

INDEPENDENT AUDITOR'S REPORT

To the members of The Pakistan Credit Rating Agency Limited

Report on the Audit of the Consolidated Financial Statements for the year ended 30 June 2022

Opinion

We have audited the annexed consolidated financial statements of **Pakistan Credit Rating Agency Limited and its subsidiary** (the Group), which comprise the consolidated statement of financial position as at 30 June 2022, 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, 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 consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group's affairs as at 30 June 2022 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 Financial Statements and Auditor's Report Thereon

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

Our opinion on the consolidated 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 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are 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.

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- 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.

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 2022
UDIN: AR202210177pXuyhWJxl

THE PAKISTAN CREDIT RATING AGENCY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
12,500,000 (30 Jun 2021: 12,500,000)			
ordinary shares of Rs.10 each		125,000,000	125,000,000
Issued, subscribed and paid-up share capital	7	74,529,000	74,529,000
Accumulated profits		78,120,580	68,034,935
		152,649,580	142,563,935
NON CURRENT LIABILITIES			
Long-term finance - secured	8	-	5,836,479
Deferred Government grants	9	-	102,793
Lease liabilities	10	7,818,341	14,280,439
		7,818,341	20,219,711
CURRENT LIABILITIES			
Current portion of long-term finance - secured	8	9,282,670	21,477,195
Current-portion of deferred Government grants	9	102,793	783,263
Current-portion of lease liabilities	10	6,462,098	5,281,409
Short-term borrowings -secured	11	-	-
Accrued markup		866,413	2,582,859
Contract liability	12	97,982,427	59,198,767
Provision for taxation		37,509,298	27,089,762
Trade and other payables	13	58,470,207	51,801,349
		210,675,906	168,214,604
TOTAL EQUITY AND LIABILITIES		371,143,827	330,998,250
CONTINGENCIES AND COMMITMENTS			
ASSETS			
NON CURRENT ASSETS			
Property and equipment	15	14,985,098	12,314,311
Intangible assets	16	133,132	228,179
Right-of-use asset	17	11,913,580	17,870,370
Investment in associate	18	68,965,953	69,284,852
Long term deposits		1,335,300	1,335,300
Deferred taxation	19	3,213,180	3,086,493
		100,546,243	104,119,505
CURRENT ASSETS			
Trade debts - unsecured	20	79,726,744	96,274,959
Contract assets	21	-	2,988,905
Receivable from related parties	22	14,173,796	787,535
Loan to an associate - unsecured	23	30,000,000	-
Advances, prepayments & other receivables	24	18,007,485	8,352,443
Advance income tax		34,603,221	27,873,509
Short term investment	25	59,963,620	-
Cash and bank balances	26	34,122,718	90,601,394
		270,597,584	226,878,745
TOTAL ASSETS		371,143,827	330,998,250

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.


Chief Executive


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
Revenue from contracts with customers -net	27	325,069,245	271,930,530
Remuneration cost	28	(160,811,345)	(142,705,444)
Infrastructure cost	29	(25,791,974)	(21,067,623)
Administrative cost	30	(17,749,485)	(18,049,196)
		(204,352,804)	(181,822,263)
Operating profit		120,716,441	90,108,267
Provision for expected credit losses on trade debts	20.1	(4,753,087)	(1,862,776)
Other income	31	16,890,271	26,105,107
Finance cost	32	(3,092,647)	(5,928,551)
Share of loss of associated company	17.1	(177,257)	(8,569,085)
Profit before taxation		129,583,721	99,852,962
Taxation	33	(37,374,534)	(34,778,810)
Profit after taxation		92,209,187	65,074,152
Other comprehensive income for the year			
Items that may be reclassified to profit and loss in the subsequent period			
- Share of other comprehensive loss of associated company	17.1	(141,641)	(841,828)
Items that will not be reclassified to profit and loss in the subsequent period		-	-
Total comprehensive income for the year		92,067,545	64,232,324
Earnings per share - basic and diluted		12.37	8.73

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.


Chief Executive



Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Issued, subscribed and paid-up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profits	Total
	-----Rupees-----			
Balance as on 01 July 2020	74,529,000	81,945,420	74,641,641	231,116,061
Total comprehensive income for the period				
Profit after taxation	-	-	65,074,152	65,074,152
Revaluation surplus transferred to accumulated profits	-	(81,945,420)	81,945,420	-
Other comprehensive income/(loss)	-	-	(841,828)	(841,828)
	-	(81,945,420)	146,177,744	64,232,324
Transaction with owners				
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 5 per share	-	-	(37,264,500)	(37,264,500)
Interim dividend for the year ended 30 June 2021 at the rate of Rs 12.5 per share	-	-	(93,161,250)	(93,161,250)
	-	-	(152,784,450)	(152,784,450)
Balance as on 30 June 2021	74,529,000	-	68,034,935	142,563,935
Total comprehensive income for the year				
Profit after taxation	-	-	92,209,187	92,209,187
Other comprehensive income/(loss)	-	-	(141,641)	(141,641)
	-	-	92,067,545	92,067,545
Transaction with owners				
Interim dividend for the year ending 30 June 2022 at the rate of Rs 5 per share	-	-	(37,264,500)	(37,264,500)
Interim dividend for the year ending 30 June 2022 at the rate of Rs 6 per share	-	-	(44,717,400)	(44,717,400)
	-	-	(81,981,900)	(81,981,900)
Balance as on 30 June 2022	74,529,000	-	78,120,580	152,649,580

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.


Chief Executive


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
Profit before taxation		129,583,721	99,852,962
Adjustments for:			
Depreciation on property and equipment & amortization		5,635,967	1,521,453
Depreciation on right of use asset	17	5,956,790	5,956,790
Finance cost	32	3,092,647	5,928,551
Mark-up on saving accounts		(5,094,869)	(327,667)
Profit on short term investment		(2,034,455)	-
Gain on disposal of fixed assets		(2,219,268)	(18,227,633)
Unwinding of Government grant		(783,263)	(1,347,798)
Provision for expected credit losses on trade debts	31	4,753,087	1,862,776
Share of loss of associated company	20.1	177,257	8,569,085
Exchange loss		-	9,832
		139,067,614	103,798,351
Working capital changes			
(Increase) / decrease in current assets			
- Trade debts		13,657,904	21,573,085
- Advances, Prepayments & others		(24,515,529)	(1,737,527)
- Contract Asset		2,988,905	(950,294)
		(7,868,720)	18,885,264
Increase / (decrease) in current liabilities			
- Trade and other payables		6,092,260	8,692,027
- Contract liability		38,783,660	18,910,009
		44,875,920	27,602,036
Cash generated from operations		176,074,814	150,285,651
Finance cost paid		(258,398)	(2,488,122)
Income tax paid		(34,145,124)	(27,979,894)
Net cash generated from operating activities	(A)	141,671,292	119,817,635
Cash flow from investing activities			
Purchase of property and equipment	15	(8,953,439)	(7,906,710)
Proceeds from disposal of property and equipment	15.2	2,902,000	164,059,500
Purchase of intangible assets		-	(228,144)
Loan to associates		(30,000,000)	-
Short term investment made		(59,963,620)	-
Interest received		6,365,552	327,667
Net cash (used in) / generated from investing activities	(B)	(89,649,507)	156,252,313
Cash flow from financing activities			
Long term finance obtained		-	18,254,196
Long term finance paid		(19,562,236)	-
Lease rentals paid		(6,956,325)	(6,716,712)
Dividend paid		(81,981,900)	(152,784,450)
Net cash used in financing activities	(C)	(108,500,461)	(141,246,966)
Net (decrease) / increase in cash and cash equivalents	(A+B+C)	(56,478,676)	134,822,982
Cash and cash equivalents at beginning of the year		90,601,394	(44,221,588)
Cash and cash equivalents at end of the year		34,122,718	90,601,394

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.


Chief Executive


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 consist of:

	% age of direct shareholding	% age of effective shareholding
<u>Holding Company</u>		
The Pakistan Credit Rating Agency Limited		
<u>Subsidiary Company</u>		
PACRA Analytics (Private) Limited	100%	100%
<u>Associated Company</u>		
Aequitas Information Services Limited	20%	20%

The Holding Company was incorporated as a private limited company in Pakistan on August 18, 1994 and converted into a public limited company on April 30, 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 January 04, 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 March 25, 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 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 subsidiary 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

2.1 These unconsolidated financial statements (hereinafter referred to as '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.

2.2 Standards, interpretations and amendments applicable to the published approved accounting standards

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended standards and interpretations effective for annual period beginning on January 01, 2021, as listed below:

2.3 New standards, interpretations and Amendments effective in the reporting period

IAS 39, IFRS 9, IFRS 7, IFRS 4 & IFRS 16 Interest rate Benchmark Reform - Phase 2

The adoption of above new amendments applied for the first time in the period did not have any material impact on the financial statements of the Company. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.4 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		IASB 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 IFRS 1 & 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 to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates	January 01, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies — Amendments to IAS 1 and IFRS practice statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by 'Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition except under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	January 01, 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	Not yet finalized

The above amendments are not expected to 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 17	Insurance Contracts	January 01 2023 July 01 2009
IFRS 1	First-time Adoption of IFRS	

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.

4 BASIS OF PREPARATION

4.1 Basis of measurement

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

4.2 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.

5 SIGNIFICANT ESTIMATES AND JUDGEMENTS

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:

5.1 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.

5.2 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.

5.3 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.

6 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:

6.1 Revenue from Contracts with Customers

6.1.1 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.

