

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 2023

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 2023**, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of 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 2023** 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of 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 Muhammad Ahsan Shahzad.

A handwritten signature in blue ink, which appears to read 'Ford Rhodes', is located below the text.

EY Ford Rhodes
Chartered Accountants
Lahore
Date: 09 October 2023
UDIN: AR202310079Hnf5Cr804

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023	2022
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
12,500,000 (30 June 2022: 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		129,456,345	93,288,208
		203,985,345	167,817,208
NON CURRENT LIABILITIES			
Long-term finance - secured	8	-	-
Deferred Government grants	9	-	-
Lease liabilities	10	8,156,743	7,818,341
		8,156,743	7,818,341
CURRENT LIABILITIES			
Current portion of long-term finance - secured	8	-	9,282,670
Current-portion of deferred Government grants	9	-	102,793
Current-portion of lease liabilities	10	5,924,140	6,462,098
Short-term borrowings -secured	11	-	-
Accrued markup		30,034	866,414
Contract liability	12	106,356,581	95,825,187
Provision for taxation		48,610,658	36,865,909
Trade and other payables	13	98,786,023	83,060,867
		259,707,436	232,465,938
TOTAL EQUITY AND LIABILITIES		471,849,524	408,101,487
CONTINGENCIES AND COMMITMENTS			
ASSETS			
NON CURRENT ASSETS			
Property and equipment	15	25,037,024	14,985,098
Intangible assets	16	3,799,443	133,132
Right-of-use asset	17	10,607,079	11,913,580
Long term investments	18	100,100,000	100,100,000
Long term deposits		1,335,300	1,335,300
Deferred taxation	19	6,414,381	3,213,180
		147,293,227	131,680,290
CURRENT ASSETS			
Trade debts - unsecured	20	82,862,687	79,013,345
Contract assets	21	-	-
Receivable from related parties	22	28,537,640	21,676,828
Loan to an associate - unsecured	23	30,000,000	30,000,000
Advances, prepayments & other receivables	24	17,494,839	16,985,466
Advance income tax		39,847,512	33,904,599
Short term investment	25	44,202,019	60,727,392
Cash and bank balances	26	81,611,600	34,113,567
		324,556,297	276,421,197
TOTAL ASSETS		471,849,524	408,101,487

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

Muhammad Maudood

Chief Executive

M. A. Khan

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Rupees	2022 Rupees
Revenue from contracts with customers -net	27	402,617,153	316,632,521
Remuneration cost	28	(189,865,934)	(159,351,032)
Infrastructure cost	29	(28,457,318)	(25,791,974)
Administrative cost	30	(24,973,447)	(16,069,234)
		(243,296,699)	(201,212,240)
Operating profit		159,320,454	115,420,281
Provision for expected credit losses on trade debts	20.1	(2,469,452)	(4,714,604)
Other income	31	17,926,885	19,606,692
Finance cost	32	(3,765,492)	(3,092,647)
Profit before taxation		171,012,395	127,219,721
Taxation	33	(45,409,458)	(36,739,224)
Profit after taxation		125,602,937	90,480,498
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		125,602,937	90,480,498
Earnings per share - basic and diluted		16.85	12.14

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



Chief Executive



Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

Issued, subscribed and paid-up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profits	Total
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-----Rupees-----

Balance as on 01 July 2021 74,529,000 - 84,789,610 159,318,610

Total comprehensive income for the period

Profit after taxation	-	-	90,480,498	90,480,498
Other comprehensive income	-	-	-	-
	-	-	90,480,498	90,480,498

Transaction with owners

Final dividend for the year ending 30 June 2021 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

Total comprehensive income for the year

Profit after taxation	-	-	125,602,937	125,602,937
Addition in surplus on revaluation of fixed assets	-	-	-	-
	-	-	125,602,937	125,602,937

Transaction with owners

Final dividend for the year ending 30 June 2022 at the rate of Rs 6 per share	-	-	(44,717,400)	(44,717,400)
Interim dividend for the year ending 30 June 2023 at the rate of Rs 6 per share	-	-	(44,717,400)	(44,717,400)
	-	-	(89,434,800)	(89,434,800)
Balance as on 30 June 2023	74,529,000	-	129,456,345	203,985,345

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

Moman Khaidi

Chief Executive

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Director

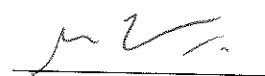
THE PAKISTAN CREDIT RATING AGENCY LIMITED
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Rupees	2022 Rupees
Profit before taxation		171,012,395	127,219,722
Adjustments for:			
Depreciation on property and equipment & amortization		6,928,373	5,635,967
Depreciation on right of use asset	17	5,303,540	5,956,790
Finance cost	32	3,765,492	3,092,647
Mark-up on saving accounts	31	(2,009,624)	(5,062,111)
Mark-up on loan given to associate	31	(6,270,061)	(1,908,452)
Profit on short term investment	31	(8,818,490)	(2,034,455)
Miscellaneous Income		(128,587)	(119,954)
Shared services with PACRA Analytics (Pvt) Limited		-	(2,749,179)
Loss/(gain) on disposal of fixed assets		283,342	(2,219,268)
Unwinding of Government grant	31	(102,793)	(783,263)
Provision for expected credit losses on trade debts	20.1	2,469,452	4,714,604
		172,433,039	131,743,048
Working capital changes			
(Increase) / decrease in current assets			
- Trade debts		(6,094,494)	11,519,478
- Advances, Prepayments & others		(6,608,029)	(25,441,955)
- Contract Asset		-	2,988,905
		(12,702,523)	(10,933,572)
Increase / (decrease) in current liabilities			
- Trade and other payables		15,725,156	15,182,858
- Contract liability		10,531,394	38,140,213
		26,256,550	53,323,071
Cash generated from operations		185,987,066	174,132,547
Finance cost paid		(541,370)	(258,395)
Income tax paid		(42,863,816)	(33,443,887)
Net cash generated from operating activities	(A)	142,581,880	140,430,265
Cash flow from investing activities			
Purchase of property and equipment	15	(16,623,959)	(8,953,439)
Proceeds from disposal of property and equipment		148,496	2,902,000
Purchase of Intangible assets		(4,491,006)	-
Loan to associates		-	(30,000,000)
Short term investment made		16,654,840	(60,727,392)
Interest received		16,206,552	8,361,200
Net cash (used in) / generated from investing activities	(B)	11,894,923	(88,417,631)
Cash flow from financing activities			
Long term finance paid		(10,065,933)	(19,562,236)
Lease rentals paid		(7,478,037)	(6,956,325)
Dividend paid		(89,434,800)	(81,981,900)
Net cash used in financing activities	(C)	(106,978,770)	(108,500,461)
Net (decrease) / Increase in cash and cash equivalent	(A+B+C)	47,498,033	(56,487,827)
Cash and cash equivalents at beginning of the year		34,113,567	90,601,394
Cash and cash equivalents at end of the year		81,611,600	34,113,567

