Limited		<u>349,180</u>	<u>8,079</u>

23.1.2 The maximum aggregate amount outstanding from the related party at any time during the year was:

	<u>Note</u>	<u>2021</u> <u>Rupees</u>	<u>2020</u> <u>Rupees</u>
Aequitas (Private) Limited		-	2,989,795
Aequitas Information Services Limited		1,152,735	105,124
Analytics (Private) Limited		1,387,850	-

23.1.3 Age analysis of receivable, past due but not impaired is as follows:

	<u>Note</u>	<u>2021</u> <u>Rupees</u>	<u>2020</u> <u>Rupees</u>
0 to 6 months		787,535	349,835
6 to 12 months		-	-
Above 12 months		-	-
		<u>787,535</u>	<u>349,835</u>

24. Cash and bank balances

Cash at bank			
Local currency			
- Current accounts		-	232
- Deposits and saving accounts	24.1	90,601,394	959,235
		90,601,394	959,467
Foreign currency			
- Current accounts		-	-
		<u>90,601,394</u>	<u>959,467</u>

24.1 These carries mark up ranging from 5.5% to 6.5% (2020: 6.5% to 11.5%) per annum.

25. Revenue from contracts with customers

	<u>Note</u>	<u>2021</u> <u>Rupees</u>	<u>2020</u> <u>Rupees</u>
Income from rating business			
- domestic		309,430,218	280,775,286
- foreign		1,510,795	1,420,000
		310,941,013	282,195,286
Income from non-rating business	25.1	5,327,883	9,292,292
Less: Provincial sales tax		44,338,366	32,751,561
	25.2	<u>271,930,530</u>	<u>258,736,017</u>

25.2 Disaggregation of Fees income

In the following table fees income from contracts with customers is disaggregated primarily by types of rating

	<u>Note</u>	<u>2021</u> <u>Rupees</u>	<u>2020</u> <u>Rupees</u>
Type of rating - Local fees income			
Entity rating		187,469,950	174,943,734
Instrument rating		55,847,779	52,929,172
Fund rating		22,231,253	20,559,319
		265,548,982	248,432,225
Type of rating - Foreign fees Income			
Entity rating		1,510,795	1,420,000
Training services		-	4,403,792
		1,510,795	5,823,792
Non-rating services		4,870,753	4,480,000.00
		<u>271,930,530</u>	<u>258,736,017</u>

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		<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Timing of revenue recognition				
Revenue recognized at a point in time			220,712,692	210,576,191
Revenue recognized over - time			46,347,085	48,159,826
			<u>271,930,530</u>	<u>258,736,017</u>
26. Direct Cost		<u>Note</u>	<u>2021</u> Rupees	Restated 2020 Rupees
Salaries & other benefits	26.1	84,239,207	87,609,876	
External rating committee members fee		7,600,000	6,425,000	
Rent		-	4,545,935	
Utilities		1,191,428	1,208,873	
Technology & related expenses		1,059,017	1,077,724	
Business development		63,250	60,823	
Travel, Food & Accommodation		671,143	1,635,160	
Printing & Stationery		1,270,056	1,852,744	
Depreciation		2,068,784	2,148,327	
Depreciation on right of use asset		3,062,072	-	
		<u>101,224,957</u>	<u>106,564,462</u>	
26.1 Salaries and other benefits include Rs. 2.53 million (2020: Rs. 3.32 million) in respect of contribution to provident fund.				
27. Administrative and general expenses		<u>Note</u>	<u>2021</u> Rupees	Restated 2020 Rupees
Salaries and other benefits	27.1	49,911,893	43,803,228	
Rent, rates and taxes		2,980,059	5,484,146	
Communication and related expenses		1,066,885	922,249	
Utilities		1,495,727	2,037,868	
Legal and consultancy charges		10,056,320	6,588,897	
Director's meeting expenses		2,023,007	2,630,000	
Travel, food and accommodation		202,454	1,701,948	
Printing, stationary and periodicals		127,185	900,222	
Fee and subscription		869,840	465,860	
Auditor's remuneration	27.2	648,750	648,750	
Repairs and maintenance		4,781,333	1,479,788	
Entertainment and related expenses		1,416,664	2,252,581	
Technology & related expenses		542,893	308,396	
Insurance		28,761	28,469	
Depreciation on property and equipment	15.1	1,266,603	1,098,034	
Amortization of intangible assets	16.1	254,850	381,984	
Depreciation on right of use asset		2,894,718	-	
Others		29,364	1,008,813	
		<u>80,597,306</u>	<u>71,741,233</u>	
27.1 Salaries and other benefits include Rs. 1.62 million (2020: Rs. 1.79 million) in respect of contribution to provident fund.				
27.2 Auditor's remuneration		<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Annual audit		625,000	625,000	
Audit of consolidated accounts		-	-	
Out of pocket expenses		23,750	23,750	
		<u>648,750</u>	<u>498,750</u>	

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28. Other income

Income from financial assets:

Mark-up based income from conventional banks:

Mark-up on savings accounts

Government grant

Mark-up on loan given to associate

Exchange gain

327,667	255,872
1,347,798	-
2,603,861	8,079
-	(8,341)
4,279,326	255,610

Income from non-financial assets:

Gain on disposal of fixed assets

Newspaper reimbursement

Miscellaneous income

Liabilities no longer payable written back

18,227,633	-
2,989,128	1,839,521
609,020	1,444,257
-	594,947
21,825,781	3,878,725
26,105,107	4,134,335

29. Finance cost

Mark-up on long term borrowings

Mark-up on short term borrowings

Finance cost on lease liability

Bank charges

2,314,497	55,693
1,270,462	6,471,911
2,205,688	-
137,904	57,426
5,928,551	6,585,030

30. Taxation

Current tax

Current year

Prior year

27,207,341	21,075,236
30,367	2,053,034
27,237,708	23,128,270

Deferred tax

7,541,102	1,320,547
34,778,810	24,448,817

30.1 The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as, the total income of the Holding Company for the year ended 30 June 2021, attracts minimum tax under the Income Tax Ordinance, 2001 and its export of services falls under final tax regime.

31. Earnings per share - basic and diluted

Profit after tax

65,074,152	39,445,442
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Weighted average number of ordinary shares
outstanding during the year

7,452,900	7,452,900
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Earnings per share - basic and diluted

8.73	5.29
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31.1 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.