6.1.1.1 Fee income

a) Rating

Revenue from rating services is recognized at point in time when services are rendered to the customer.

b) Monitoring

Revenue attributed to monitoring is recognized over the period in which monitoring is performed, generally one year.

6.1.2 Dividends

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

6.1.3 Interest income

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

6.2 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 asset.

6.3 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. As at year end, the Company does not have any freehold land.

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 comprehensive income.

6.4 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 16 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.

6.5 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.

6.5 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in statement of comprehensive income 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.9.1 Trade and other payable

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.

6.10 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.

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.

6.11 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.

6.12 Financial assets

Financial assets - initial recognition

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

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

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

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

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

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

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

Financial assets - subsequent measurement

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

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

a) **Financial assets at fair value through profit or loss**

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

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

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

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

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

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

b) Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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

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

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

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

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

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

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

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.

6.13 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.

6.14 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.

6.15 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.

6.16 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.

6.17 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.

6.18 Mark-up bearing borrowings

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

6.19 Long term investments

Investment in subsidiary

Investment in subsidiary company is 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 Group has significant influence but not control. Investments in equity instruments of associate is measured at cost less impairment, if any, in the Group's separate financial statements.

7 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2022 (Number of shares)	2021	2022 Rupees	2021 Rupees
Ordinary shares of Rs 10 each allocated for consideration paid in cash	1,500,000	1,500,000	15,000,000	15,000,000
Ordinary shares of Rs 10 each issued as 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>

7.1 LSE Financial Services Limited, an associated undertaking holds 2,683,042 (2021: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Holding Company.

7.2 Directors hold 3,018,428 (2021: 3,763,718) ordinary shares comprising 41% of total paid up share capital of the Holding Company.

8 LONG-TERM FINANCE - SECURED

	Note	2022 Rupees	2021 Rupees
Bank AL Habib Limited	8.1	-	5,836,479
Balance as at 01 July		29,628,170	12,705,843
Receipts during the year		-	25,770,131
Repayments during the year		(20,345,500)	(11,162,300)
Accrued markup		783,263	2,314,496
		<u>10,065,933</u>	<u>29,628,170</u>
Accrued markup shown as current liability		(783,263)	(2,314,496)
Less: Current portion of long-term finance		(9,282,670)	(21,477,195)
Balance as at 30 June		<u>-</u>	<u>5,836,479</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 instalments, 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 Company for Rs. 10 million. Being a loan below market rate of interest, a portion of the loan has been treated as

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:

	2022 Rupees	2021 Rupees
Balance as at 01 July	886,056	901,985
Amount recognized as deferred grant during the year	-	1,331,869
Amount recognized as income during the year	(783,263)	(1,347,798)
	<u>102,793</u>	<u>886,056</u>
Less: Current portion of deferred government grant	(102,793)	(783,263)
Balance as at 30 June	<u>-</u>	<u>102,793</u>

10 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:

	2022 Rupees	2021 Rupees
Period ending 30 June		
2022	-	6,956,325
2023	7,478,049	7,478,049
2024	8,038,903	8,038,903
	<u>15,516,952</u>	<u>22,473,277</u>
Less: future finance charges	(1,236,513)	(2,911,429)
	<u>14,280,439</u>	<u>19,561,848</u>
Less: current maturity shown under current liabilities	(6,462,098)	(5,281,409)
	<u>7,818,341</u>	<u>14,280,439</u>

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

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

	MLP (Rupees)	PV of MLP (Rupees)
Due not later than 1 year	7,478,049	6,457,884
Due later than 1 year but not later than 5 years	8,038,903	7,822,555
	<u>15,516,952</u>	<u>14,280,439</u>

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

	Note	2022 Rupees	2021 Rupees
Balances as at 01 July		19,561,848	-
Additions during the year		-	23,827,160
Markup on lease liabilities		<u>1,674,916</u>	<u>2,205,688</u>
		<u>21,236,764</u>	<u>26,032,848</u>
Less: Lease rentals paid		<u>(6,956,325)</u>	<u>(6,471,000)</u>
Balance as at 30 June		<u>14,280,439</u>	<u>19,561,848</u>

11 SHORT TERM BORROWINGS - SECURED

Bank AL Habib Limited	11.1	-	-
Add : Related accrued mark-up		-	268,363
		-	268,363
Less: Accrued mark-up shown as current liability		-	(268,363)
		-	-

11.1 This represents utilized balance of running finance facility obtained from Bank AL Habib Limited against limit of Rs.30 million (2021: Rs 10 million). This facility carries markup at the rate of 3 month KIBOR plus 150 basis points per annum (2021: 3 month Kibor plus 150 basis points per annum), payable quarterly. This is secured by way of first hypothecation charge of Rs. 85 million and Rs. 10 million on present and future current assets and furniture & fixtures of the Holding Company respectively.

12 CONTRACT LIABILITY

	Note	2022 Rupees	2021 Rupees
Advance from customers	12.1	29,527,016	10,482,725
Deferred revenue	12.2	68,455,411	48,716,042
		<u>97,982,427</u>	<u>59,198,767</u>

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.

12.3 Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to Rs. 59.19 million (2021: Rs. 36.28 million).

13 TRADE AND OTHER PAYABLES

	Note	2022 Rupees	2021 Rupees
Remuneration and related cost payable		41,101,851	38,871,636
Infrastructure and related cost payables		660,800	459,867
Administrative and related cost payable		3,137,421	3,107,773
Due to related parties	13.1	318,737	-
Sales tax payable		<u>13,251,398</u>	<u>9,362,073</u>
		<u>58,470,207</u>	<u>51,801,349</u>

13.1 Due to related parties include

Aequitas Information Services Limited (an associate)	13.1.2	318,737	-
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13.1.2 This represents net receivable balance from Aequitas Information Services Limited which is to be adjusted against expense incurred on behalf of the associated company.

14 CONTINGENCIES AND COMMITMENTS

14.1 Commitments

JS Bank Limited has issued performance guarantee on behalf of the Company in favour of Finance Department of Government of Punjab amounting to Rs. 0.05 million (2021: 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 favourable 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 favourable 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 Holding 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 favourable outcome in this regard.
- 14.2.4 The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated January 26, 2021 under section 161 (1A) of the Income tax Ordinance, 2001 ("the Ordinance") for the tax year 2018 for non-deduction of withholding tax on expenses and purchases. In compliance to this notice, a reply by the Holding Company has duly been submitted dated February 17, 2021 which is still under process. The management expects a favourable outcome in this regard.
- 14.2.5 The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated January 27, 2021 under section 161 (1A) of the Income tax Ordinance, 2001 ("the Ordinance") for the tax year 2019 and tax year 2020 for non-deduction of withholding tax on expenses and purchases. No correspondence has been made in respect of these notices. Since assessing officer was transferred and notices from new officers are still not received. The management expects a favourable outcome in this regard.
- 14.2.6 The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated February 19, 2021 under section 161(1A) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2021 for non-deduction of withholding tax on expenses and purchases. In compliance to this notice, a reply has duly been submitted dated February 17, 2021 which is still under process. The management expects a favourable outcome in this regard.
- 14.2.7 The Assistant Commissioner Sind Revenue Board (the "ACSR") issued show cause notice dated October 21, 2021 under section 3 & 8 of the Sindh Sales Tax on Services Act 2011 (the "Act") for the tax period 2017, 2018, 2019 & 2020 for revenue difference in SRB sales tax returns and the Holding Company Audited Accounts for abovementioned periods and sales tax amounting Rs. 38.02 million was levied. In compliance to this notice, the assessing officer passed judgement on dated July 02, 2022 and tax assessed by Rs. 831,949 and imposed penalty by Rs. 41,594. Against such order an appeal is filed before the worthy Commissioner Appeals. The management expects a favourable outcome in this regard.
- 14.2.8 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 Subsidiary Company preferred an appeal on July 12, 2021 before Commissioner Inland Revenue (Appeals) [the "CIR(A)"], which is pending adjudication. The management expects a favourable outcome in this regard.

15 PROPERTY AND EQUIPMENT

2022												
Owned	COST					ACCUMULATED DEPRECIATION					Rate	
	As at 01 July 2021	Revaluations during the year	Additions during the year	Disposals	Cost 30 June 2022	As at 01 July 2021	For the year	Disposals	As at 30 June 2022	Book value as at 30 June 2022		
	Rupees											%
Furniture and fixtures	14,309,631	-	2,852,489	-	17,162,120	7,971,338	1,630,788	-	9,602,126	7,559,994	10 - 33.33	
Office equipment and computers	16,358,579	-	1,951,150	734,745	17,574,984	11,276,051	2,564,846	632,496	13,208,411	4,366,573	10 - 25	
Vehicles	2,399,409	-	4,149,800	2,257,000	4,292,209	1,505,909	1,345,286	1,617,516	1,233,679	3,058,531	20	
	33,067,619	-	8,953,439	2,991,745	39,029,313	20,753,308	5,540,920	2,250,012	24,044,216	14,985,098		
2021												
Owned	COST					ACCUMULATED DEPRECIATION					Rate	
	As at 01 July 2020	Revaluations during the year	Additions during the year	Disposals	Cost / Revalued amount 30 June 2021	As at 01 July 2021	For the year	Disposals	As at 30 June 2021	Book value as at 30 June 2021		
	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	11,276,051	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	158,759,959	33,067,619	30,346,023	3,335,387	12,928,102	20,753,308	12,314,311		
Depreciation charge is allocated as follows:												
Infrastructure cost						Note						
									2022	2021		
									Rupees	Rupees		
									5,540,920	3,335,387		
Description	Cost	Accumulated Depreciation	NBV	Sale proceed	Gain / (loss)	Mode of disposal	Relationship with buyer	Particulars of Buyer				
Toyota Corolla LEB-17A-5804	2,257,000	1,617,516	639,483	2,900,000	2,260,517	Negotiations	Others	Others	Mr. Saleem Akhtar			
Office equipment	734,745	632,496	102,249	2,000	(100,249)	Negotiations	Others	Others	Miscellaneous			
Others (fully Depreciated assets)	100,000	100,000	-	59,000	59,000	Negotiations	Others	Others	Miscellaneous			
	2,991,745	2,991,745	741,732	2,902,000	2,219,268							