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



Chief Executive



Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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		
Tasdeeq 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 Tasdeeq 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 On 26 March 2021, the Company entered into an agreement titled 'Agreement for Acquiring Shareholding' with Lanka Rating Agency Limited (LRA) - Sri Lanka, wherein, LRA agreed to issue 26,818,772 shares (being 15% of its planned issued shares) to the Company, without any consideration, within 30 days of issuance of registration certificate to LRA, by local regulator. LRA has, however, issued these shares in two tranches, in FY 2021 and FY 2023, respectively. The Company has the option of selling these shares back to LRA (for Sri Lankan Rupees 2/share) after 5 years. At the same time, the Company and LRA also entered into an 'Agreement for Technical Affiliation' for provision of services by the Company; for a period of five (5) years, as discussed below, against annual cash consideration. LRA has offered these shares on the requirements of its local regulator.

At the inception of the above-mentioned agreements, in accordance with the requirements of relevant accounting standards, the Company determined that considering the financial condition of LRA, along with local economic environment, restrictions attached to shares to be held by the Company and non-performance risk resulting from restrictions on foreign remittances, a reasonable estimate of fair value of these shares (including the embedded derivative) is not expected to be significant to the financial statements. Accordingly, the Company had determined that transaction price for provision of technical services effectively only consisted of cash considerations. The Company continues to reassess the fair value of these shares (including the embedded derivative) at each reporting date. Owing to the current financial and economic conditions in Sri Lanka coupled with the recent sovereign default, the Company has determined, as of reporting date, that a reasonable estimate of fair value of these shares (including the embedded derivative) is not expected to be significant to the financial statements as a result of multiple uncertainties and uninsurable risks which a market participant will take into account while estimating non-performance risk relating to the LRA. The Company will continue to reassess the situation in Sri Lanka and reassess the estimate on future reporting dates in line with requirements of IFRS 9.

Under the Agreement for Technical Affiliation, in addition to services provided for initial setup of LRA's rating business, the Company is performing agreed upon but unspecified quantity of services relating to training, rating audit and review. In accordance with IFRS 15 'Revenue from contract with customers' the Company has determined that these ongoing activities consist of distinct but substantively same services and thus can be classified as a single performance obligation. Further, in accordance with practical expedient available under para B16 of IFRS 15, the Company was entitled to invoice and recognize revenue amounting to US\$ 212,500. As discussed above, at inception, the Company has assessed that inflow of economic resources from LRA were not probable. Accordingly, the Company had recognized revenue on receipt basis. As of reporting date, owing to successful receipt of remittances from LRA and its commitment to settle the remaining balance as soon as possible, the Company has determined that it is probable that it will fully recover the remaining due consideration, amounting to US\$ 117,500. Accordingly, the Company has recognized the related trade debt (refer to note 20).

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 new and amended standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and Interpretations, if applicable, when they become effective.

Standard

IAS 1	<p>Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.</p> <p>In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:</p> <ul style="list-style-type: none"> • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. • Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. <p>The amendments are effective for annual reporting periods beginning on or after January 01, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's financial statements.</p>
IAS 1 and IFRS Practice Statement 2	<p>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:</p> <ul style="list-style-type: none"> - 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. <p>The amendments to IAS 1 are applicable for annual periods beginning on or after January 01, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.</p>
IAS 8	<p>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.</p> <p>The amendments are effective for annual reporting periods beginning on or after January 01, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.</p>
IAS 12	<p>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 exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.</p> <p>The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Company's financial statements.</p>
IFRS 10 & IAS 28	<p>Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (Amendment). The effective date of Amendments to IFRS 10 and IAS 28 has been deferred indefinitely (until the research project of IASB, on the equity method, has been concluded. Earlier application of the September 2014 amendments continues to be permitted. The Company expects that the adoption of the amendments will have no material effect on the Company's financial statements.</p>

- IFRS 16 Leases - Lease Liability in a Sale and Leaseback - Amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after January 01, 2024. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

In addition to the above, the 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	(Annual periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	01 January 2004
IFRS 17 Insurance Contracts	01 January 2023

The above amendments and interpretations are not expected to have any significant impact on financial statements of the Company.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for annual periods beginning on or after July 01, 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

- IFRS 03 Business Combinations – The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).
- These amendments had no impact on the separate financial statements of the Company.
- IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PPE made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no impact on the financial statements of the Company, as prior to the application of the amendments, the Company had not identified any contracts as being onerous and the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised of incremental costs directly related to the contracts and an allocation of costs directly related to contract activities.

The adoption of the above amendments to accounting standards did not have any material effect on the financial statement.

In addition to the above amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements were generally effective for accounting periods beginning on or after July 01, 2022:

IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IFRS 16 Leases: Lease incentives - The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16 and had no impact on the financial statements of the Company.

IAS 41 Agriculture: Taxation in fair value measurements - The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

4 BASIS OF PREPARATION

4.1 Basis of measurement

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

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.

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.

7/12

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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.10 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.

6.11 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.

6.12 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.