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

32. 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	
	2021	2020	2021	2020	2021	2020
Rupees						
Managerial remuneration	21,514,278	16,137,924	-	-	43,347,685	40,773,761
Contribution to provident fund	977,922	968,280	-	-	1,966,359	2,439,896
Bonus	5,347,812	3,250,000	-	-	7,950,426	8,241,517
Meeting fee	-	-	2,023,007	2,630,000	-	-
Reimbursable expenses	250,403	-	-	-	383,623	-
Others	-	6,033,320	-	-	-	7,642,634
Total	28,090,415	26,389,524	2,023,007	2,630,000	53,648,093	59,097,808
Numbers	1	1	7	7	15	14

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

33. Transactions and balances with related parties

Balances and transactions with related parties are as follows:

	2021 Rupees	2020 Rupees
<u>Associated company (20% owned)</u>		
Aequitas Information Services Limited		
On account of:		
Investment in associate during the year	<u>30,000,000</u>	<u>-</u>
On account of:		
Amount given on account of loan	-	30,000,000
Expense paid on behalf of related party	1,133,492	1,505,018
Expenses paid by related party on behalf of Company	639,276	1,018,614
Markup on loan charged to related party	2,603,861	8,079
Markup paid by related party	2,254,681	-
(Receivable) / payable to related party - unsecured	<u>(250,160)</u>	<u>(105,124)</u>
<u>Other related party</u>		
Aequitas (Private) Limited		
On account of:		
Expense paid on behalf of related party	1,133,491	1,138,626
Services rendered by the related party	1,600,000	-
Amount reimbursed by related party	840,827	3,883,710
Amount reimbursed to related party	1,600,000	-
Year end balances - unsecured		
Receivable from related party	<u>537,375</u>	<u>244,711</u>
Analytics (Private) Limited		
On account of:		
Services rendered by the related party	<u>1,000,000</u>	<u>-</u>
<u>Post employment benefit plans / Other related parties</u>		
On account of:		
Contributions to Provident Fund Trust	4,151,818	5,105,362
Contributions to Employees Gratuity Fund Trust	-	-
Year end payable balance		
Provident fund	<u>700,948</u>	<u>746,094</u>
<u>Directors</u>		
Muhammad Adnan Afaq (10% equity held)		
On account of:		
Dividend paid	15,278,445	3,726,450
Remuneration	-	14,943,900
Meeting fee	200,000	120,000
Year end payable balance	-	2,035,085
Salary payable	<u>-</u>	<u>2,035,085</u>

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	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	27,823,024	11,445,624
Year end payable balance		
Salary payable	<u>1,875,000</u>	<u>1,782,604</u>
Mumtaz Hussain Syed (27% equity held)		
On account of:		
Dividend paid	41,251,740	10,061,400
Meeting fee	<u>230,000</u>	<u>460,000</u>
Sardar Ali Watto (13% equity held)		
On account of:		
Dividend paid	20,625,891	5,030,700
Meeting Fee	<u>440,000</u>	<u>340,000</u>
Usman Haider (13% Equity held)		
On account of:		
Dividend paid	<u>20,625,870</u>	<u>5,030,705</u>
Other Directors (0.000065% equity held)		
On account of:		
Dividend paid	144	24
Meeting fee	<u>1,120,000</u>	<u>1,760,000</u>
<u>Share holders holding more than 20% equity:</u>		
Lahore Stock Exchange (36% Equity held)		
On account of:		
Dividend paid	<u>55,002,361</u>	<u>13,415,220</u>
<u>Key Management Personnel (other than directors)</u>	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	<u>-</u>	<u>10,770,312</u>

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34. 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:

34.1 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	
		2021 (Rupees)	2020 (Rupees)
Trade debts - unsecured	20	96,274,959	119,720,652
Advances, deposits, prepayments and other receivables	23	3,496,956	1,759,429
Advance income tax - net		815,105	72,916
Cash and bank balances	24	90,601,394	959,467
		<u>191,188,414</u>	<u>122,512,464</u>

Quality of Financial Assets

34.1.1 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 20.

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 2021						
Expected credit loss rate	5%	18%	46%	80%	100%	-
Estimated total gross carrying amount at default	64,969,289	27,482,996	4,584,874	2,577,811	1,619,984	101,234,954
Expected credit loss	290,929	1,828,235	885,233	335,618	1,619,984	4,959,999
	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%	-
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

34.1.2 Bank balances	Rating		Rating Agency	2021	2020
	Short Term	Long Term		(Rupees)	(Rupees)
Bank AL Habib	A-1+	AA+	PACRA	90,601,394	959,235
MCB Islamic Bank Limited	A-1	A	PACRA	-	232
Faysal Bank Limited	A-1+	AA	PACRA	-	-
FINCA Microfinance Bank	A-1	A	PACRA	-	-
				<u>90,601,394</u>	<u>959,467</u>

34.2 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 2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Amount in Rupees						
Short term borrowing-secured	-	-	-	-	-	-
Contract liability	-	59,198,767	-	-	-	59,198,767
Current portion of long term finance	23,791,691	-	-	-	-	23,791,691
Current portion of lease liabilities	-	-	5,281,409	-	-	5,281,409
Accrued mark-up	268,363	-	-	-	-	268,363
Trade and other payables	46,189,685	-	-	-	-	46,189,685
	<u>70,249,739</u>	<u>59,198,767</u>	<u>5,281,409</u>	<u>-</u>	<u>-</u>	<u>134,729,915</u>
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						
Short term borrowing-secured	45,181,055	-	-	-	-	45,181,055
Contract liability	-	40,288,758	-	-	-	40,288,758
Current portion of long term finance	-	-	-	-	-	-
Current portion of lease liabilities	-	-	-	-	-	-
Accrued mark-up	1,348,115	-	-	-	-	1,348,115
Trade and other payables	37,497,658	-	-	-	-	37,497,658
	<u>84,026,828</u>	<u>40,288,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,315,586</u>

34.4 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 2021 (Rupees)	2020 (Rupees)
+100	<u>9,060,139</u>	<u>95,924</u>
-100	<u>(9,060,139)</u>	<u>(95,924)</u>

34.5 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.

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

	2021			Total
	Long term finances	Lease liabilities	Dividend payable	
	----- Rupees -----			
Balance as at 01 July	12,705,843	-	-	12,705,843
<u>Cashflows</u>				
Long term loans obtained net of repayment	18,254,196	-	-	18,254,196
Lease liabilities - net		(6,716,712)		(6,716,712)
Dividend declared	-	-	152,784,450	152,784,450
Dividend paid	-	-	(152,784,450)	(152,784,450)
Balance as at 30 June	<u>30,960,039</u>	<u>(6,716,712)</u>	<u>-</u>	<u>24,243,327</u>

	2020			Total
	Long term finances	Lease liabilities	Dividend payable	
	----- Rupees -----			
Balance as at 01 July	-	-	-	-
<u>Cashflows</u>				
Long term loans obtained net of repayment	12,705,843	-	-	12,705,843
Lease liabilities - net		-		-
Dividend declared	-	-	37,264,500	37,264,500
Dividend paid	-	-	(37,264,500)	(37,264,500)
Balance as at 30 June	<u>12,705,843</u>	<u>-</u>	<u>-</u>	<u>12,705,843</u>

	Note	2021 Rupees	2020 Rupees
36. Cash and cash equivalents			
Cash and bank balances	24	90,601,394	959,467
Short term borrowing- secured	13	-	(45,181,055)
		<u>90,601,394</u>	<u>(44,221,588)</u>
37. Capital risk management			

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence

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
- (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.