16 INTANGIBLE ASSETS

	2022									
	COST				ACCUMULATED AMORTIZATION					
	As at	Additions	Disposals	As at	As at	For the year	Disposals	As at	Net book	Rate
	01 July	during the	during the	30 June	01 July	For the year	Disposals	30 June	value as at	
	2021	year	year	2022	2021			2022	30 June	2022
	Rupees				Rupees					
Windows and MS office software	343,000	-	-	343,000	343,000	-	-	343,000	-	33.33
Accounting software	1,031,074	-	-	1,031,074	802,895	95,047	-	897,942	133,132	33.33
	1,374,074	-	-	1,374,074	1,145,895	95,047	-	1,240,942	133,132	
	2021									
	COST				ACCUMULATED AMORTIZATION					
	As at	Additions	Disposals	As at	As at	For the year	Disposals	As at	Net book	Rate
	01 July	during the	during the	30 June	01 July	For the year	Disposals	30 June	value as at	
	2020	year	year	2021	2022			2021	30 June	2021
	Rupees				Rupees					
Windows and MS office software	1,250,644	-	907,644	343,000	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	-	-	33.33
Accounting software	932,930	228,144	130,000	1,031,074	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	-	-	33.33
	8,096,534	228,144	6,950,604	1,374,074	7,841,649	254,850	6,950,604	1,145,895	228,179	

16.1 Amortization charge has been allocated as follows:

Infrastructure cost

Note	2022	2021
	Rupees	Rupees
29	95,047	254,850

	2022 Rupees	2021 Rupees
17 RIGHT-OF-USE ASSET		
Balances as at 01 July	17,870,370	-
Additions during the year	-	23,827,160
Less: depreciation	(5,956,790)	(5,956,790)
Balance as at 30 June	<u>11,913,580</u>	<u>17,870,370</u>

17.1 These include 1 leasehold building having 2 floors situated at Awami Complex, FB-1, Usman Block, Garden Town, Lahore.

	2022 Rupees	2021 Rupees
18 <u>Cost of investment</u>		
Aequitas Information Services Limited		
10,000,000 (2021: 10,000,000) fully paid shares of Rs. 10 each	100,000,000	100,000,000
<u>Share of loss</u>		
As at 01 July	(30,715,148)	(21,304,235)
Share of loss for the year	(177,257)	(8,569,085)
Share of other comprehensive loss	(141,641)	(841,828)
As at 30 June	(31,034,047)	(30,715,148)
Net investment as at 30 June	<u>68,965,953</u>	<u>69,284,852</u>

The Holding Company owns 10 million (2021: 10 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 2022 are set out below:

	2022 Rupees	2021 Rupees
Non current assets	430,886,516	376,164,945
Current assets	94,073,161	67,930,945
Non current liabilities	(29,609,701)	(27,645,167)
Current liabilities	(150,520,210)	(70,026,464)
Net assets - 100%	344,829,766	346,424,259
<u>Percentage ownership interest</u>	20%	20%
Group's share of net assets representing carrying amount of interest in associated company	<u>68,965,953</u>	<u>69,284,852</u>
Revenue from contracts with customers-net	188,936,288	87,750,070
Loss after taxation for the year	<u>(886,287)</u>	<u>(42,845,425)</u>
Other comprehensive loss	<u>(708,206)</u>	<u>(4,209,139)</u>
Total comprehensive loss for the year from continuing operations	<u>(318,899)</u>	<u>(9,410,913)</u>

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2022				
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	1,043,556	(618,299)	-	425,257
Provision for expected credit losses	1,430,345	576,489	-	2,006,834
Payable to provident fund	124,810	(30,110)	-	94,700
Lease liabilities - net	487,782	198,607	-	686,389
	3,086,493	126,687	-	3,213,180

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 provident fund	383,664	(258,854)	-	124,810
Contract liability	8,366,200	(8,366,200)	-	-
Lease liabilities - net	-	487,782	-	487,782
	10,627,595	(7,541,102)	-	3,086,493

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20	TRADE DEBTS - UNSECURED	Note	2022	2021
			Rupees	Rupees
	Trade debts		86,723,826	101,234,958
	Less: Provision for expected credit loss	20.1	(6,997,082)	(4,959,999)
			<u>79,726,744</u>	<u>96,274,959</u>
20.1	The movement in provision for expected credit loss is as follows:			
	Balance as at 01 July		4,959,999	5,618,902
	Charge for the year		4,753,087	1,862,776
	Trade debts written-off		(2,716,004)	(2,521,679)
			2,037,083	(658,903)
	Balance as at 30 June		<u>6,997,082</u>	<u>4,959,999</u>
21	CONTRACT ASSET			
	This includes cost of provisioning of services by the Group to the customers, but right to receive payments against such goods and services has not yet been established.			
22	RECEIVABLE FROM RELATED PARTIES	Note	2022	2021
			Rupees	Rupees
	Aequitas Information Services Limited - share deposit money		12,733,007	-
	Aequitas Information Services Limited - Accrued markup		1,113,690	250,160
	Analytics (Private) Limited - Reimbursement		327,099	537,375
		22.2	<u>14,173,796</u>	<u>787,535</u>
22.1	This relates to an amount receivable on account of common expenditures incurred.			
22.2	The maximum aggregate amount outstanding from related parties at any time during the year was:			
			2022	2021
			Rupees	Rupees
	Aequitas Information Services Limited		13,846,697	-
	Analytics (Private) Limited		327,099	537,375
22.3	Age analysis of receivable from related parties, past due but not impaired is as follows:			
		Note	2022	2021
			Rupees	Rupees
	0 to 6 months		14,173,796	787,535
	6 to 12 months		-	-
	Above 12 months		-	-
			<u>14,173,796</u>	<u>787,535</u>
23	LOAN TO AN ASSOCIATE-UNSECURED			
	Loan to Aequitas Information Services Limited	23.1	30,000,000	-
	Add : Related accrued mark-up		1,113,690	2,603,861
			<u>31,113,690</u>	<u>2,603,861</u>
	Less: Accrued mark-up		(1,113,690)	(2,603,861)
			<u>30,000,000</u>	<u>-</u>
	Balance as at 01 July		-	30,000,000
	Payments during the year		30,000,000	-
	Shares issued		-	(30,000,000)
	Balance as at 30 June		<u>30,000,000</u>	<u>-</u>

- 23.1 This represents loan given to Aequitas Information Services Limited (AISL) for the purpose of bridging AISL's cash shortfall till injection of new equity. The loan was given on 18th January 2022. The tenure of the loan will be one year from the date of disbursement. The current markup rate is three month KIBOR plus 300 bps. As per the agreement the markup rate will be three month KIBOR plus 300 bps or at the rate paid by Aequitas Information Services Limited to its other sponsor shareholder, whichever is higher. Any delay in payment would yield a service charge of 1% per month.

	Note	2022 Rupees	2021 Rupees
24 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good			
- to employees		6,286,168	124,426
- to suppliers		481,257	709,503
		6,767,425	833,929
Sales tax receivable		7,858,882	5,688,630
Prepayments		2,450,651	1,663,129
Mark up receivable on short term investments (MTBs)		763,772	-
Others		166,755	166,755
		<u>18,007,485</u>	<u>8,352,443</u>

25 SHORT TERM INVESTMENTS

Investment in Government securities	25.1	<u>59,963,620</u>	<u>-</u>
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- 25.1 This relates to investment in treasury bills by the Holding Company. They carry yield ranging from 10.2% to 12.4% (2021: Nil) per annum. These Treasury bills have maturity period of 3 months. These Government securities have an aggregate face value of Rs. 62 million (2021: Nil)

	Note	2022 Rupees	2021 Rupees
26 CASH AND BANK BALANCES			
Local currency - deposits and saving accounts	26.1	<u>34,122,718</u>	<u>90,601,394</u>

- 26.1 These carries mark up ranging from 6.5% to 13% (2021: 5.5% to 6.5%) per annum.

	Note	2022 Rupees	2021 Rupees
27 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET			
Income from rating business			
- domestic		352,052,187	309,430,218
- foreign		1,610,740	1,510,795
		353,662,927	310,941,013
Income from non rating business			
- domestic	27.1	13,866,805	5,327,883
- foreign		8,997,465	-
		22,864,270	5,327,883
Less: Provincial Sales tax		(51,457,952)	(44,338,366)
	27.2	<u>325,069,245</u>	<u>271,930,530</u>

- 27.1 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 Group.