6.13 Financial Instruments - Initial recognition and subsequent measurement

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

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 derecognition

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

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

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

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

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

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

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

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

Financial assets - Derecognition

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

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

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

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

Financial assets - Impairment

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

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

The Company considers a financial asset in default when contractual payments are 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 the contractual cash flows.

For trade debts, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in the statement of profit or loss. The impact of ECL on trade debts is disclosed in note 16.

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

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% (2022: 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

	2023	2022	2023	2022
	(Number of shares)		Rupees	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 (2022: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Company.

7.2 Directors hold 4,024,568 (2022: 3,763,718) ordinary shares comprising 54% of total paid up share capital of the Company.

8	LONG-TERM FINANCE - SECURED	Note	2023	2022
			Rupees	Rupees
	Bank AL Habib Limited	8.1	-	-
	Balance as at 01 July		10,065,933	29,628,170
	Receipts during the year		-	-
	Repayments during the year		(10,065,933)	(20,345,500)
	Accrued markup		-	783,263
			-	10,065,933
	Accrued markup shown as current liability		-	(783,263)
	Less: Current portion of long-term finance		-	(9,282,670)
	Balance as at 30 June		-	-

8.1 The Company 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 over all current and future current assets of the Company for Rs. 85 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:

	Note	2023	2022
		Rupees	Rupees
Balance as at 01 July		102,793	886,056
Amount recognized as deferred grant during the year		(102,793)	-
Amount recognized as income during the year		-	(783,263)
		-	102,793
Less: Current portion of deferred government grant		-	(102,793)
Balance as at 30 June		-	-

10 LEASE LIABILITY

The effective interest rate used as the discounting factor (i.e. Incremental borrowing rate) is 22.96%. The amount of future payments and the period during which they will become due are:

	2023	2022
	Rupees	Rupees
Period ending 30 June		
2022	-	-
2023	-	7,478,049
2024	8,038,884	8,038,903
2025	8,641,797	-
	16,680,681	15,516,952
Less: future finance charges	(2,599,798)	(1,236,513)
	14,080,883	14,280,439
Less: current maturity shown under current liabilities	(5,924,140)	(6,462,098)
	<u>8,156,743</u>	<u>7,818,341</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	8,038,884	6,426,869
Due later than 1 year but not later than 5 years	8,641,797	5,769,350
	<u>16,680,681</u>	<u>12,196,219</u>

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

	Note	2023 Rupees	2022 Rupees
Balances as at 01 July		14,280,439	19,561,848
Impact of reassessment of lease		3,997,039	-
Markup on lease liabilities		<u>3,281,442</u>	<u>1,674,916</u>
		21,558,920	21,236,764
Less: Lease rentals paid		<u>(7,478,037)</u>	<u>(6,956,325)</u>
Balance as at 30 June		<u>14,080,883</u>	<u>14,280,439</u>

SHORT TERM BORROWINGS - SECURED

This represents utilized balance of running finance facility obtained from Bank AL Habib Limited against limit of Rs.30 million (2022: Rs 30 million). This facility carries markup at the rate of 3 month KIBOR plus 150 basis points per annum (2022: 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	2023 Rupees	2022 Rupees
12 CONTRACT LIABILITY			
Advance from customers	12.1	30,984,020	27,369,776
Deferred revenue	12.2	<u>75,372,561</u>	<u>68,455,411</u>
		<u>106,356,581</u>	<u>95,825,187</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. 60.75 million (2022: Rs. 57.68 million).

	Note	2023 Rupees	2022 Rupees
TRADE AND OTHER PAYABLES			
Remuneration and related cost payable		43,790,072	41,101,851
Infrastructure and related cost payables		490,568	660,800
Administrative and related cost payable		6,237,016	2,989,058
Due to related parties	13.1	28,706,685	25,185,404
Sales tax payable		<u>19,561,682</u>	<u>13,123,755</u>
		<u>98,786,023</u>	<u>83,060,867</u>

13.1 Payable to related parties include:

PACRA Analytics (Private) Limited (a subsidiary)	13.1.1	27,681,277	24,866,667
Tasdeeq Information Services Limited (an associate)	13.1.2	<u>1,025,408</u>	<u>318,737</u>
		<u>28,706,685</u>	<u>25,185,404</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 payable balance to Tasdeeq 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 (2022: Rs. 0.05 million).

14.2 Contingencies

- 14.2.1 The Commissioner Inland Revenue (the "CIR") issued order dated 02-Sep-2021 under section 161(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2014 and 2017 to remand back notice for reassessment. 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 DCIR issued a notice under section 4-C for the year 2022 for recovery of super tax on July, 11 2023 . Reply has been submitted and the case is pending with tax officials.
- 14.2.7 Appeal against an order has been filed with CIR (Appeals) to rectify mistake for the year 2017 under section 221 (1) . Demand of Rs 2.2 m has been raised against the same.
- 14.2.8 The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated February 19, 2022 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 March 30, 2022 which is still under process. The management expects a favourable outcome in this regard.
- 14.2.9 The Assistant Commissioner Sindh 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.

15 PROPERTY AND EQUIPMENT

	COST		
	As at 01 July 2022	Additions during the year	Dis posed
Owned			
Furniture and fixtures	17,162,120	9,550,130	4
Office equipment and computers	17,574,984	7,073,829	7
Vehicles	4,292,209	-	
	<u>39,029,313</u>	<u>16,623,959</u>	<u>12</u>

	COST		
	As at 01 July 2021	Additions during the year	Dis posed
Owned			
Furniture and fixtures	14,309,631	2,852,489	
Office equipment and computers	16,358,579	1,951,150	
Vehicles	2,399,409	4,149,800	2,2
	<u>33,067,619</u>	<u>8,953,439</u>	<u>2,5</u>

15.1 Depreciation charge is allocated as follows:

Infrastructure cost

7/18

16 INTANGIBLE ASSETS

	COST	
	As at 01 July 2022	Additions during the year
	----- Rupees	

Windows and MS office software	343,000	-
Rating software - License		4,491,006
Accounting software	1,031,074	-
	<u>1,374,074</u>	<u>4,491,006</u>