THE PAKISTAN CREDIT RATING AGENCY LIMITED AND ITS SUBSIDIARY

38. Provident fund related disclosures

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

	Un-audited 2021 Rupees	Audited 2020 Rupees
Size of the fund - Total assets	35,118,058	29,809,628
Cost of investments made	34,347,358	29,465,833
Percentage of investments made	97.81%	98.85%
Fair value of investments	34,347,358	29,465,833

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

	2021		2020	
	Rupees	%	Rupees	%
Deposit and saving accounts	14,347,358	42%	9,465,833	32%
Term deposit receipts	20,000,000	58%	20,000,000	68%
	<u>34,347,358</u>	<u>100%</u>	<u>29,465,833</u>	<u>100%</u>

38.2 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.

39. Number of employees

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

	2021 ----(No. of employees)----	2020 ----(No. of employees)----
Average number of employees during the year	74	69
Number of employees as at 30 June 2021	80	69

40. General

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However no significant reclassification has been made except for the following:

Description	Reclassified from	Reclassified to	Rupees
Reclassification of revenue related cost to direct cost	Administrative and general expenses	Direct Cost	106,564,462

The above reclassification does not have any material effect on information presented in the statement of financial

41. Date of authorization

These financial statements were authorized for issue on 05-Oct-2021 by the Board of Directors of the Company.

Shahad Hakeem
Chief Executive

[Signature]
Director



**Building a better
working world**

THE PAKISTAN CREDIT RATING AGENCY LIMITED

**UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021**

EY Ford Rhodes
Chartered Accountants
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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 2021

Opinion

We have audited the annexed unconsolidated financial statements of The Pakistan Credit Rating Agency Limited, ("the Company"), which comprise the unconsolidated statement of financial position as at 30 June 2021, 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 2021 and of the profit and 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 Unconsolidated 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 Unconsolidated Financial Statements and Auditors' Report Thereon

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated 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 Unconsolidated 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.

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- 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



EY Ford Rhodes
Chartered Accountants
Lahore: 07 October 2021

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 12,500,000 (2020: 12,500,000) ordinary shares of Rs.10 each		<u>125,000,000</u>	<u>125,000,000</u>
Issued, subscribed and paid up share capital	6	74,529,000	74,529,000
Surplus on revaluation of freehold land	7	-	81,945,420
Accumulated profits		84,789,611	82,453,633
		<u>159,318,611</u>	<u>238,928,053</u>
NON CURRENT LIABILITIES			
Long term finance - secured	8	5,836,479	12,705,843
Lease liabilities	11	14,280,439	-
		<u>20,116,918</u>	<u>12,705,843</u>
DEFERRED LIABILITIES			
Deferred government grants	9	886,056	901,985
CURRENT LIABILITIES			
Short term borrowing- secured	13	-	45,181,055
Contract liability	12	57,684,974	40,163,758
Current portion of long term finance		23,791,691	-
Current portion of lease liabilities	11	5,281,409	-
Accrued mark-up		268,363	1,348,115
Trade and other payables	10	58,659,356	50,624,826
		<u>145,685,793</u>	<u>137,317,754</u>
TOTAL EQUITY AND LIABILITIES		<u>326,007,378</u>	<u>389,853,635</u>

CONTINGENCIES AND COMMITMENTS 14

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.


Chief Executive

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	15	12,314,311	153,574,855
Intangible assets	16	228,179	254,885
Right of use asset	17	17,870,370	-
Long term investments	18	100,100,000	70,100,000
Long term deposits		1,335,300	1,335,300
Deferred taxation	19	3,086,493	10,627,595
		<u>134,934,653</u>	<u>235,892,635</u>
CURRENT ASSETS			
Trade debts - unsecured	20	93,384,651	118,999,596
Contract asset	21	2,988,905	2,038,611
Loan to associated company - unsecured	22	-	30,000,000
Advances, deposits and prepayments	23	3,284,593	1,759,429
Advance income tax - net		813,182	230,662
Cash and bank balances	24	90,601,394	932,702
		<u>191,072,725</u>	<u>153,961,000</u>
TOTAL ASSETS		<u>326,007,378</u>	<u>389,853,635</u>


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
Revenue from contracts with customers - net	25	269,059,777	249,852,225
Direct cost	26	(98,854,687)	(101,076,797)
Gross Profit		170,205,090	148,775,428
Operating Expenses			
Administrative and general expenses	27	(80,321,838)	(70,285,644)
Provision for expected credit loss on trade debts	20	(1,862,776)	(4,552,056)
		(82,184,614)	(74,837,700)
Operating profit		88,020,476	73,937,728
Other income	28	25,682,363	4,034,597
Finance cost	29	(5,928,319)	(6,581,976)
Profit before tax		107,774,520	71,390,349
Taxation	30	(34,599,512)	(23,552,807)
Profit after tax		73,175,008	47,837,542
Earnings per share - basic and diluted	31	9.82	6.42

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.

Mahmad Nadeem

Chief Executive

[Signature]

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	<u>Note</u>	<u>2021</u> Rupees	<u>2020</u> Rupees
Profit after taxation		73,175,008	47,837,542
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit and loss:			
- Gain on revaluation of freehold land	15	-	23,626,246
Items that will be reclassified to profit and loss:		-	-
Total comprehensive income for the year		<u>73,175,008</u>	<u>71,463,788</u>

The annexed notes 1 to 41 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 2021

	Issued, subscribed and paid up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profit	Total
	-----Rupees -----			
Balance as on 1 July 2019	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
		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
Total comprehensive income for the year				
Profit after taxation	-	-	73,175,008	73,175,008
Revaluation surplus transferred to accumulated profit	-	(81,945,420)	81,945,420	-
Other comprehensive income	-	-	-	-
	-	(81,945,420)	155,120,428	73,175,008
Transaction with owners, recorded directly in equity:				
Final dividend for the year ended 30 June 2020 at the rate of Rs 3 per share	-	-	(22,358,700)	(22,358,700)
Interim dividend for the year ended 30 June 2021 at the rate of Rs 17.5 per share	-	-	(130,425,750)	(130,425,750)
	-	-	(152,784,450)	(152,784,450)
Balance as on 30 June 2021	74,529,000	-	84,789,611	159,318,611

The annexed notes 1 to 41 form an integral part of these unconsolidated financial statements.