27.2 Disaggregation of Fees income

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

Note	2022	2021
	Rupees	Rupees

Type of rating services

Entity rating	216,864,810	188,980,745
Instrument rating	63,650,155	55,847,779
Fund rating	23,228,409	22,231,253
	303,743,374	267,059,777

Type of Non rating services

Consultancy services	12,889,146	2,000,000
Credit Risk Assessment Training	8,436,725	2,870,753
	325,069,245	271,930,530

Timing of revenue recognition

Revenue recognized at a point in time	272,516,638	225,583,445
Revenue recognized over - time	52,552,607	46,347,085
	325,069,245	271,930,530

28 REMUNERATION COST

Staff salaries & other benefits	28.1	151,259,864	134,048,578
Retired employees benefits		1,041,168	1,056,866
External rating committee member fee		6,850,000	7,600,000
Advisory/Consultancy fee		1,660,313	-
		160,811,345	142,705,444

28.1 Salaries and other benefits include Rs. 4.25 million (2021: Rs. 2.53 million) in respect of contribution to provident fund.

29 INFRASTRUCTURE COST

Note	2022	2021
	Rupees	Rupees

Rent, rates and taxes	2,734,233	1,904,341
Technology & related expenses	2,183,563	1,559,617
Repair & Maintenance	4,328,754	4,682,135
Depreciation on property and equipment	5,540,920	3,335,387
Amortization on intangible assets	95,047	254,850
Depreciation on right of use asset	5,956,790	5,956,790
Others	1,561,690	986,702
	25,791,974	21,067,623

30 ADMINISTRATIVE COST

Directors meeting expenses	30.1	3,616,774	2,023,007
Legal & professional charges		1,753,187	5,795,900
Entertainment and related expenses		3,836,297	2,916,664
Travelling, food and accommodation		3,050,835	2,427,583
Auditor's remuneration		900,000	648,750
Tax advisory, consultancy & fees		1,031,499	710,470
Communication and related expenses		907,211	928,137
Promotional expenses		1,739,164	1,203,989
Others		914,519	1,394,696
		17,749,485	18,049,196

30.1 This relates to the meeting fee paid to Directors of the Holding Company for attending the meetings held during the year.

31	OTHER INCOME	2022 Rupees	2021 Rupees
	Income from financial assets:		
	Mark-up based income from conventional banks:		
	Mark-up on savings accounts	5,094,869	327,667
	Unwinding of Government grant	783,263	1,347,798
	Mark-up on loan given to associate	1,908,452	2,603,861
	Profit on short term investment	2,034,455	-
	Exchange gain	-	406,000
		9,821,040	4,685,326
	Income from non-financial assets:		
	Gain on disposal of fixed assets	2,219,268	18,227,633
	Reimbursement from clients	4,730,010	2,989,128
	Miscellaneous income	119,954	203,020
		7,069,231	21,419,781
		16,890,271	26,105,107
32	FINANCE COST		
	Mark-up on long term borrowings	1,344,549	2,314,497
	Mark-up on short term borrowings	-	1,270,462
	Finance cost on lease liability	1,674,916	2,205,688
	Bank charges	73,182	137,904
		3,092,647	5,928,551
33	TAXATION		
	Current tax		
	Current year	37,501,220	27,207,341
	Prior year	-	30,367
		37,501,220	27,237,708
	Deferred tax	(126,687)	7,541,102
		37,374,534	34,778,810
33.1	Reconciliation between accounting profit and taxation		
	Profit before taxation	129,583,721	99,852,962
	Tax at applicable rate of 29% (2021: 29%)	37,579,279	28,957,359
	Tax effect of deductions	(78,058)	(1,719,651)
	Deferred taxation impact	(126,687)	7,541,102
		37,374,534	34,778,810
34	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit after tax	92,209,187	65,074,152
	Weighted average number of ordinary shares outstanding during the year	7,452,900	7,452,900
	Earnings per share - basic and diluted	12.37	8.73
34.1	Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group by weighted average number of ordinary shares.		
34.2	There is no dilutive effect on the basic earnings per share of the Group.		

35 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 Group are as follows:

	Chief Executive		Non - Executive directors		Executives	
	2022	2021	2022	2021	2022	2021
Rupees -----						
Managerial remuneration	22,956,861	21,514,278	-	-	75,141,450	43,347,685
Contribution to provident fund	1,043,139	977,922	-	-	2,578,032	1,966,359
Bonus	8,000,000	5,347,812	-	-	11,207,994	7,950,426
Meeting fee	-	-	3,616,774	2,023,007	-	-
Reimbursable expenses	208,130	250,403	-	-	515,689	383,623
Total	32,208,130	28,090,415	3,616,774	2,023,007	89,443,165	53,648,093
Numbers	1	1	6	7	45	25

36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Balances and transactions with related parties are as follows:

Associated company (20% owned)

Aequitas Information Services Limited

On account of:

Investment in associate during the year

2022	2021
Rupees	Rupees

-	30,000,000
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On account of:

Amount given on account of loan

30,000,000	-
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Expense paid on behalf of related party

1,266,500	1,133,492
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Expenses paid by related party on behalf of Company

1,595,237	639,276
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Mark-up on loan charged to related party

1,908,452	2,603,861
-----------	-----------

Markup paid by related party

794,762	2,254,681
---------	-----------

Receivable from related party - unsecured

(794,953)	(250,160)
-----------	-----------

Post employment benefit plans / Other related parties

On account of:

Contributions to Provident Fund Trust

4,254,802	4,151,818
-----------	-----------

Year end payable balance

Provident fund

793,336	700,948
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Directors

Muhammad Adnan Afaq (10% equity held)

On account of:

Dividend paid

8,198,190	15,278,445
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Meeting fee

40,000	200,000
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Mr. Shahzad Saleem, CEO

On account of:

Remuneration

22,956,861	27,823,024
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Year end payable balance

Salary payable

-	1,875,000
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	2022 Rupees	2021 Rupees
Mumtaz Hussain Syed (27% equity held)		
On account of:		
Dividend paid	22,135,080	41,251,740
Meeting fee	<u>460,000</u>	<u>-</u>
Sardar Ali Watto (13.5% equity held)		
On account of:		
Dividend paid	11,067,551	20,625,891
Meeting Fee	<u>615,000</u>	<u>-</u>
Usman Haider (13.5% Equity held)		
On account of:		
Dividend paid	11,067,540	20,625,870
Meeting Fee	<u>-</u>	<u>-</u>
Other Directors (0.00930% equity held)		
On account of:		
Dividend paid	77	24
Meeting fee	<u>2,270,000</u>	<u>1,120,000</u>
<u>Share holders holding more than 20% equity:</u>		
Lahore Stock Exchange (36% Equity held)		
On account of:		
Dividend paid	<u>29,513,462</u>	<u>55,002,361</u>
<u>Key Management Personnel (other than directors)</u>		
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	<u>22,956,861</u>	<u>21,514,278</u>

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37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group'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:

37.1 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 Group 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 Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk on trade debts, deposits, other receivables and bank balances. The Group 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	
		2022 (Rupees)	2021 (Rupees)
Trade debts - unsecured	20	79,726,744	96,274,959
Advances, prepayments and other receivables	24	18,007,485	8,352,443
Advance income tax - net		34,603,221	27,873,509
Cash and bank balances	26	34,122,718	90,601,394
		<u>166,460,168</u>	<u>223,102,305</u>

37.1.1 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 Group 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 Group'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 2022						
Expected credit loss rate	0.9%	30.2%	-	-	-	-
Estimated total gross carrying amount at default	65,696,146	20,950,714	-	-	-	86,646,860
Expected credit loss	594,079	6,326,038	-	-	-	6,920,116
	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	0.4%	6.7%	19.3%	13.0%	100.0%	-
Estimated total gross carrying amount at default	64,969,293	27,482,996	4,584,874	2,577,811	1,619,984	101,234,958
Expected credit loss	290,929	1,828,235	885,233	335,618	1,619,984	4,959,999

37.1.2	Bank balances	Rating		Rating Agency	2022	2021
		Short Term	Long Term		(Rupees)	(Rupees)
	Bank AL Habib	A-1+	AA+	PACRA	34,122,718	90,601,394
					<u>34,122,718</u>	<u>90,601,394</u>

37.2 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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 Group's financial liabilities at the following reporting dates:

Year ended 30 June 2022	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	-	97,982,427	-	-	-	97,982,427
Current portion of long term finance	9,282,670	-	-	-	-	9,282,670
Current portion of lease liabilities	-	-	6,462,098	7,818,341	-	14,280,439
Accrued mark-up	866,413	-	-	-	-	866,413
Trade and other payables	58,470,207	-	-	-	-	58,470,207
	<u>68,619,290</u>	<u>97,982,427</u>	<u>6,462,098</u>	<u>7,818,341</u>	<u>-</u>	<u>180,882,156</u>
-----Amount in Rupees-----						
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	22,260,458	-	-	-	-	22,260,458
Current portion of lease liabilities	-	-	5,281,409	14,280,439	-	19,561,848
Accrued mark-up	268,363	-	-	-	-	268,363
Trade and other payables	46,189,685	-	-	-	-	46,189,685
	<u>68,718,506</u>	<u>59,198,767</u>	<u>5,281,409</u>	<u>14,280,439</u>	<u>-</u>	<u>147,479,121</u>

37.3 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 Group'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 2022	2021
		(Rupees)	(Rupees)
	+100	<u>3,412,272</u>	<u>9,060,139</u>
	-100	<u>(3,412,272)</u>	<u>(9,060,139)</u>

37.4 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.