	COST	
	As at 01 July 2021	Additions during the year
	----- Rupees	
Windows and MS office software	343,000	-
Accounting software	<u>1,031,074</u>	<u>-</u>
	<u>1,374,074</u>	<u>-</u>

16.1 Amortization charge has been allocated as follows:

Infrastructure cost

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17	RIGHT-OF-USE ASSET	2023 Rupees	2022 Rupees
	Balances as at 01 July	11,913,580	17,870,370
	Impact of reassessment of lease	3,997,039	-
	Less: depreciation	(5,303,540)	(5,956,790)
	Balance as at 30 June	<u>10,607,079</u>	<u>11,913,580</u>

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

18	LONG TERM INVESTMENTS	Note	2023 Rupees	2022 Rupees
	Investment in subsidiary	18.1	100,000	100,000
	Investment in associate	18.2	<u>100,000,000</u>	<u>100,000,000</u>
			<u>100,100,000</u>	<u>100,100,000</u>

18.1 This represents investment in PACRA Analytics (Private) Limited, a wholly owned subsidiary of the Company incorporated in Pakistan. The Company owns 10,000 (2022: 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 Tasdeeq Information Services Limited and accordingly classified as investment in associate. At the year end the Company owns 10,000,000 (2022: 10,000,000) fully paid shares at the rate of Rs. 10 each. The registered office of Aequltas 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

	2023			
	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	425,257	1,246,632	-	1,671,889
Provision for expected credit losses	2,006,834	716,141	-	2,722,975
Payable to provident fund	94,700	(94,700)	-	-
Lease liabilities - net	686,389	321,014	-	1,007,403
Workers welfare fund	-	1,012,114	-	1,012,114
	<u>3,213,180</u>	<u>3,201,201</u>	<u>-</u>	<u>6,414,381</u>

	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
	<u>3,086,493</u>	<u>126,687</u>	<u>-</u>	<u>3,213,180</u>

THE PAKISTAN CREDIT RATING AGENCY LIMITED

	Note	2023 Rupees	2022 Rupees
20	TRADE DEBTS - UNSECURED		
Trade debts		58,648,371	85,933,461
Receivable from LRA	1.3	33,603,884	-
Less: Provision for expected credit loss	20.1	(9,389,568)	(6,920,116)
		<u>82,862,687</u>	<u>79,013,345</u>

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

Balance as at 1 July	6,920,116	4,959,999
Charge for the year	2,469,452	4,714,604
Trade debts written-off	-	(2,754,487)
	<u>2,469,452</u>	<u>1,960,117</u>
Balance as at 30 June	<u>9,389,568</u>	<u>6,920,116</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.

	Note	2023 Rupees	2022 Rupees
22	RECEIVABLE FROM RELATED PARTIES		
PACRA Analytics (Private) Limited	22.1	12,862,256	7,503,032
Tasdeeq Information Services Limited-Share deposit money		12,733,007	12,733,007
Tasdeeq Information Services Limited-Accrued Markup		1,875,846	1,113,690
TenX (Private) Limited - Reimbursement		1,066,531	327,099
	22.2	<u>28,537,640</u>	<u>21,676,828</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:

	2023 Rupees	2022 Rupees
Tasdeeq Information Services Limited	1,875,846	2,380,190
TenX (Private) Limited	1,030,839	629,024
PACRA Analytics (Private) Limited	8,960,656	4,770,485

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

	Note	2023 Rupees	2022 Rupees
0 to 6 months		15,804,633	8,943,821
6 to 12 months		-	12,733,007
Above 12 months		<u>12,733,007</u>	-
		<u>28,537,640</u>	<u>21,676,828</u>

23 LOAN TO AN ASSOCIATE - UNSECURED

Tasdeeq Information Services Limited	23.1	30,000,000	30,000,000
Add : Related accrued mark-up		1,875,846	1,113,690
		<u>31,875,846</u>	<u>31,113,690</u>
Less: Accrued mark-up		(1,875,846)	(1,113,690)
		<u>30,000,000</u>	<u>30,000,000</u>
Balance as at 01 July		30,000,000	-
Payments during the year		-	30,000,000
Shares issued		-	-
Balance as at 30 June		<u>30,000,000</u>	<u>30,000,000</u>

- 23.1 This represents loan given to Tasdeeq Information Services Limited (TISL) for the purpose of bridging TISL's cash shortfall till injection of new equity. The loan is renewed on 18th January 2023. 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 Tasdeeq 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	2023 Rupees	2022 Rupees
24 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good			
- to employees		486,500	6,286,168
- to suppliers		805,000	481,257
		1,291,500	6,767,425
Sales tax receivable		13,652,708	7,767,390
Prepayments		2,550,631	2,450,651
		<u>17,494,839</u>	<u>16,985,466</u>

25 SHORT TERM INVESTMENTS

Investment In Government securities	25.1	<u>44,202,019</u>	<u>60,727,392</u>
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- 25.1 This relates to Investment in treasury bills by the Company. They carry yield ranging from 15.57% to 21.99% (2022: 10.2% to 12.4%) per annum. These Treasury bills have maturity period of 3 months. These Government securities have an aggregate face value of Rs. 45.5 million (2022: Rs. 62 million)

	Note	2023 Rupees	2022 Rupees
26 CASH AND BANK BALANCES			
Local currency - deposits and saving accounts	26.1	<u>81,611,600</u>	<u>34,113,567</u>

- 26.1 These carries mark up ranging from 13% to 19.5% (2022: 6.5% to 13%) per annum.