Chief Executive


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		107,774,520	71,390,349
Adjustment of non cash items:			
Depreciation on property and equipment	15.1	1,266,603	3,246,361
Depreciation on right of use asset	17.2	5,956,790	-
Amortization on intangible assets	16.1	254,850	381,984
Finance cost		5,928,319	6,581,976
Gratuity expense		-	(1,444,257)
Mark-up on savings accounts		(310,923)	(106,534)
Gain on disposal of property and equipment		(18,227,633)	-
Government grant-net		(1,347,798)	-
Provision for expected credit loss		1,862,776	4,552,056
Exchange loss / (gain)		9,832	(41,259)
Liabilities no longer payable written back		-	(594,947)
		(4,607,184)	12,575,380
		103,167,336	83,965,729
Changes in working capital:			
Decrease / (Increase) in trade debts		23,742,337	(23,994,648)
Increase in contract asset		(950,294)	(2,038,611)
(Increase) / decrease in advances, deposits and prepayments		(1,525,164)	5,302,884
Increase trade and other payables		8,034,530	12,958,254
Increase in contract liability		17,521,216	3,874,800
		46,822,625	(3,897,321)
Finance cost paid		(2,487,890)	(6,607,205)
Income tax paid		(27,640,927)	(20,872,019)
Gratuity paid - ?		-	(6,352,986)
Net cash generated from operating activities		119,861,144	46,236,198
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(7,906,710)	(3,370,768)
Proceeds from disposal of property and equipment		164,059,500	-
Acquisition of intangible assets		(228,144)	-
Interest received		310,923	106,534
Net cash generated from / (used in) investing activities		156,235,569	(3,264,234)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finance obtained - net		18,254,196	13,589,000
Loan to associated company		-	(30,000,000)
Leases - net		(6,716,712)	-
Dividend paid		(152,784,450)	(37,264,500)
Net cash used in financing activities	35	(141,246,966)	(53,675,500)
Net increase / (decrease) in cash and cash equivalents		134,849,747	(10,703,536)
Cash and cash equivalents at beginning of the year		(44,248,353)	(33,544,817)
Cash and cash equivalents at end of the year	36	90,601,394	(44,248,353)

The annexed notes 1 to 41 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 2021

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 Building 8, Sector B, Commercial Area, Phase V, DHA, Lahore. 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.

The Company has entered into a Technical Affiliation Agreement with Lanka Rating Agency Limited (LRA) dated March 26, 2021. Relevant services have been initiated at the beginning of financial year 2020. As a part of the arrangement, LRA is allocating 15% shareholding to the Company. However, the Company would not pay any consideration for this. The shareholding has a buy-back option attached to it exercisable after 5 years on successful execution of technical affiliation. Considering different known/unknown variables attached to the agreement and length of time involved, the management considers it prudent to not assign any value to such option.

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, interpretation and amendments applicable to the Financial Statements for the year ended June 30, 2021

The accounting policies and the methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2020, except for the following:

New Amendments

IAS 1	Presentation of Financial Statements: Definition of Material — (Amendments)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material — (Amendments)
IFRS 3	Business Combinations: Definition of Business — (Amendments)
IFRS 9	Financial Instruments: Interest Rate Benchmark Reform — (Amendments)
IFRS 7	Financial Instruments Disclosures: Interest Rate Benchmark Reform — (Amendments)
IAS 39	Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform — (Amendments)
IFRS 16	Covid-19-Related Rent Concessions (Amendments)
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

The adoption of above amendments applied for the first time in the year did not have any material impact on the financial statements of the Company.

2.2

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 years beginning on or after)
IFRS 3	Reference to conceptual framework — (Amendments)	January 01, 2022
IAS 16	Property, plant and equipment: Proceeds before intended use — (Amendments)	January 01, 2022
IAS 37	Onerous contracts - costs of fulfilling a contract — (Amendments)	January 01, 2022
AIP IAS 1	First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter	January 01, 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	January 01, 2022
AIP IAS 41	Agriculture — Taxation in fair value measurements	January 01, 2022
IAS 1	Classification of liabilities as current or non-current — (Amendments)	January 01, 2023
IAS 8	Definition of accounting estimates — (Amendments)	January 01, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies — (Amendments)	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction — (Amendments)	January 01, 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	January 01, 2023

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

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 January 01, 2022.

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

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 years beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standard	July 01, 2009
IFRS 17	Insurance Contracts	January 01, 2023

The Company expects that above mentioned standards will not have any material impact on the Company's financial statements in the period of initial application.

3. Basis of preparation

3.1 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention unless otherwise stated.

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.

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 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.

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 2.1.

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 consider to the performance obligation of assigning ratings to customers. Revenue attributed to monitoring is recognized 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 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities - rented premises

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying

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 15 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 14 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 Stock in trade

Stocks are valued at lower of cost and net realizable value. Cost is determined on the basis of weighted average method. Net realizable value is arrived at by considering the technical obsolescence of stocks and the replacement cost thereof in the ordinary course of business.

Goods in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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 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 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 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:

b) Financial assets at amortized cost (debt instruments) (continued)

- 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 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 16.

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.

5.15 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% (2020: 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.

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 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.

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6. Issued, subscribed and paid up share capital

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(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	<u>5,952,900</u>	<u>5,952,900</u>	<u>59,529,000</u>	<u>59,529,000</u>
	<u>7,452,900</u>	<u>7,452,900</u>	<u>74,529,000</u>	<u>74,529,000</u>

6.1 LSE Financial Services Limited, an associated undertaking holds 2,683,042 (2020: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Company.

6.2 Directors hold 3,763,718 (2020: 3,763,718) ordinary shares comprising 51% of total paid up share capital of the Company.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		Rupees	Rupees
7. Surplus on revaluation of freehold land			
Revaluation surplus		<u>-</u>	<u>81,945,420</u>

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. During the current year, the land has been disposed off.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		Rupees	Rupees
8. Long term finance - secured			
Bank AL Habib Limited	8.1	<u>5,836,479</u>	<u>12,705,843</u>
Balance as at 01 July 2020		12,705,843	-
Receipts during the year		25,770,131	12,651,725
Re-payments during the year		(11,162,300)	-
Accrued interest		2,314,496	54,118
Balance as at 30 June 2021		<u>29,628,170</u>	<u>12,705,843</u>
Less: Current portion of long term finance		<u>(23,791,691)</u>	<u>-</u>
		<u>5,836,479</u>	<u>12,705,843</u>

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. 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. 65 million and furniture & fixtures of the Company for Rs. 10 million. Being a loan below market rate of interest, a portion of the loan has been treated as Government grant as described on note 9.

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	2021 Rupees	2020 Rupees
Balance at beginning of the year		901,985	-
Amount recognized as deferred grant during the year		1,331,869	937,275
Amount recognized as income during the year		(1,347,798)	(35,290)
Balance at end of the year		<u>886,056</u>	<u>901,985</u>
10. Trade and other payables			
Accrued expenses and other liabilities		40,586,175	34,282,002
Due to related parties	10.1	12,833,488	13,344,778
Payable to Provident Fund		700,948	746,094
Withholding tax payable		1,005,895	754,749
Sales tax payable		<u>3,532,850</u>	<u>1,497,203</u>
		<u>58,659,356</u>	<u>50,624,826</u>
10.1 Payable to related parties include:			
PACRA Analytics (Private) Limited (subsidiary)	10.1.1	<u>12,833,488</u>	<u>13,344,778</u>
10.1.1 This represents advance received from PACRA Analytics (Private) Limited which shall be adjusted against expense incurred on behalf of Company which represents the maximum amount due during the year.			