38 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2022			
	Long term finances	Lease liabilities	Dividend payable	Total
	----- Rupees -----			
Balance as at 01 July	28,199,730	19,561,848	-	47,761,578
<u>Cashflows</u>				
Long term loans repaid net of repayment	(18,814,267)	-	-	(18,814,267)
Lease liabilities - net	-	(5,281,409)	-	(5,281,409)
Dividend declared	-	-	81,981,900	81,981,900
Dividend paid	-	-	(81,981,900)	(81,981,900)
Balance as at 30 June	<u>9,385,463</u>	<u>14,280,439</u>	<u>-</u>	<u>23,665,902</u>
	2021			
	Long term finances	Lease liabilities	Dividend payable	Total
	----- Rupees -----			
Balance as at 01 July	9,945,534	-	-	9,945,534
<u>Cashflows</u>				
Long term loans obtained net of repayment	18,254,196	-	-	18,254,196
Lease liabilities - net	-	19,561,848	-	19,561,848
Dividend declared	-	-	152,784,450	152,784,450
Dividend paid	-	-	(152,784,450)	(152,784,450)
Balance as at 30 June	<u>28,199,730</u>	<u>19,561,848</u>	<u>-</u>	<u>47,761,578</u>

39 Capital risk management

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

The Group's objectives when managing capital are:

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

The Group 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 Group 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 Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

40. PROVIDENT FUND RELATED DISCLOSURE

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

	Un-audited 2022	Audited 2021
	Rupees	Rupees
Size of the fund - Total assets	41,009,162	35,118,058
Cost of investments made	39,928,265	34,347,358
Percentage of investments made	97.36%	97.81%
Fair value of investments	41,784,511	34,347,358

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

	2022		2021	
	Rupees	%	Rupees	%
Government Securities	32,000,000	77%	-	-
Deposit and saving accounts	9,784,511	23%	14,347,358	42%
Term deposit receipts	-	-	20,000,000	58%
	41,784,511	100%	34,347,358	100%

40.2 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.

41. NUMBER OF EMPLOYEES

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

	2022	2021
	----(No. of employees)----	
Average number of employees during the year	75	74
Number of employees as at 30 June	80	80

42. CHANGE IN PRESENTATION

As per IAS 1 'Presentation of Financial Statements' the Group has the option to present its statement of comprehensive income either as 'nature of expense method' or 'cost of sale method'. During the year, the Group has changed the presentation of statement of comprehensive income to 'nature of expense method' and aggregated expenses within profit or loss according to their nature.

Accordingly, due to change in presentation, corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison. The following material reclassifications were made:

Reclassification from	Reclassification to	2021 Rupees
Direct cost	Remuneration cost	91,839,207
	Infrastructure cost	11,756,020
Administrative cost	Remuneration cost	51,141,708
	Infrastructure cost	13,661,835

Since, these reclassification adjustments do not have a material effect on the information at the beginning of the preceding period, therefore third statement of financial position as at the beginning period has not been presented.

43. DATE OF AUTHORIZATION

These financial statements were authorized for issue on _____ by the Board of Directors of the Group.



Chief Executive



Director

INDEPENDENT AUDITOR'S REPORT

To the members of The Pakistan Credit Rating Agency Limited

Report on the Audit of the Unconsolidated Financial Statements for the year ended 30 June 2022

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 2022, 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, 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 2022 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the Directors' report, but does not include the unconsolidated financial statements and 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially 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 financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the unconsolidated notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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 2022
UDIN: AR202210177SfKQX8PkG

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 12,500,000 (30 Jun 2021: 12,500,000) ordinary shares of Rs.10 each		125,000,000	125,000,000
Issued, subscribed and paid-up share capital	7	74,529,000	74,529,000
Accumulated profits		93,288,208	84,789,611
		167,817,208	159,318,611
NON CURRENT LIABILITIES			
Long-term finance - secured	8	-	5,836,479
Deferred Government grants	9	-	102,793
Lease liabilities	10	7,818,341	14,280,439
		7,818,341	20,219,711
CURRENT LIABILITIES			
Current portion of long-term finance - secured	8	9,282,670	21,477,195
Current-portion of deferred Government grants	9	102,793	783,263
Current-portion of lease liabilities	10	6,462,098	5,281,409
Short-term borrowings -secured	11	-	-
Accrued markup		866,414	2,582,859
Contract liability	12	95,825,187	57,684,974
Provision for taxation		36,865,909	27,077,152
Trade and other payables	13	83,060,867	67,812,587
		232,465,938	182,699,439
TOTAL EQUITY AND LIABILITIES		408,101,487	362,237,761
CONTINGENCIES AND COMMITMENTS			
	14		
ASSETS			
NON CURRENT ASSETS			
Property and equipment	15	14,985,098	12,314,311
Intangible assets	16	133,132	228,179
Right-of-use asset	17	11,913,580	17,870,370
Long term investments	18	100,100,000	100,100,000
Long term deposits		1,335,300	1,335,300
Deferred taxation	19	3,213,180	3,086,493
		131,680,290	134,934,653
CURRENT ASSETS			
Trade debts - unsecured	20	79,013,345	93,384,651
Contract assets	21	-	2,988,905
Receivable from related parties	22	21,676,828	4,316,487
Loan to an associate - unsecured	23	30,000,000	-
Advances, prepayments & other receivables	24	17,749,238	8,140,080
Advance income tax		33,904,599	27,871,591
Short term investment	25	59,963,620	-
Cash and bank balances	26	34,113,567	90,601,394
		276,421,197	227,303,108
TOTAL ASSETS		408,101,487	362,237,761

The annexed notes 1 to 43 form an integral part of these unconsolidated financial statements.


Chief Executive


Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Rupees	2021 Rupees
Revenue from contracts with customers -net	27	316,632,521	269,059,777
Remuneration cost	28	(159,351,032)	(140,953,559)
Infrastructure cost	29	(25,791,974)	(21,067,623)
Administrative cost	30	(16,069,234)	(17,155,343)
		(201,212,240)	(179,176,525)
Operating profit		115,420,281	89,883,252
Provision for expected credit losses on trade debts	20.1	(4,714,604)	(1,862,776)
Other income	31	19,606,692	25,682,363
Finance cost	32	(3,092,647)	(5,928,319)
Profit before taxation		127,219,722	107,774,520
Taxation	33	(36,739,224)	(34,599,512)
Profit after taxation		90,480,498	73,175,008
Other comprehensive income for the year			
Items that may be reclassified to profit and loss in the subsequent period		-	-
Items that will not be reclassified to profit and loss in the subsequent period		-	-
Total comprehensive income for the year		90,480,498	73,175,008
Earnings per share - basic and diluted		12.14	9.82

The annexed notes 1 to 43 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 2022

	Issued, subscribed and paid-up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profits	Total
	Rupees			
Balance as on 01 July 2020	74,529,000	81,945,420	82,453,632	238,928,052
Total comprehensive income for the period				
Profit after taxation	-	-	73,175,008	73,175,008
Revaluation surplus transferred to accumulated profits	-	(81,945,420)	81,945,420	-
Other comprehensive income	-	-	-	-
	-	(81,945,420)	155,120,428	73,175,008
Transaction with owners				
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 5 per share	-	-	(37,264,500)	(37,264,500)
Interim dividend for the year ended 30 June 2021 at the rate of Rs 12.5 per share	-	-	(93,161,250)	(93,161,250)
	-	-	(152,784,450)	(152,784,450)
Balance as on 30 June 2021	74,529,000	-	84,789,610	159,318,610
Total comprehensive income for the year				
Profit after taxation	-	-	90,480,498	90,480,498
Other comprehensive Income	-	-	-	-
	-	-	90,480,498	90,480,498
Transaction with owners				
Interim dividend for the year ending 30 June 2022 at the rate of Rs 5 per share	-	-	(37,264,500)	(37,264,500)
Interim dividend for the year ending 30 June 2022 at the rate of Rs 6 per share	-	-	(44,717,400)	(44,717,400)
	-	-	(81,981,900)	(81,981,900)
Balance as on 30 June 2022	74,529,000	-	93,288,208	167,817,208

The annexed notes 1 to 43 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 2022

	Note	2022 Rupees	2021 Rupees
Profit before taxation		127,219,722	107,774,320
Adjustments for:			
Depreciation on property and equipment & amortization		5,635,967	3,590,237
Depreciation on right of use asset	17	5,956,790	5,956,790
Finance cost	32	3,092,647	5,928,319
Mark-up on saving accounts		(5,062,111)	(310,923)
Profit on short term investment		(2,034,455)	-
Services charged to PACRA Analytics		(2,749,179)	-
Gain on disposal of fixed assets		(2,219,268)	(18,227,633)
Unwinding of Government grant	31	(783,263)	(1,347,798)
Provision for expected credit losses on trade debts	20.1	4,714,604	1,862,776
Exchange loss		-	9,832
		133,771,454	105,235,920
Working capital changes			
(Increase) / decrease in current assets			
- Trade debts		11,519,478	21,673,553
- Advances, Prepayments & others		(26,205,727)	(1,525,164)
- Contract Asset		2,988,905	(950,294)
		(11,697,344)	19,198,095
Increase / (decrease) in current liabilities			
- Trade and other payables		15,182,858	8,034,530
- Contract liability		38,140,213	17,521,216
		53,323,071	25,555,746
Cash generated from operations		175,397,181	149,989,761
Finance cost paid		(258,395)	(2,487,890)
Income tax paid		(33,443,887)	(27,640,927)
Net cash generated from operating activities	(A)	141,694,899	119,860,944
Cash flow from investing activities			
Purchase of property and equipment	15	(8,953,439)	(7,906,710)
Proceeds from disposal of property and equipment	15.2	2,902,000	164,059,500
Purchase of intangible assets		-	(228,144)
Loan to associates		(30,000,000)	-
Short term investment made		(59,963,620)	-
Interest received		6,332,794	310,923
Net cash (used in) / generated from investing activities	(B)	(89,682,265)	156,235,569
Cash flow from financing activities			
Long term finance obtained		-	18,254,396
Long term finance paid		(19,562,236)	-
Lease rentals paid		(6,956,325)	(6,716,712)
Dividend paid		(81,981,900)	(152,784,450)
Net cash used in financing activities	(C)	(108,500,461)	(141,246,766)
Net (decrease) / increase in cash and cash equivalent	(A+B+C)	(56,487,827)	134,849,747
Cash and cash equivalents at beginning of the year		90,601,394	(44,248,353)
Cash and cash equivalents at end of the year		34,113,567	90,601,394

The annexed notes 1 to 43 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 2022

1. LEGAL STATUS AND OPERATIONS

1.1 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.