	Note	2023 Rupees	2022 Rupees
27 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET			

Income from rating business

- domestic	408,585,756	352,052,187
- foreign	1,710,685	1,610,740
	410,296,441	353,662,927

Income from non rating business

- domestic	-	3,891,681
- foreign	43,458,533	8,997,465
	43,458,533	12,889,146

Less: Provincial Sales tax

(51,137,821)	(49,919,552)
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27.1	<u>402,617,153</u>	<u>316,632,521</u>
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27.1 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	2023 Rupees	2022 Rupees
Type of rating services			
Entity rating		254,509,563	216,864,810
Instrument rating		78,678,439	63,650,155
Fund rating		25,970,618	23,228,409
		359,158,620	303,743,374
Type of Non rating services			
Consultancy services		43,458,533	12,889,146
		402,617,153	316,632,520
Timing of revenue recognition			
Revenue recognized at a point in time		322,093,722	264,079,913
Revenue recognized over - time		80,523,431	52,552,607
		402,617,153	316,632,520

28 REMUNERATION COST

Staff salaries & other benefits	28.1	179,207,763	151,259,864
Retired employees benefits		1,976,507	1,041,168
External rating committee member fee		7,491,664	6,850,000
Advisory / Consultancy fee		1,190,000	200,000
		189,865,934	159,351,032

28.1 Salaries and other benefits include Rs. 5.65 million (2022: Rs. 4.25 million) in respect of contribution to provident fund.

29 INFRASTRUCTURE COST

	Note	2023 Rupees	2022 Rupees
Rent, rates and taxes		3,184,806	2,734,233
Utilities		4,925,582	3,390,977
Technology & related expenses		3,759,694	2,183,563
Repair & Maintenance		1,974,762	4,328,754
Depreciation on property and equipment		6,103,678	5,540,920
Amortization on intangible assets		824,695	95,047
Depreciation on right of use asset		5,303,540	5,956,790
Loss on disposal of fixed assets		283,342	-
Others		2,097,219	1,561,690
		28,457,318	25,791,974

30 ADMINISTRATIVE COST

Directors meeting expenses	30.1	5,458,900	3,616,774
Legal & professional charges		1,769,885	1,687,992
Entertainment and related expenses		6,694,438	3,836,297
Travelling, food and accommodation		2,630,754	2,429,052
Auditor's remuneration		1,150,001	750,000
Tax advisory, consultancy & fees		963,489	722,501
Worker welfare fund		3,490,049	-
Communication and related expenses		1,375,856	907,211
Promotional expenses		119,428	1,288,569
Others		1,320,647	830,839
		24,973,447	16,069,234

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

	2023 Rupees	2022 Rupees
31 OTHER INCOME		
Income from financial assets:		
Mark-up based income from conventional banks:		
Mark-up on savings accounts	2,009,624	5,062,111
Unwinding of Government grant	102,793	783,263
Mark-up on loan given to associate	6,270,061	1,908,452
Profit on short term investment	8,818,490	2,034,455
	17,200,968	9,788,282
Income from non-financial assets:		
Gain on disposal of fixed assets	-	2,219,268
Reimbursement from clients	597,330	4,730,010
Miscellaneous income	128,587	119,954
Shared services with PACRA Analytics (Pvt) Limited	-	2,749,179
	725,917	9,818,410
	<u>17,926,885</u>	<u>19,606,692</u>
32 FINANCE COST		
Mark-up on long term borrowings	444,877	1,344,549
Finance cost on lease liability	3,277,239	1,674,916
Bank charges	43,376	73,182
	<u>3,765,492</u>	<u>3,092,647</u>
33 TAXATION		
Current tax		
Current year	48,610,659	36,865,911
Prior year	-	-
	48,610,659	36,865,911
Deferred tax	(3,201,201)	(126,687)
	<u>45,409,458</u>	<u>36,739,224</u>
33.1 Reconciliation between accounting profit and taxation		
Profit before taxation	<u>171,012,395</u>	<u>127,219,722</u>
Tax at applicable rate of 29% (2022: 29%)	49,593,595	36,893,719
Tax effect of deductions	(982,936)	(27,809)
Deferred taxation impact	(3,201,201)	(126,687)
	<u>45,409,458</u>	<u>36,739,224</u>
34 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after tax	<u>125,602,937</u>	<u>90,480,498</u>
Weighted average number of ordinary shares outstanding during the year	<u>7,452,900</u>	<u>7,452,900</u>
Earnings per share - basic and diluted	<u>16.85</u>	<u>12.14</u>
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, DIRECTOR

The aggregate amounts charged in these unconsolidated other Executives of the Company are as follows:

	Note	
Managerial remuneration		
Contribution to provident fund		
Bonus	35.1	
Meeting fee		
Reimbursable expenses		
Total		
Numbers		

35.1 Amount of bonus paid to Ex. CEO Mr. Shahzad Saleem.

36 Transactions and balances with related parties

Balances and transactions with related parties are as follows:

100 % owned Subsidiary company

PACRA Analytics (Private) Limited

On account of:

Expense paid on behalf of subsidiary company

Year end balances - unsecured

Payable to related party - unsecured Net

7/12

THE PAKISTAN CREDIT RATING AGENCY LIMITED

	2023 Rupees	2022 Rupees
<u>Associated company (20% owned)</u>		
Tasdeeq Information Services Limited		
Investment in associate during the year	-	-
Amount on account of loan during the year	-	30,000,000
Expense paid on behalf of related party during the year	1,393,788	1,266,500
Expenses paid by related party on behalf of Company during the year	2,100,459	1,595,237
Mark-up on loan charged to related party during the year	6,270,061	1,908,452
Markup paid by related party during the year	4,394,215	794,762
Payable to related party - unsecured	<u>(1,025,408)</u>	<u>(794,953)</u>
<u>Associated company (Common Directorship)</u>		
TenX (Private) Limited		
Expense paid on behalf of related party during the year	<u>1,395,573</u>	<u>1,266,500</u>
<u>Post employment benefit plans / Other related parties</u>		
On account of:		
Contributions to Provident Fund Trust	<u>5,654,917</u>	<u>4,254,802</u>
Year end payable balance		
Provident fund	<u>1,511,269</u>	<u>793,336</u>
<u>Directors</u>		
Muhammad Adnan Afaq (10% equity held)		
On account of:		
Dividend paid	8,198,190	8,198,190
Meeting fee	<u>-</u>	<u>40,000</u>
Mr. Shahzad Saleem, Ex. CEO		
On account of:		
Remuneration	14,000,000	22,956,861
Bonus	12,325,266	8,000,000
Year end payable balance		
Salary payable	<u>2,000,000</u>	<u>-</u>