11. Lease Liability

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) is 11%. The amount of future payments and the period during which they will become due are:

	2021 Rupees	2020 Rupees
Period ending 30 June 2021		
2022	6,956,325	-
2023	7,478,049	-
2024	8,038,903	-
	<u>22,473,277</u>	<u>-</u>
Less: future finance charges	(2,911,429)	-
	<u>19,561,848</u>	<u>-</u>
Less: current maturity shown under current liabilities	(5,281,409)	-
	<u>14,280,439</u>	<u>-</u>

11.1 Maximum lease term for the existing lease contracts is up to 4 years.

11.2 Minimum Lease Payments (MLP) and their Present Value (PV) are as follow:

	MLP (Rupees)	PV of MLP (Rupees)
Due not later than 1 year	6,956,325	5,281,409
Due later than 1 year but not later than 5 years	15,516,952	14,280,439
	<u>22,473,277</u>	<u>19,561,848</u>

11.3 Set out below are the carrying amounts of lease liabilities and the movement during the year:

	2021 Rupees	2020 Rupees
Balances as at 01 July	-	-
Additions during the year	23,827,160	-
Markup on lease liabilities	2,205,688	-
	<u>26,032,848</u>	<u>-</u>
Less: Lease rentals paid	(6,471,000)	-
Balance as at 30 June	<u>19,561,848</u>	<u>-</u>

	Note	2021 Rupees	2020 Rupees
12. Contract liability			
Advance from customers	12.1	10,482,725	11,150,749
Deferred revenue	12.2	47,202,249	29,013,009
		57,684,974	40,163,758

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

12.2 This represents deferred revenue relating to services recognized over time.

	Note	2021 Rupees	2020 Rupees
13. Short term borrowing- secured			
JS Bank Limited	13.1	-	44,619,505
Bank AL Habib Limited	13.2	-	561,550
		-	45,181,055
Add : Related accrued mark-up		268,363	1,348,115
		268,363	46,529,170
Less: Accrued mark-up shown as current liability		(268,363)	(1,348,115)
		-	45,181,055

13.1 This represent utilized balance of running finance facility obtained from JS Bank Limited of Rs. 90 million (2020: Rs. 60 million). This facility carried markup at the rate of 1 month KIBOR plus 150 bps per annum (2020: 1 month Kibor plus 150 bps per annum) payable quarterly in arrears. This was 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. The entire amount of loan has been paid during the year.

13.2 This represents utilized balance of running finance facility obtained from Bank AL Habib Limited of Rs.30 million (2020: Rs 10 million). This facility carries markup at the rate of 3 month KIBOR plus 150 bps per annum (2020: 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. The entire amount of loan has been paid during the year.

14. CONTINGENCIES AND COMMITMENTS

14.1 Commitments

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 (2020: Rs. 0.05 million).

14.2 Contingencies

14.2.1 The Deputy Commissioner Inland Revenue (the "DCIR") issued order dated April 24, 2019 under section 161(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2014 and 2017 whereby tax amounting to Rs. 1.85 million and Rs. 1.35 million respectively, for non-deduction of withholding tax was levied. The Company preferred an appeal on May 23, 2019 before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is pending adjudication. The management expects a favorable outcome in this regard.

14.2.2 The Deputy Commissioner Inland Revenue (the "DCIR") issued order dated May 31, 2021 under section 122(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2015 whereby tax amounting to Rs. 10.1 million on account of disallowance of expenses was levied. The Company preferred an appeal on June 18, 2021 before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is pending adjudication. The management expects a favorable outcome in this regard.

14.2.3 The Deputy Commissioner Inland Revenue (the "DCIR") issued order dated February 22, 2019 under section 161(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2016 whereby tax amounting to Rs. 2.2 million for non-deduction of withholding tax was levied. The Company preferred an appeal before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is decided against the Company by confirming the tax liability of Rs. 0.59 million. Being aggrieved, the Company filed an appeal on September 16, 2021 before the Appellate Tribunal Inland Revenue (the "ATIR"), which is pending adjudication. The management expects a favorable outcome in this regard.

15. Property and equipment

	2021									
	COST					ACCUMULATED DEPRECIATION				
	As at 01 July 2020	Revaluations during the year	Additions during the year	Disposals	Cost / Revalued amount 30 June 2021	As at 01 July 2020	For the year	Disposals	As at 30 June 2021	Book value as at 30 June 2021
<u>Owned</u>							Rupees			%
Freehold land	144,320,000	-	-	144,320,000	-	-	-	-	-	-
Furniture and fixtures	16,646,005	-	5,472,165	7,808,539	14,309,631	15,372,207	407,670	7,808,539	7,971,338	6,338,293 10 - 33.33
Office equipment and computers	18,321,364	-	2,357,645	4,320,430	16,358,579	12,605,139	2,081,352	3,410,430	11,276,061	5,082,518 10 - 25
Vehicles	4,633,509	-	76,900	2,311,000	2,399,409	2,368,677	846,365	1,709,133	1,505,909	893,500 20
	183,920,878	-	7,906,710	168,759,969	33,067,619	30,346,023	3,335,387	12,928,102	20,753,308	12,314,311

	2020									
	COST					ACCUMULATED DEPRECIATION				
	As at 01 July 2019	Revaluations during the year	Additions 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
<u>Owned</u>							Rupees			%
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	15,559,064	-	2,762,300	-	18,321,364	10,730,713	1,874,426	-	12,605,139	5,716,225 10 - 25
Vehicles	4,633,509	-	-	-	4,633,509	1,461,177	907,500	-	2,368,677	2,264,832 20
	156,923,864	23,626,246	3,370,768	-	183,920,878	27,099,662	3,246,361	-	30,346,023	153,574,855

15.1 Depreciation charge is allocated as follows:

Direct cost
Administrative and general expenses

Note	2021 Rupees	Restated 2020 Rupees
26	2,068,784	2,148,327
27	1,266,603	-
	3,335,387	2,148,327

15.2 Description	Cost	Accumulated Depreciation	NBV	Sale proceed	Gain/(Loss)	Mode of disposal	Relationship with buyer	Particulars of Buyer
Land	144,320,000	-	144,320,000	160,000,000	15,680,000	Sale	Others	Almas Retail (Private) Limited
Toyota Corolla LEB-17A-8493	2,257,000	1,585,958	671,042	3,015,000	2,343,958	Sale	Others	Babar Abbas
Others	14,090,969	11,980,456	2,110,513	2,314,188	203,675	Sale / Write-off	Others	Miscellaneous
	160,667,969	13,566,414	147,101,555	165,329,188	18,227,633			