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

Subsidiary company	% age of direct shareholding	% age of effective shareholding
PACRA Analytics (Private) Limited	100%	100%
Associated company		
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.

1.3 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

2.1 These unconsolidated financial statements (hereinafter referred to as '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.

3 Standards, interpretations and amendments applicable to the published approved accounting standards

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended standards and interpretations effective for annual period beginning on January 01,2021, as listed below:

3.1 New standards, interpretations and Amendments effective in the reporting period

IAS 39, IFRS 9, IFRS 7, IFRS 4 & IFRS 16 Interest rate Benchmark Reform - Phase 2

The adoption of above new amendments applied for the first time in the period did not have any material impact on the financial statements of the Company. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.2 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		IASB 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 IFRS 1 & 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 to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates	January 01, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies — Amendments to IAS 1 and IFRS practice statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by 'Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition except under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	January 01, 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	Not yet finalized

The above amendments are not expected to 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 17	Insurance Contracts	January 01 2023
IFRS 1	First-time Adoption of IFRS	July 01 2009

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.

4 BASIS OF PREPARATION

4.1 Basis of measurement

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

4.2 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.

5 SIGNIFICANT ESTIMATES AND JUDGEMENTS

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.

5.1 Judgements

There is no significant judgement involved in the preparation of these unconsolidated financial statements.

5.2 Significant estimates and assumptions

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.

5.3 Expected credit loss / loss allowances against trade debts, and other receivables (as explained in note 6.12)

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.

5.4 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities (Note:14)

6 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 3.

6.1 Revenue from Contracts with Customers**6.1.1 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:

6.1.1.1 Fee income**a) Rating**

Revenue from rating services is recognized at point in time when services are rendered to the customer

b) Monitoring

Revenue attributed to monitoring is recognized over the period in which monitoring is performed, generally one year.

6.1.2 Dividends

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

6.1.3 Interest income

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

6.2 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 asset.

6.3 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. As at year end, the Company does not have any freehold land.

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 comprehensive income.

6.4 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 16 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.

6.5 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.

6.5 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in statement of comprehensive income 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.9.1 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.

6.10 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.

6.11 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.

6.12 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 to associates, short term investment, 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:

- 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

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.

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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 30 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

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.

6.13 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.

6.14 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 5% (2021: 5%) of the basic salary to the Provident Fund Trust. Obligation for contributions to defined contribution plan is expensed as the related service is provided.

6.15 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 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.

6.16 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.

6.17 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.

6.18 Mark-up bearing borrowings

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

6.19 Long term investments**Investment in subsidiary**

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

Investments in equity instruments of associates

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

7 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2022 (Number of shares)	2021	2022 Rupees	2021 Rupees
Ordinary shares of Rs 10 each allocated for consideration paid in cash	1,500,000	1,500,000	15,000,000	15,000,000
Ordinary shares of Rs 10 each issued as 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>

7.1 LSE Financial Services Limited, an associated undertaking holds 2,683,042 (2021: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Company.

7.2 Directors hold 3,763,718 (2021: 3,763,718) ordinary shares comprising 41% of total paid up share capital of the Company.

8 LONG-TERM FINANCE - SECURED

	Note	2022 Rupees	2021 Rupees
Bank AL Habib Limited	8.1	-	5,836,479
Balance as at 01 July		29,628,170	12,705,843
Receipts during the year		-	25,770,131
Repayments during the year		(20,345,500)	(11,162,300)
Accrued markup		783,263	2,314,496
		<u>10,065,933</u>	<u>29,628,170</u>
Accrued markup shown as current liability		(783,263)	(2,314,496)
Less: Current portion of long-term finance		(9,282,670)	(21,477,195)
Balance as at 30 June		<u>-</u>	<u>5,836,479</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 in note 9.

9 DEFERRED GOVERNMENT GRANT

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.

Movement during the year is as follows:

	2022 Rupees	2021 Rupees
Balance as at 01 July	886,056	901,985
Amount recognized as deferred grant during the year	-	1,331,869
Amount recognized as income during the year	(783,263)	(1,347,798)
	<u>102,793</u>	<u>886,056</u>
Less: Current portion of deferred government grant	(102,793)	(783,263)
Balance as at 30 June	<u>-</u>	<u>102,793</u>

10 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:

	2022 Rupees	2021 Rupees
Period ending 30 June		
2022	-	6,956,325
2023	7,478,049	7,478,049
2024	8,038,903	8,038,903
	<u>15,516,952</u>	<u>22,473,277</u>
Less: future finance charges	(1,236,513)	(2,911,429)
	<u>14,280,439</u>	<u>19,561,848</u>
Less: current maturity shown under current liabilities	(6,462,098)	(5,281,409)
	<u>7,818,341</u>	<u>14,280,439</u>

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

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

	MLP (Rupees)	PV of MLP (Rupees)
Due not later than 1 year	7,478,049	6,457,884
Due later than 1 year but not later than 5 years	8,038,903	7,822,555
	<u>15,516,952</u>	<u>14,280,439</u>

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

	Note	2022 Rupees	2021 Rupees
Balances as at 01 July		19,561,848	-
Additions during the year		-	23,827,160
Markup on lease liabilities		1,674,916	2,205,688
		<u>21,236,764</u>	<u>26,032,848</u>
Less: Lease rentals paid		(6,956,325)	(6,471,000)
Balance as at 30 June		<u>14,280,439</u>	<u>19,561,848</u>

11 **SHORT TERM BORROWINGS - SECURED**

Bank AL Habib Limited	11.1	-	-
		-	-
Add : Related accrued mark-up		-	268,363
		-	<u>268,363</u>
Less: Accrued mark-up shown as current liability		-	(268,363)
		-	<u>-</u>

11.1 This represents utilized balance of running finance facility obtained from Bank AL Habib Limited against limit of Rs.30 million (2021: Rs 10 million). This facility carries markup at the rate of 3 month KIBOR plus 150 basis points per annum (2021: 3 month Kibor plus 150 basis points per annum), payable quarterly. This is secured by way of first hypothecation charge of Rs. 85 million and Rs. 10 million on present and future current assets and furniture & fixtures of the Company respectively.

	Note	2022 Rupees	2021 Rupees
12 CONTRACT LIABILITY			
Advance from customers	12.1	27,369,776	10,482,725
Deferred revenue	12.2	68,455,411	47,202,249
		<u>95,825,187</u>	<u>57,684,974</u>

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.

12.3 Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period amounts to Rs. 57.68 million (2021:40.16 million).

	Note	2022 Rupees	2021 Rupees
13 TRADE AND OTHER PAYABLES			
Remuneration and related cost payable		41,101,851	38,871,636
Infrastructure and related cost payables		660,800	459,867
Administrative and related cost payable		2,989,058	2,942,773
Due to related parties	13.1	25,185,404	16,362,440
Sales tax payable		13,123,755	9,175,872
		<u>83,060,867</u>	<u>67,812,588</u>

13.1 Payable to related parties include:

PACRA Analytics (Private) Limited (a subsidiary)	13.1.1	24,866,667	16,362,440
Aequitas Information Services Limited (an associate)	13.1.2	318,737	-
		<u>25,185,404</u>	<u>16,362,440</u>

13.1.1 This represents advance received from PACRA Analytics (Private) Limited which is to be adjusted against expense incurred on behalf of the Company.

13.1.2 This represents net receivable balance from Aequitas Information Services Limited which is to be adjusted against expense incurred on behalf of the Company.

14 CONTINGENCIES AND COMMITMENTS**14.1 Commitments**

JS Bank Limited has issued performance guarantee on behalf of the Company in favour of Finance Department of Government of Punjab amounting to Rs. 0.05 million (2021: 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 favourable 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 favourable 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 favourable outcome in this regard.
- 14.2.4** The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated January 26, 2021 under section 161 (1A) of the Income tax Ordinance, 2001 ("the Ordinance") for the tax year 2018 for non-deduction of withholding tax on expenses and purchases. In compliance to this notice, a reply by the Company has duly been submitted dated February 17, 2021 which is still under process. The management expects a favourable outcome in this regard.
- 14.2.5** The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated January 27, 2021 under section 161 (1A) of the Income tax Ordinance, 2001 ("the Ordinance") for the tax year 2019 and tax year 2020 for non-deduction of withholding tax on expenses and purchases. No correspondence has been made in respect of these notices. Since assessing officer was transferred and notices from new officers are still not received. The management expects a favourable outcome in this regard.
- 14.2.6** The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated February 19, 2021 under section 161(1A) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2021 for non-deduction of withholding tax on expenses and purchases. In compliance to this notice, a reply has duly been submitted dated February 17, 2021 which is still under process. The management expects a favourable outcome in this regard.
- 14.2.7** The Assistant Commissioner Sind Revenue Board (the "ACSR") issued show cause notice dated October 21, 2021 under section 3 & 8 of the Sindh Sales Tax on Services Act 2011 (the "Act") for the tax period 2017,2018,2019 & 2020 for revenue difference in SRB sales tax returns and PACRA Audited Accounts for abovementioned periods and sales tax amounting Rs. 38.02 million was levied. In compliance to this notice, the assessing officer passed judgement on dated July 02, 2022 and tax assessed by Rs. 831,949 and imposed penalty by Rs. 41,594. Against such order an appeal is filed before the worthy Commissioner Appeals. The management expects a favourable outcome in this regard.