Mr. Usman Haider, CEO

On account of:

Remuneration	10,000,000	-
Bonus	-	-
Year end payable balance		
Salary payable	-	-

Mumtaz Hussain Syed (27% equity held)

On account of:

Dividend paid	24,147,360	22,135,080
Meeting fee	700,000	460,000

Sardar Ali Watto (13.5% equity held)

On account of:

Dividend paid	12,073,680	11,067,551
Meeting Fee	900,000	615,000

Usman Haider (13.5% Equity held)

On account of:

Dividend paid	12,073,680	11,067,540
Meeting Fee	-	-

Other Directors (0.00930% equity held)

On account of:

Dividend paid	72	77
Meeting fee	2,975,000	2,270,000

Share holders holding more than 20% equity:

Lahore Stock Exchange (36% Equity held)

On account of:

Dividend paid	32,196,504	29,513,462
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Key Management Personnel (other than directors)

Mr. Shahzad Saleem, CEO

On account of:

Remuneration	14,000,000	22,956,861
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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	
		2023 (Rupees)	2022 (Rupees)
Trade debts - unsecured	20	82,862,687	79,013,345
Advances, prepayments and other receivables	24	17,494,839	16,985,466
Advance income tax - net		39,847,512	33,904,599
Cash and bank balances	26	81,611,600	34,113,567
		<u>221,816,638</u>	<u>164,016,977</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 22.

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 2023						
Expected credit loss rate	-	-	-	-	100%	100%
Estimated total gross carrying amount at default	73,688,033	11,680,287	4,414,483	-	2,469,452	92,252,255
Expected credit loss	-	-	-	-	2,469,452	2,469,452
	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	-	-	-	6,920,117

37.1.2 Bank balances	Rating		Rating Agency	2023	2022
	Short Term	Long Term		(Rupees)	(Rupees)
Bank AL Habib	A1+	AAA	PACRA	81,611,600	34,113,567
				<u>81,611,600</u>	<u>34,113,567</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 2023	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	-	106,356,581	-	-	-	106,356,581
Current portion of long term finance	-	-	-	-	-	-
Current portion of lease liabilities	-	-	5,924,140	8,156,743	-	14,080,883
Accrued mark-up	30,034	-	-	-	-	30,034
Trade and other payables	98,786,023	-	-	-	-	98,786,023
	<u>98,816,057</u>	<u>106,356,581</u>	<u>5,924,140</u>	<u>8,156,743</u>	<u>-</u>	<u>219,253,521</u>
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>

37.4 Interest Rate Risk

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

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

(Increase) / decrease in basis points	Effect on profit before tax	
	2023	2022
	(Rupees)	(Rupees)
+100	<u>8,161,160</u>	<u>3,411,357</u>
-100	<u>(8,161,160)</u>	<u>(3,411,357)</u>

37.5 Fair Value of Financial Instruments

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

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

	2023			Total
	Long term finances	Lease liabilities	Dividend payable	
	----- Rupees -----			
Balance as at 01 July	10,065,933	12,605,523	-	22,671,456
<u>Cashflows</u>				
Long term loans repaid net of repayment	(10,065,933)	-	-	(10,065,933)
Lease liabilities - net	-	(7,478,037)	-	(7,478,037)
Dividend declared	-	-	89,434,800	89,434,800
Dividend paid	-	-	(89,434,800)	(89,434,800)
Balance as at 30 June	-	5,127,486	-	5,127,486
	----- Rupees -----			
	2022			Total
	Long term finances	Lease liabilities	Dividend payable	
	----- Rupees -----			
Balance as at 01 July	29,628,170	19,561,848	-	49,190,018
<u>Cashflows</u>				
Long term loans obtained net of repayment	(19,562,237)	-	-	(19,562,237)
Lease liabilities - net	-	(6,956,325)	-	(6,956,325)
Dividend declared	-	-	81,981,900	81,981,900
Dividend paid	-	-	(81,981,900)	(81,981,900)
Balance as at 30 June	10,065,933	12,605,523	-	22,671,456

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 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 NUMBER OF EMPLOYEES

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

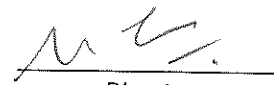
	2023	2022
----- (No. of employees) -----		
Average number of employees during the year	95	75
Number of employees as at 30 June	90	80

41 DATE OF AUTHORIZATION

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



 Chief Executive



 Director

INDEPENDENT AUDITORS' 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 2023

Opinion

We have audited the annexed consolidated financial statements of **The Pakistan Credit Rating Agency Limited and its subsidiary** (the Group), which comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the 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 Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Director's report, but does not include the 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 accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Ahsan Shahzad.



EY Ford Rhodes
Chartered Accountants
Lahore
Date: 09 October 2023
UDIN: AR202310079Q53otFXWI

THE PAKISTAN CREDIT RATING AGENCY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 Rupees	2022 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
12,500,000 (30 Jun 2022: 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		112,202,780	78,120,580
		186,731,780	152,649,580
NON CURRENT LIABILITIES			
Lease liabilities	10	8,156,743	7,818,341
		8,156,743	7,818,341
CURRENT LIABILITIES			
Current portion of long-term finance - secured	8	-	9,282,670
Current-portion of deferred Government grants	9	-	102,793
Current-portion of lease liabilities	10	5,924,140	6,462,098
Accrued markup		30,034	866,413
Contract liability	12	107,031,625	97,982,427
Provision for taxation		49,046,263	37,509,298
Trade and other payables	13	71,827,263	58,470,207
		233,859,325	210,675,906
TOTAL EQUITY AND LIABILITIES		428,747,848	371,143,827
CONTINGENCIES AND COMMITMENTS			
ASSETS			
NON CURRENT ASSETS			
Property and equipment	15	25,037,025	14,985,098
Intangible assets	16	3,799,443	133,132
Right-of-use asset	17	10,607,079	11,913,580
Long term investments	18	65,844,414	68,965,953
Long term deposits		1,335,300	1,335,300
Deferred taxation	19	6,414,381	3,213,180
		113,037,643	100,546,243
CURRENT ASSETS			
Trade debts - unsecured	20	83,752,686	79,726,744
Contract assets	21	-	-
Receivable from related parties	22	15,675,384	14,173,796
Loan to an associate - unsecured	23	30,000,000	30,000,000
Advances, prepayments & other receivables	24	17,556,964	17,243,713
Advance income tax		40,267,106	34,603,221
Short term investment	25	44,202,019	60,727,392
Cash and bank balances	26	84,256,046	34,122,718
		315,710,205	270,597,584
TOTAL ASSETS		428,747,848	371,143,827