16. Intangible assets

	2021						2020					
	COST			ACCUMULATED AMORTIZATION			COST			ACCUMULATED AMORTIZATION		
	As at 01 July 2020	Additions during the year	Disposals during the year	As at 30 June 2021	As at 01 July 2020	For the year	As at 01 July 2019	For the year	Disposals	As at 30 June 2020	Net book value as at 30 June 2021	Rate %
Windows and MS office software	1,250,644	-	907,644	343,000	1,247,481	3,163	1,247,481	3,163	907,644	343,000	-	33.33
Rating software	1,912,960	-	1,912,960	-	1,912,960	-	1,912,960	-	1,912,960	-	-	33.33
Accounting software	932,930	228,144	130,000	1,031,074	681,208	251,687	681,208	251,687	130,000	802,895	228,179	33.33
Database software	4,000,000	-	4,000,000	-	4,000,000	-	4,000,000	-	4,000,000	-	-	33.33
	8,096,534	228,144	6,950,604	1,374,074	7,841,649	254,850	7,841,649	254,850	6,950,604	1,145,895	228,179	
2020												
Windows and MS office software	1,250,644	-	-	1,250,644	1,133,145	114,336	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	-	-	1,912,960	-	33.33
Accounting software	932,930	-	-	932,930	413,560	267,648	413,560	267,648	-	681,208	251,722	33.33
Database software	4,000,000	-	-	4,000,000	4,000,000	-	4,000,000	-	-	4,000,000	-	33.33
	8,096,534	-	-	8,096,534	7,459,665	381,984	7,459,665	381,984	-	7,841,649	254,885	

16.1 Amortization charge has been allocated as follows:

Administrative and general expenses	Note	2021	2020
	27	254,850	381,984

17. Right of use asset

	Note	2021 Rupees	2020 Rupees
Balances as at 01 July		-	-
Additions during the year		23,827,160	-
Less: depreciation	17.2	(5,956,790)	-
Balance as at 30 June		<u>17,870,370</u>	<u>-</u>

17.1 These include 1 leasehold buildings having 2 floors for head office, Lahore.

17.2 Depreciation is charged to direct cost and administrative and general expenses amounting to Rs 3,062,072 (2020: Nil) and 2,984,718 (2020: Nil) respectively.

18. Long term investments

	Note	2021 Rupees	2020 Rupees
Investment in subsidiary	18.1	100,000	100,000
Investment in associate	18.2	100,000,000	70,000,000
		<u>100,100,000</u>	<u>70,100,000</u>

18.1 This represents investment in PACRA Analytics (Private) Limited, a wholly owned subsidiary of the Company incorporated in Pakistan. The Company owns 10,000 (2020: 10,000) fully paid ordinary shares at the rate of Rs 10 each. The registered office of the subsidiary is situated at Awami Complex, FB-1, Usman Block, New Garden Town, Lahore.

18.2 This represents 20% equity investment in Aequitas Information Services Limited and accordingly classified as investment in associate. At the year end the Company owns 10,000,000 (2020: 7,000,000) fully paid shares at the rate of Rs. 10 each. The registered office of Aequitas Information Services Limited is situated at Plaza 8-B, Commercial area Phase V, DHA, Lahore, Pakistan. The investment has been made in accordance with the requirements under Companies Act 2017.

19. Deferred taxation**Deductible temporary difference**

	2021		
	Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income
Accelerated tax depreciation / amortization allowances	257,463	786,093	-
Provision for expected credit losses	1,620,268	(189,923)	-
Payable to gratuity fund	383,664	(258,854)	-
Contract liability	8,366,200	(8,366,200)	-
Lease liabilities - net	-	487,782	-
	<u>10,627,595</u>	<u>(7,541,102)</u>	<u>-</u>

2020

Deductible temporary difference

	Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income
Accelerated tax depreciation / amortization allowances	439,714	(182,251)	-
Provision for expected credit losses	1,042,088	578,180	-
Payable to gratuity fund	2,261,200	(1,877,536)	-
Contract liability	8,205,140	161,060	-
	<u>11,948,142</u>	<u>(1,320,547)</u>	<u>-</u>

20.	Trade debts - unsecured	Note	2021 Rupees	2020 Rupees
	Trade debts		98,344,650	124,618,498
	Less: Provision for expected credit losses (ECL)	20.1	(4,959,999)	(5,618,902)
			<u>93,384,651</u>	<u>118,999,596</u>
20.1	The movement in provision for expected credit losses is as follows:			
		Note	2021 Rupees	2020 Rupees
	Balance as at 1 July 2020		5,618,902	3,593,407
	Charge for the year		1,862,776	4,552,056
	Trade debts written off directly		(2,521,679)	(2,526,561)
			<u>(658,903)</u>	<u>2,025,495</u>
	Balance as at 30 June 2021		<u>4,959,999</u>	<u>5,618,902</u>
21.	Contract asset			
	This includes cost of provisioning of services by the Company to the customers, but right to receive payments against such goods and services has not yet been established.			
22.	Loan to associated company	Note	2021 Rupees	2020 Rupees
	Loan to Aequitas Information Services Limited	22.1	-	30,000,000
	Add : Related accrued mark-up		(2,603,861)	8,079
			<u>(2,603,861)</u>	<u>30,008,079</u>
	Less: Accrued mark-up		2,603,861	(8,079)
			<u>-</u>	<u>30,000,000</u>
	Balance as at 01 July 2020		30,000,000	-
	Payments during the year		-	30,000,000
	Issue of shares		(30,000,000)	-
	Balance as at 30 June 2021		<u>-</u>	<u>30,000,000</u>
22.1	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 was repayable in 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. During the year AISL has issued 3,000,000 share having par value of Rs. 10 each against this loan.			
23.	Advances, deposits, prepayments and other receivables	Note	2021 Rupees	2020 Rupees
	Advances - unsecured, considered good			
	- to employees		124,426	-
	- to suppliers		709,503	3,919
			<u>833,929</u>	<u>3,919</u>
	Prepayments		1,663,129	1,405,675
	Receivable from related parties		787,535	349,835
			<u>3,284,593</u>	<u>1,759,429</u>

23.1 Receivable from related parties include following unsecured amounts against shared expenses:

Note	2021 Rupees	2020 Rupees
Aequitas (Private) Limited	-	244,711
Aequitas Information Services Limited (associate)	250,160	97,045
Analytics (Private) Limited	537,375	-
	<u>787,535</u>	<u>341,756</u>

23.1.1 Receivable from related party include following unsecured amounts against accrued interest:

Note	2021 Rupees	2020 Rupees
Aequitas Information Services Limited	<u>349,180</u>	<u>8,079</u>

23.1.2 The maximum aggregate amount outstanding from related parties at any time during the year was:

Note	2021 Rupees	2020 Rupees
Aequitas (Private) Limited	-	2,989,795
Aequitas Information Services Limited	1,152,735	105,124
Analytics (Private) Limited	1,387,850	-
PACRA Analytics (Private) Limited	1,965,219	-

23.1.3 Age analysis of receivable from related parties, past due but not impaired is as follows:

Note	2021 Rupees	2020 Rupees
0 to 6 months	787,535	349,835
6 to 12 months	-	-
Above 12 months	-	-
	<u>787,535</u>	<u>349,835</u>