16 INTANGIBLE ASSETS

2022									
COST				ACCUMULATED AMORTIZATION					
As at 01 July 2021	Additions during the year	Disposals during the year	As at 30 June 2022	As at 01 July 2021	For the year	Disposals	As at 30 June 2022	Net book value as at 30 June 2022	Rate %
----- Rupees -----				----- Rupees -----					
343,000	-	-	343,000	343,000	-	-	343,000	-	33.33
1,031,074	-	-	1,031,074	802,895	95,047	-	897,942	133,132	33.33
1,374,074	-	-	1,374,074	1,145,895	95,047	-	1,240,942	133,132	
2021									
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 2022	For the year	Disposals	As at 30 June 2021	Net book value as at 30 June 2021	Rate %
----- Rupees -----				----- Rupees -----					
1,250,644	-	907,644	343,000	1,247,481	3,163	907,644	343,000	-	33.33
1,912,960	-	1,912,960	-	1,912,960	-	1,912,960	-	-	33.33
932,930	228,144	130,000	1,031,074	681,208	251,687	130,000	802,895	228,179	33.33
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	6,950,604	1,145,895	228,179	

16.1 Amortization charge has been allocated as follows:

Infrastructure cost			
		Note	2021
		Rupees	Rupees
		29	95,047
			254,850

17	RIGHT-OF-USE ASSET	2022 Rupees	2021 Rupees
	Balances as at 01 July	17,870,370	-
	Additions during the year	-	23,827,160
	Less: depreciation	(5,956,790)	(5,956,790)
	Balance as at 30 June	11,913,580	17,870,370

17.1 These include 1 leasehold buildings having 2 floors situated at Awami Complex, FB-1, Usman Block, Garden Town, Lahore.

18	LONG TERM INVESTMENTS	Note	2022 Rupees	2021 Rupees
	Investment in subsidiary	18.1	100,000	100,000
	Investment in associate	18.2	100,000,000	100,000,000
			100,100,000	100,100,000

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 (2021: 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 (2021: 10,000,000) 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

2022			
Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
----- Rupees -----			
Deductible temporary difference			
Accelerated tax depreciation /			
Amortization allowances	1,043,556	(618,299)	425,257
Provision for expected credit losses	1,430,345	576,489	2,006,834
Payable to provident fund	124,810	(30,110)	94,700
Lease liabilities - net	487,782	198,607	686,389
3,086,493	126,687	-	3,213,180

2021			
Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
----- Rupees -----			
Deductible temporary difference			
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 provident fund	383,664	(258,854)	124,810
Contract liability	8,366,200	(8,366,200)	-
Lease liabilities - net	-	487,782	487,782
10,627,595	(7,541,102)	-	3,086,493

20	TRADE DEBTS - UNSECURED	Note	2022 Rupees	2021 Rupees
	Trade debts		85,933,461	98,344,650
	Less: Provision for expected credit loss	20.1	(6,920,116)	(4,959,999)
			<u>79,013,345</u>	<u>93,384,651</u>
20.1	The movement in provision for expected credit loss is as follows:			
	Balance as at 1 July		4,959,999	5,618,902
	Charge for the year		4,714,604	1,862,776
	Trade debts written-off		(2,754,487)	(2,521,679)
			1,960,117	(658,903)
	Balance as at 30 June		<u>6,920,116</u>	<u>4,959,999</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	RECEIVABLE FROM RELATED PARTIES	Note	2022 Rupees	2021 Rupees
	PACRA Analytics (Private) Limited	22.1	7,503,032	3,528,952
	Aequitas Information Services Limited - share deposit money		12,733,007	-
	Aequitas Information Services Limited - Accrued markup		1,113,690	250,160
	Analytics (Private) Limited - Reimbursement		327,099	537,375
		22.2	<u>21,676,828</u>	<u>4,316,487</u>
22.1	This relates to an amount receivable on account of common expenditures incurred.			
22.2	The maximum aggregate amount outstanding from related parties at any time during the year was:			
			2022 Rupees	2021 Rupees
	Aequitas Information Services Limited		2,380,190	1,152,735
	Analytics (Private) Limited		629,024	1,387,850
	PACRA Analytics (Private) Limited		4,770,485	1,965,219
22.3	Age analysis of receivable from related parties, past due but not impaired is as follows:			
		Note	2022 Rupees	2021 Rupees
	0 to 6 months		8,943,821	787,535
	6 to 12 months		12,733,007	-
	Above 12 months		-	-
			<u>21,676,828</u>	<u>787,535</u>
23	LOAN TO AN ASSOCIATE-UNSECURED			
	Loan to Aequitas Information Services Limited	23.1	30,000,000	-
	Add : Related accrued mark-up		1,113,690	2,603,861
			<u>31,113,690</u>	<u>2,603,861</u>
	Less: Accrued mark-up		(1,113,690)	(2,603,861)
			<u>30,000,000</u>	<u>-</u>
23.1	The movement in loan to an associate is as follows:			
	Balance as at 01 July		-	30,000,000
	Payments during the year	23.2	30,000,000	-
	Shares issued		-	(30,000,000)
	Balance as at 30 June		<u>30,000,000</u>	<u>-</u>

- 23.2 This represents loan given to Aequitas Information Services Limited (AISL) for the purpose of bridging AISL's cash shortfall till injection of new equity. The loan was given on 18th January 2022. The tenure of the loan will be one year from the date of disbursement. The current markup rate is three month KIBOR plus 300 bps. As per the agreement the markup rate will be three month KIBOR plus 300 bps or at the rate paid by Aequitas Information Services Limited to its other sponsor shareholder, whichever is higher. Any delay in payment would yield a service charge of 1% per month.

24	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2022 Rupees	2021 Rupees
	Advances - unsecured, considered good			
	- to employees		6,286,168	124,426
	- to suppliers		481,257	709,503
			6,767,425	833,929
	Sales tax receivable		7,767,390	5,643,022
	Prepayments		2,450,651	1,663,129
	Mark up receivable on short term investments (MTBs)		763,772	-
			<u>17,749,238</u>	<u>8,140,080</u>

25 SHORT TERM INVESTMENTS

Investment in Government securities	25.1	<u>59,963,620</u>	-
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- 25.1 This relates to investment in treasury bills by the Company. They carry yield ranging from 10.2% to 12.4% (2021: Nil) per annum. These Treasury bills have maturity period of 3 months. These Government securities have an aggregate face value of Rs. 62 million (2021: Nil)

26	CASH AND BANK BALANCES	Note	2022 Rupees	2021 Rupees
	Local currency - deposits and saving accounts	26.1	<u>34,113,567</u>	<u>90,601,394</u>

- 26.1 These carries mark up ranging from 6.5% to 13% (2021: 5.5% to 6.5%) per annum.

27	REVENUE FROM CONTRACTS WITH CUSTOMERS - NET	Note	2022 Rupees	2021 Rupees
	Income from rating business			
	- domestic		352,052,187	309,430,218
	- foreign		1,610,740	1,510,795
			353,662,927	310,941,013
	Income from non rating business			
	- domestic	27.1	3,891,681	2,000,000
	- foreign		8,997,465	-
			12,889,146	2,000,000
	Less: Provincial Sales tax		(49,919,552)	(43,881,236)
		27.2	<u>316,632,521</u>	<u>269,059,777</u>

- 27.1 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.

27.2 Disaggregation of Fees income

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

	Note	2022 Rupees	2021 Rupees
Type of rating services			
Entity rating		216,864,810	188,980,745
Instrument rating		63,650,155	55,847,779
Fund rating		23,228,409	22,231,253
		303,743,374	267,059,777
Type of Non rating services			
Consultancy services		12,889,146	2,000,000
		316,632,520	269,059,777
Timing of revenue recognition			
Revenue recognized at a point in time		264,079,913	220,712,692
Revenue recognized over - time		52,552,607	46,347,085
		316,632,520	269,059,777

28 REMUNERATION COST

Staff salaries & other benefits	28.1	151,259,864	132,296,693
Retired employees benefits		1,041,168	1,056,866
External rating committee member fee		6,850,000	7,600,000
Advisory / Consultancy fee		200,000	-
		159,351,032	140,953,559

28.1 Salaries and other benefits include Rs. 4.25 million (2021: Rs. 2.53 million) in respect of contribution to provident fund.