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

Moman Haider

Chief Executive

JR

[Signature]

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Rupees	2022 Rupees
Revenue from contracts with customers -net	27	409,296,590	325,069,245
Remuneration cost	28	(193,154,648)	(160,811,345)
Infrastructure cost	29	(28,507,511)	(25,791,974)
Administrative cost	30	(26,945,818)	(17,749,485)
		(248,607,977)	(204,352,804)
Operating profit		160,688,613	120,716,441
Provision for expected credit losses on trade debts	20.1	(2,469,452)	(4,753,087)
Other income	31	18,017,669	16,890,271
Finance cost	32	(3,765,839)	(3,092,647)
Share of loss of associated company	18	(3,066,314)	(177,257)
Profit before taxation		169,404,677	129,583,721
Taxation	33	(45,832,452)	(37,374,534)
Profit after taxation		123,572,225	92,209,187
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	18	(55,225)	(141,641)
Items that will not be reclassified to profit and loss in the subsequent period		-	-
Total comprehensive income for the year		123,517,000	92,067,546
Earnings per share - basic and diluted		16.58	12.37

The annexed notes 1 to 41 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 2023

Issued, subscribed and paid-up share capital	Capital reserve Surplus on revaluation of freehold land	Revenue Reserve Accumulated profits	Total
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Total comprehensive income for the period

Profit after taxation	-	-	92,209,187	92,209,187
Other comprehensive income/(loss)	-	-	(141,641)	(141,641)
	-	-	92,067,546	92,067,546

Transaction with owners

Interim dividend for the year ended 30 June 2022 at the rate of Rs 5 per share	-	-	(37,264,500)	(37,264,500)
Interim dividend for the year ended 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	152,649,581

Total comprehensive income for the year

Profit after taxation	-	-	123,572,225	123,572,225
Other comprehensive income/(loss)	-	-	(55,225)	(55,225)
	-	-	123,517,000	123,517,000

Transaction with owners

Final dividend for the year ending 30 June 2022 at the rate of Rs 6 per share	-	-	(44,717,400)	(44,717,400)
Interim dividend for the year ending 30 June 2022 at the rate of Rs 6 per share	-	-	(44,717,400)	(44,717,400)
	-	-	(89,434,800)	(89,434,800)
Balance as on 30 June 2023	74,529,000	-	112,202,780	186,731,781

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

Homan Haider

Chief Executive

[Signature]

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Rupees	2022 Rupees
Profit before taxation		169,404,677	129,583,721
Adjustments for:			
Depreciation on property and equipment & amortization		6,928,373	5,635,967
Depreciation on right of use asset	17	5,303,540	5,956,790
Finance cost	32	3,765,839	3,092,647
Mark-up on saving accounts	31	(2,100,408)	(5,094,869)
Mark-up on loan given to associate	31	(6,270,061)	(1,908,452)
Profit on short term investment	31	(8,818,490)	(2,034,455)
Miscellaneous income		(128,587)	(119,954)
Loss/(gain) on disposal of fixed assets		283,342	(2,219,268)
Unwinding of Government grant	31	(102,793)	(783,263)
Provision for expected credit losses on trade debts	20.1	2,469,452	4,753,087
Share of loss of associated company		3,066,314	177,257
		173,801,198	137,039,209
Working capital changes			
(Increase) / decrease in current assets			
- Trade debts		(6,271,094)	13,657,904
- Advances, Prepayments & others		(9,209,885)	(24,515,529)
- Contract Asset		-	2,988,905
		(15,480,979)	(7,868,720)
Increase / (decrease) in current liabilities			
- Trade and other payables		21,514,253	6,092,260
- Contract liability		9,049,198	38,783,660
		30,563,451	44,875,920
Cash generated from operations		188,883,670	174,046,409
Finance cost paid		(541,718)	(258,398)
Income tax paid		(43,215,565)	(34,145,124)
Net cash generated from operating activities	(A)	145,126,387	139,642,887
Cash flow from investing activities			
Purchase of property and equipment	15	(16,623,959)	(8,953,439)
Proceeds from disposal of property and equipment		148,496	2,902,000
Purchase of intangible assets		(4,491,006)	-
Loan to associates		-	(30,000,000)
Short term investment made		16,654,840	(60,727,392)
Interest received		16,297,340	9,157,730
Net cash (used in) / generated from investing activities	(B)	11,985,711	(87,621,101)
Cash flow from financing activities			
Long term finance paid		(10,065,933)	(19,562,236)
Lease rentals paid		(7,478,037)	(6,956,325)
Dividend paid		(89,434,800)	(81,981,900)
Net cash used in financing activities	(C)	(106,978,770)	(108,500,461)
Net (decrease) / increase in cash and cash equivalent	(A+B+C)	50,133,328	(56,478,676)
Cash and cash equivalents at beginning of the year		34,122,718	90,601,394
Cash and cash equivalents at end of the year		84,256,046	34,122,718

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

Monwar Haidar

Chief Executive

M. T.

Director

THE PAKISTAN CREDIT RATING AGENCY LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023

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 Tasdeeq Information Services Limited ("TISL") (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
<u>Holding Company</u>		
The Pakistan Credit Rating Agency Limited		
<u>Subsidiary company</u>		
PACRA Analytics (Private) Limited	100%	100%
<u>Associated company</u>		
Tasdeeq 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.