24. Cash and bank balances

Cash at bank

Local currency

- Current accounts

- Deposits and saving accounts

24.1

-	-
90,601,394	932,702
90,601,394	932,702
-	-
90,601,394	932,702

Foreign currency

- Current accounts

24.1 These carries mark up ranging from 5.5% to 6.5% (2020: 6.5% to 11.5%) per annum.

	Note	2021 Rupees	2020 Rupees
25. Revenue from contracts with customers			
Income from rating business			
- domestic		313,430,218	280,775,286
- foreign		1,510,795	1,420,000
		314,941,013	282,195,286
Income from non-rating business	25.1	2,000,000	-
Less: Provincial Sales tax		43,881,236	32,343,061
	25.2	<u>269,059,777</u>	<u>249,852,225</u>

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

25.2 Disaggregation of Fees income

In the following table fees income from contracts with customers is disaggregated primarily by types of rating

	Note	2021 Rupees	2020 Rupees
Type of rating - Local fees income			
Entity rating		187,469,950	174,943,734
Instrument rating		55,847,779	52,929,172
Fund rating		22,231,253	20,559,319
		265,548,982	248,432,225
Type of rating - Foreign fees income			
Entity rating		1,510,795	1,420,000
Instrument rating		-	-
Fund rating		-	-
Non-rating services		2,000,000	-
		<u>269,059,777</u>	<u>249,852,225</u>

Timing of revenue recognition

Revenue recognized at a point in time	220,712,692	205,443,160
Revenue recognized over - time	46,347,085	44,409,065
	<u>269,059,777</u>	<u>249,852,225</u>

26. Direct Cost

Salaries & other benefits	26.1	82,487,322	83,099,517
External rating committee members fee		7,600,000	6,425,000
Rent, rates and taxes		-	4,000,140
Utilities		1,191,428	1,204,075
Technology & related expenses		1,059,017	1,077,724
Travel, food and accommodation		230,094	1,360,709
Printing, stationary and periodicals		1,155,970	1,761,305
Depreciation		2,068,784	2,148,327
Depreciation on right of use asset		3,062,072	-
		<u>98,854,687</u>	<u>101,076,797</u>

26.1 Salaries and other benefits include Rs. 2.53 million (2020: Rs. 3.32 million) in respect of contribution to provident fund.

27. Administrative and general expenses	Note	2021 Rupees	2020 Rupees
Salaries and other benefits	27.1	49,911,893	43,803,228
Rent, rates and taxes		2,980,059	5,484,146
Communication and related expenses		1,066,885	922,249
Utilities		1,495,727	2,037,868
Legal and consultancy charges		9,930,849	5,308,308
Director's meeting expenses		2,023,007	2,630,000
Travel, food and accommodation		202,454	1,701,948
Printing, stationary and periodicals		127,185	900,222
Fee and subscription		869,840	440,860
Auditor's remuneration	27.2	498,750	498,750
Repairs and maintenance		4,781,333	1,479,788
Entertainment and related expenses		1,416,664	2,252,581
Technology & related expenses		542,893	308,396
Insurance		28,761	28,469
Depreciation on property and equipment	15.1	1,266,603	1,098,034
Amortization of intangible assets	16.1	254,850	381,984
Depreciation on right of use asset		2,894,718	-
Others		29,367	1,008,813
		80,321,838	70,285,644

27.1 Salaries and other benefits include Rs. 1.62 million (2020: Rs. 1.79 million) in respect of contribution to provident fund.

27.2 Auditor's remuneration	Note	2021 Rupees	2020 Rupees
Annual audit		475,000	475,000
Audit of consolidated accounts		-	-
Out of pocket expenses		23,750	23,750
		498,750	498,750

28. Other income

Income from financial assets:

Mark-up based income from conventional banks:

Mark-up on savings accounts	310,923	106,534
Government grant	1,347,798	-
Mark-up on loan given to associate	2,603,861	8,079
Exchange gain	-	41,259
	4,262,582	155,872

Income from non-financial assets:

Gain on disposal of fixed assets	18,227,633	-
Newspaper reimbursement	2,989,128	1,839,521
Miscellaneous income	203,020	1,444,257
Liabilities no longer payable written back	-	594,947
	21,419,781	3,878,725
	25,682,363	4,034,597

	Note	2021 Rupees	2020 Rupees
29. Finance cost			
Mark-up on long term borrowings		2,314,497	55,693
Mark-up on short term borrowings		1,270,462	6,471,911
Finance cost on lease liability		2,205,688	-
Bank charges		137,672	54,372
		<u>5,928,319</u>	<u>6,581,976</u>
30. Taxation			
Current tax			
Current year		27,058,410	20,554,741
Prior year		-	1,677,519
		<u>27,058,410</u>	<u>22,232,260</u>
Deferred tax		7,541,102	1,320,547
		<u>34,599,512</u>	<u>23,552,807</u>
30.1	The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as, the total income of the company for the year ended 30 June 2021, attracts minimum tax under the Income Tax Ordinance, 2001 and its export of services falls under final tax regime.		
31. Earnings per share - basic and diluted			
Profit after tax		<u>73,175,008</u>	<u>47,837,542</u>
Weighted average number of ordinary shares outstanding during the year		<u>7,452,900</u>	<u>7,452,900</u>
Earnings per share - basic and diluted		<u>9.82</u>	<u>6.42</u>

31.1 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.

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

32. 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	
	2021	2020	2021	2020	2021	2020	2021	2020
----- Rupees -----								
Managerial remuneration	21,514,278	16,137,924	-	-	-	-	43,347,685	38,503,452
Contribution to provident fund	977,922	968,280	-	-	-	-	1,966,359	2,310,205
Bonus	5,347,812	3,250,000	-	-	-	-	7,950,426	8,241,517
Meeting fee	-	-	2,023,007	2,630,000	-	-	383,623	-
Reimbursable expenses	250,403	-	-	-	-	-	-	7,190,738
Others	32.1	6,033,320	-	-	-	-	-	-
Total	28,090,415	26,389,524	2,023,007	2,630,000	53,648,093	56,245,912		
Numbers	1	1	7	7	15	14		

32.1 The Company also provides the Chief Executive with vehicle allowance and club membership facility clubbed in 'others'. 677 ✓

33. Transactions and balances with related parties

Balances and transactions with related parties are as follows:

	2021 Rupees	2020 Rupees
<u>100 % owned Subsidiary company</u>		
PACRA Analytics (Private) Limited		
On account of:		
Expense paid on behalf of subsidiary company	3,528,952	6,630,003
Year end balances - unsecured		
Payable to related party - unsecured	<u>16,362,440</u>	<u>13,344,778</u>
<u>Associated company (20% owned)</u>		
Aequitas Information Services Limited		
On account of:		
Investment in associate during the year	<u>30,000,000</u>	<u>-</u>
On account of:		
Amount given on account of loan	-	30,000,000
Expense paid on behalf of related party	1,133,492	1,505,018
Expenses paid by related party on behalf of Company	639,276	1,018,614
Mark-up on loan charged to related party	2,603,861	8,079
Markup paid by related party	2,254,681	-
(Receivable) / payable to related party - unsecured	<u>(250,160)</u>	<u>(105,124)</u>
<u>Other related party</u>		
Aequitas (Private) Limited		
On account of:		
Expense paid on behalf of related party	1,133,491	1,138,626
Services rendered by the related party	1,600,000	-
Amount reimbursed by related party	840,827	3,883,710
Amount reimbursed to related party	1,600,000	-
Year end balances - unsecured		
Receivable from related party	<u>537,375</u>	<u>244,711</u>
Analytics (Private) Limited		
On account of:		
Services rendered by the related party	<u>1,000,000</u>	<u>-</u>
<u>Post employment benefit plans / Other related parties</u>		
On account of:		
Contributions to Provident Fund Trust	<u>4,151,818</u>	<u>5,105,362</u>
Year end payable balance		
Provident fund	<u>700,948</u>	<u>746,094</u>