29 INFRASTRUCTURE COST

	Note	2022 Rupees	2021 Rupees
Rent, rates and taxes		2,734,233	1,904,341
Technology & related expenses		2,183,563	1,559,617
Repair & Maintenance		4,328,754	4,682,135
Depreciation on property and equipment		5,540,920	3,335,387
Amortization on intangible assets		95,047	254,850
Depreciation on right of use asset		5,956,790	5,956,790
Others		1,561,690	986,702
		25,791,974	21,067,623

30 ADMINISTRATIVE COST

Directors meeting expenses	30.1	3,616,774	2,023,007
Legal & professional charges		1,687,992	5,769,900
Entertainment and related expenses		3,836,297	2,916,664
Travelling, food and accommodation		2,429,052	1,986,534
Auditor's remuneration		750,000	498,750
Tax advisory, consultancy & fees		722,501	610,999
Communication and related expenses		907,211	928,137
Promotional expenses		1,288,569	1,140,739
Others		830,839	1,280,613
		16,069,234	17,155,343

30.1 This relates to the meeting fee paid to Directors of the Company for attending the meetings held during the year.

31 OTHER INCOME

Income from financial assets:

Mark-up based income from conventional banks:

Mark-up on savings accounts
Unwinding of Government grant
Mark-up on loan given to associate
Profit on short term investment

2022 Rupees	2021 Rupees
5,062,111	310,923
783,263	1,347,798
1,908,452	2,603,861
2,034,455	-
9,788,282	4,262,582

Income from non-financial assets:

Gain on disposal of fixed assets
Reimbursement from clients
Miscellaneous income
Shared services with PACRA Analytics (Private) Limited

2,219,268	18,227,633
4,730,010	2,989,128
119,954	203,020
2,749,179	-
9,818,411	21,419,781
19,606,692	25,682,363

32 FINANCE COST

Mark-up on long term borrowings
Mark-up on short term borrowings
Finance cost on lease liability
Bank charges

1,344,549	2,314,497
-	1,270,462
1,674,916	2,205,688
73,182	137,672
3,092,647	5,928,319

33 TAXATION

Current tax
Current year
Prior year

36,865,911	27,058,410
-	-
36,865,911	27,058,410

Deferred tax

(126,687)	7,541,102
36,739,224	34,599,512

33.1 Reconciliation between accounting profit and taxation

Profit before taxation

127,219,722	107,774,520
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Tax at applicable rate of 29% (2021: 29%)

36,893,719	31,254,611
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Tax effect of deductions

(27,809)	(4,196,201)
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Deferred taxation impact

(126,687)	7,541,102
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36,739,224	34,599,512
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34 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after tax

90,480,498	73,175,008
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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

12.14	9.82
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34.1 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.

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

35 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:

	Chief Executive		Non - Executive directors		Executives	
	2022	2021	2022	2021	2022	2021
----- Rupees -----						
Managerial remuneration	22,956,861	21,514,278	-	-	75,141,450	43,347,685
Contribution to provident fund	1,043,139	977,922	-	-	2,578,032	1,966,359
Bonus	8,000,000	5,347,812	-	-	11,207,994	7,950,426
Meeting fee	-	-	3,616,774	2,023,007	-	-
Reimbursable expenses	208,130	250,403	-	-	515,689	383,623
Total	32,208,130	28,090,415	3,616,774	2,023,007	89,443,165	53,648,093
Numbers	1	1	6	7	45	25

36 Transactions and balances with related parties

Balances and transactions with related parties are as follows:

	2022 Rupees	2021 Rupees
<u>100 % owned Subsidiary company</u>		
PACRA Analytics (Private) Limited		
On account of:		
Expense paid on behalf of subsidiary company	2,749,179	3,528,952
Year end balances - unsecured		
Payable to related party - unsecured	(7,503,032)	16,362,440

<u>Associated company (20% owned)</u>	<u>2022</u> Rupees	<u>2021</u> Rupees
Aequitas Information Services Limited		
On account of:		
Investment in associate during the year	-	30,000,000
On account of:		
Amount given on account of loan	30,000,000	-
Expense paid on behalf of related party	1,266,500	1,133,492
Expenses paid by related party on behalf of Company	1,595,237	639,276
Mark-up on loan charged to related party	1,908,452	2,603,861
Markup paid by related party	794,762	2,254,681
Receivable from related party - unsecured	(794,953)	(250,160)
<u>Post employment benefit plans / Other related parties</u>		
On account of:		
Contributions to Provident Fund Trust	4,254,802	4,151,818
Year end payable balance		
Provident fund	793,336	700,948
<u>Directors</u>		
Muhammad Adnan Afaq (10% equity held)		
On account of:		
Dividend paid	8,198,190	15,278,445
Meeting fee	40,000	200,000
Mr. Shahzad Saleem, CEO	<u>2022</u> Rupees	<u>2021</u> Rupees
On account of:		
Remuneration	22,956,861	27,823,024
Year end payable balance		
Salary payable	-	1,875,000

Mumtaz Hussain Syed (27% equity held)**On account of:**

Dividend paid	22,135,080	41,251,740
Meeting fee	460,000	-

Sardar Ali Watto (13.5% equity held)**On account of:**

Dividend paid	11,067,551	20,625,891
Meeting Fee	615,000	-

Usman Haider (13.5% Equity held)**On account of:**

Dividend paid	11,067,540	20,625,870
Meeting Fee	-	-

Other Directors (0.00930% equity held)**On account of:**

Dividend paid	77	24
Meeting fee	2,270,000	1,120,000

Share holders holding more than 20% equity:**Lahore Stock Exchange (36% Equity held)****On account of:**

Dividend paid	29,513,462	55,002,361
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Key Management Personnel (other than directors)**Mr. Shahzad Saleem, CEO****On account of:**

Remuneration	22,956,861	21,514,278
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37 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:

37.1 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	
		2022 (Rupees)	2021 (Rupees)
Trade debts - unsecured	20	79,013,345	93,384,651
Advances, prepayments and other receivables	24	17,749,238	8,140,080
Advance income tax - net		33,904,599	27,871,591
Cash and bank balances	26	34,113,567	90,601,394
		<u>164,780,749</u>	<u>219,997,716</u>

37.1.1 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 2022						
Expected credit loss rate	0.9%	30.2%	-	-	-	-
Estimated total gross carrying amount at default	64,982,747	20,950,714	-	-	-	85,933,461
Expected credit loss	594,079	6,326,038	-	-	-	6,920,116
	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%	7.0%	19.3%	26.6%	74.2%	-
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

37.1.2 Bank balances	Rating		Rating Agency	2022	2021
	Short Term	Long Term		(Rupees)	(Rupees)
Bank AL Habib	A-1+	AA+	PACRA	34,113,567	90,601,394
				<u>34,113,567</u>	<u>90,601,394</u>

37.2 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 2022	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	-	95,825,187	-	-	-	95,825,187
Current portion of long term finance	9,282,670	-	-	-	-	9,282,670
Current portion of lease liabilities	-	-	6,462,098	7,818,341	-	14,280,439
Accrued mark-up	866,414	-	-	-	-	866,414
Trade and other payables	83,060,867	-	-	-	-	83,060,867
	<u>93,209,951</u>	<u>95,825,187</u>	<u>6,462,098</u>	<u>7,818,341</u>	<u>-</u>	<u>203,315,577</u>
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>

37.3 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 2022	2021
	(Rupees)	(Rupees)
+100	<u>3,411,357</u>	<u>9,060,139</u>
-100	<u>(3,411,357)</u>	<u>(9,060,139)</u>

37.4 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.

2022			
Long term finances	Lease liabilities	Dividend payable	Total
----- Rupees -----			
30,960,039	(6,716,712)	-	24,243,327
(19,562,236)	-	-	(19,562,236)
-	(6,956,325)	-	(6,956,325)
-	-	81,981,900	81,981,900
-	-	(81,981,900)	(81,981,900)
11,397,803	(13,673,037)	-	(2,275,234)
2021			
Long term finances	Lease liabilities	Dividend payable	Total
----- Rupees -----			
12,705,843	-	-	12,705,843
18,254,196	-	-	18,254,196
-	(6,716,712)	-	(6,716,712)
-	-	152,784,450	152,784,450
-	-	(152,784,450)	(152,784,450)
30,960,039	(6,716,712)	-	24,243,327

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

The Company's objectives when managing capital are:

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

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

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

40. PROVIDENT FUND RELATED DISCLOSURE

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

	Un-audited 2022 Rupees	Audited 2021 Rupees
Size of the fund - Total assets	41,009,162	35,118,058
Cost of investments made	39,928,265	34,347,358
Percentage of investments made	97.36%	97.81%
Fair value of investments	41,784,511	34,347,358

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

	2022		2021	
	Rupees	%	Rupees	%
Government Securities	32,000,000	77%	-	-
Deposit and saving accounts	9,784,511	23%	14,347,358	42%
Term deposit receipts	-	-	20,000,000	58%
	<u>41,784,511</u>	<u>100%</u>	<u>34,347,358</u>	<u>100%</u>

40.2 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.**41. NUMBER OF EMPLOYEES**

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

	2022 ----(No. of employees)----	2021
Average number of employees during the year	75	74
Number of employees as at 30 June	80	80

42. CHANGE IN PRESENTATION

As per IAS 1 'Presentation of Financial Statements' the Company has the option to present its statement of comprehensive income either as 'nature of expense method' or 'cost of sale method'. During the year, the Company has changed the presentation of statement of comprehensive income to 'nature of expense method' and aggregated expenses within profit or loss according to their nature.

Accordingly, due to change in presentation, corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison. The following material reclassifications were made:

Reclassification from	Reclassification to	2022 Rupees
Direct cost	Remuneration cost Infrastructure cost	90,087,322 8,767,365
Administrative cost	Remuneration cost Infrastructure cost	50,866,237 12,300,258

Since, these reclassification adjustments do not have a material effect on the information at the beginning of the preceding period, therefore third statement of financial position as at the beginning period has not been presented.

43. DATE OF AUTHORIZATION

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



Chief Executive



Director