	2021 Rupees	2020 Rupees
<u>Directors</u>		
Muhammad Adnan Afaq (10% equity held)		
On account of:		
Dividend paid	15,278,445	3,726,450
Remuneration	-	14,943,900
Meeting fee	200,000	120,000
Year end payable balance		
Salary payable	-	2,035,085
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	27,823,024	11,445,624
Year end payable balance		
Salary payable	1,875,000	1,782,604
Mumtaz Hussain Syed (27% equity held)		
On account of:		
Dividend paid	41,251,740	10,061,400
Meeting fee	-	460,000
Sardar Ali Watto (13% equity held)		
On account of:		
Dividend paid	20,625,891	5,030,700
Meeting Fee	-	340,000
Usman Haider (13% Equity held)		
On account of:		
Dividend paid	20,625,870	5,030,705
Other Directors (0.000065% equity held)		
On account of:		
Dividend paid	144	24
Meeting fee	1,120,000	1,710,000
<u>Share holders holding more than 20% equity:</u>		
Lahore Stock Exchange (36% Equity held)		
On account of:		
Dividend paid	55,002,361	13,415,220
<u>Key Management Personnel (other than directors)</u>		
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	-	10,770,312

34. 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:

34.1 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	
		2021 (Rupees)	2020 (Rupees)
Trade debts - unsecured	20	93,384,651	118,999,596
Advances, deposits, prepayments and other receivables	23	3,284,593	1,759,429
Advance income tax - net		813,182	230,662
Cash and bank balances	24	90,601,394	932,702
		<u>188,083,820</u>	<u>121,922,389</u>

Quality of Financial Assets

34.1.1 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 2021						
Expected credit loss rate	0.5%	7%	19%	27%	74%	-
Estimated total gross carrying amount at default	64,372,281	25,942,688	4,584,874	1,262,130	2,182,677	98,344,650
Expected credit loss	290,929	1,828,235	885,233	335,618	1,619,984	4,959,999
	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%	-
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

34.1.2 Bank balances	Rating		Rating Agency	2021	2020
	Short Term	Long Term		(Rupees)	(Rupees)
Bank AL Habib	A-1+	AA+	PACRA	90,601,394	932,702
MCB Islamic Bank Limited	A-1	A	PACRA	-	-
Faysal Bank Limited	A-1+	AA	PACRA	-	-
FINCA Microfinance Bank	A-1	A	PACRA	-	-
				<u>90,601,394</u>	<u>932,702</u>

34.2 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 2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Amount in Rupees						
Short term borrowing-secured	-	-	-	-	-	-
Contract liability	-	57,684,974	-	-	-	57,684,974
Current portion of long term finance	23,791,691	-	-	-	-	23,791,691
Current portion of lease liabilities	-	-	5,281,409	-	-	5,281,409
Accrued mark-up	268,363	-	-	-	-	268,363
Trade and other payables	58,659,356	-	-	-	-	58,659,356
	<u>82,719,410</u>	<u>57,684,974</u>	<u>5,281,409</u>	<u>-</u>	<u>-</u>	<u>145,685,793</u>
Amount in Rupees						
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						
Short term borrowing-secured	45,181,055	-	-	-	-	45,181,055
Contract liability	-	40,163,758	-	-	-	40,163,758
Current portion of long term finance	-	-	-	-	-	-
Current portion of lease liabilities	-	-	-	-	-	-
Accrued mark-up	1,348,115	-	-	-	-	1,348,115
Trade and other payables	50,624,826	-	-	-	-	50,624,826
	<u>97,153,996</u>	<u>40,163,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,317,754</u>

34.4 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 2021 (Rupees)	2020 (Rupees)
	+100	<u>9,060,139</u>	<u>93,270</u>
	-100	<u>(9,060,139)</u>	<u>(93,270)</u>

34.5 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.

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

	2021		
	Long term finances	Lease liabilities	Dividend payable
	----- Rupees -----		
Balance as at 01 July	12,705,843	-	-
<u>Cashflows</u>			
Long term loans obtained net of repayment	18,254,196		18,254,196
Lease liabilities - net		(6,716,712)	(6,716,712)
Dividend declared			152,784,450
Dividend paid			(152,784,450)
Balance as at 30 June	30,960,039	(6,716,712)	24,243,327

	2020		
	Long term finances	Lease liabilities	Dividend payable
	----- Rupees -----		
Balance as at 01 July	-	-	-
<u>Cashflows</u>			
Long term loans obtained net of repayment	12,705,843		12,705,843
Lease liabilities - net		-	-
Dividend declared			37,264,500
Dividend paid			(37,264,500)
Balance as at 30 June	12,705,843	-	12,705,843

	Note	2021 Rupees	2020 Rupees
36. Cash and cash equivalents			
Cash and bank balances	24	90,601,394	932,702
Short term borrowing- secured	13	-	(45,181,055)
		90,601,394	(44,248,353)

37. Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence

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
- (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.

38. Provident fund related disclosures

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

	Un-audited 2021 Rupees	Audited 2020 Rupees
Size of the fund - Total assets	35,118,058	29,809,628
Cost of investments made	34,347,358	29,465,833
Percentage of investments made	97.81%	98.85%
Fair value of investments	34,347,358	29,465,833

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

	2021		2020	
	Rupees	%	Rupees	%
Deposit and saving accounts	14,347,358	42%	9,465,833	32%
Term deposit receipts	20,000,000	58%	20,000,000	68%
	<u>34,347,358</u>	<u>100%</u>	<u>29,465,833</u>	<u>100%</u>

38.2 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.**39. Number of employees**

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

	2021 ----- (No. of employees) -----	2020
Average number of employees during the year	74	69
Number of employees as at 30 June 2021	80	69

40. General

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However no significant reclassification has been made except for the following:

Description	Reclassified from	Reclassified to	2020 Rupees
Reclassification of revenue related cost to direct cost	Administrative and general expenses	Direct Cost	101,076,797

The above reclassification does not have any material effect on information presented in the statement of financial position and statement of cash flows. Therefore, third statement of financial position has not been presented.

41. Date of authorization

These financial statements were authorized for issue on 05-Oct-2021 by the Board of Directors of the Company.



Chief Executive



Director