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

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

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

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

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

- 1.2 On 26 March 2021, the Company entered into an agreement titled 'Agreement for Acquiring Shareholding' with Lanka Rating Agency Limited (LRA) - Sri Lanka, wherein, LRA agreed to issue 26,818,772 shares (being 15% of its planned issued shares) to the Company, without any consideration, within 30 days of issuance of registration certificate to LRA, by local regulator. LRA has, however, issued these shares in two trenches, in FY 2021 and FY 2023, respectively. The Company has the option of selling these shares back to LRA (for Sri Lankan Rupees 2/share) after 5 years. At the same time, the Company and LRA also entered into an 'Agreement for Technical Affiliation' for provision of services by the Company; for a period of five (5) years, as discussed below, against annual cash consideration. LRA has offered these shares on the requirements of its local regulator.

At the inception of the above-mentioned agreements, in accordance with the requirements of relevant accounting standards, the Company determined that considering the financial condition of LRA, along with local economic environment, restrictions attached to shares to be held by the Company and non-performance risk resulting from restrictions on foreign remittances, a reasonable estimate of fair value of these shares (including the embedded derivative) is not expected to be significant to the financial statements. Accordingly, the Company had determined that transaction price for provision of technical services effectively only consisted of cash considerations. The Company continue to reassess the fair value of these shares (including the embedded derivative) at each reporting date. Owing to the current financial and economic conditions in Sri Lanka coupled with the recent sovereign default, the Company has determined, as of reporting date, a reasonable estimate of fair value of these shares (including the embedded derivative) is not expected to be significant to the financial statements as a result of multiple uncertainties and uninsurable risks which a market participant will take into account while estimating non-performance risk relating to the LRA. The Company will continue to reassess the situation in Sri Lanka and reassess the estimate on future reporting dates in line with requirements of IFRS 9.

Signature

Under the Agreement for Technical Affiliation, in addition to services provided for initial setup of LRA's rating business, the Company is performing agreed upon but unspecified quantity of services relating to training, rating audit and review. In accordance with IFRS 15 'Revenue from contract with customers' the Company has determined that these ongoing activities consist of distinct but substantively same services and thus can be classified as a single performance obligation. Further, in accordance with practical expedient available under para B16 of IFRS 15, the Company was entitled to invoice and recognize revenue amounting to US\$ 212,500. As discussed above, at inception, the Company has assessed that inflow of economic resources from LRA were not probable. Accordingly, the Company had recognized revenue on receipt basis. As of reporting date, owing to successful receipt of remittances from LRA and its commitment to settle the remaining balance as soon as possible, the Company has determined that it is probable that it will fully recover the remaining due consideration, amounting to US\$ 117,500. Accordingly, the Company has recognized the related trade debt (refer to note 20).

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 new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard

IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 01, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's financial statements.

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.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 01, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.



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.

The amendments are effective for annual reporting periods beginning on or after January 01, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

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 exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the Company's financial statements.

IFRS 10 & IAS 28 Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (Amendment). The effective date of Amendments to IFRS 10 and IAS 28 has been deferred indefinitely (until the research project of IASB, on the equity method, has been concluded. Earlier application of the September 2014 amendments continues to be permitted. The Company expects that the adoption of the amendments will have no material effect on the Company's financial statements.

IFRS 16 Leases - Lease Liability in a Sale and Leaseback - Amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after January 01, 2024. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

In addition to the above, the 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	(Annual periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Repor	01 January 2004
IFRS 17 Insurance Contracts	01 January 2023

The above amendments and interpretations are not expected to have any significant impact on financial statements of the Company.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM AMENDMENTS IN STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for following amendments to accounting standards which are effective for annual periods beginning on or after July 01, 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

IFRS 03 Business Combinations - The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period In

These amendments had no impact on the separate financial statements of the Company.

IAS 16 Property, plant and equipment – Amendment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PPE made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. These amendments had no impact on the financial statements of the Company, as prior to the application of the amendments, the Company had not identified any contracts as being onerous and the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised of incremental costs directly related to the contracts and an allocation of costs directly related to contract activities.

The adoption of the above amendments to accounting standards did not have any material effect on the financial statement.

In addition to the above amendments to standards, improvements to various accounting standards (under the annual improvements 2018 - 2020 cycle) have also been issued by the IASB in May 2020. Such improvements were generally effective for accounting periods beginning on or after July 01, 2022:

IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IFRS 16 Leases: Lease incentives – The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16 and had no impact on the financial statements of the Company.

IAS 41 Agriculture: Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

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.

[Signature]

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 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 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 recognized 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.

6.6 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.

6.7 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.

7/12

6.8 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.

6.9 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.

6.10 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.

6.11 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.

6.12 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.

6.13 Financial instruments - initial recognition and subsequent measurement

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

6.14 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.

6.15 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.

6.16 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.

6.17 Contingent liabilities

A contingent liability is disclosed when:

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

6.18 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.

3/12

6.19 Government grant

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

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

6.20 Mark-up bearing borrowings

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

6.21 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 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.

Signature

7 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2023 (Number of shares)	2022 (Number of shares)	2023 Rupees	2022 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 (2022: 2,683,042) ordinary shares comprising 36% of the paid up share capital of the Holding Company.

7.2 Directors hold 4,024,568 (2022: 3,018,428) ordinary shares comprising 54% of total paid up share capital of the Holding Company.

8 LONG-TERM FINANCE - SECURED

	Note	2023 Rupees	2022 Rupees
Bank AL Habib Limited	8.1	-	-
Balance as at 01 July		10,065,933	29,628,170
Receipts during the year		-	-
Repayments during the year		(10,065,933)	(20,345,500)
Accrued markup		-	783,263
		-	10,065,933
Accrued markup shown as current liability		-	(783,263)
Less: Current portion of long-term finance		-	(9,282,670)
Balance as at 30 June		-	-

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 Government grant as described in Note 9.

9 DEFERRED GOVERNMENT GRANTS

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

Movement during the year is as follows:

	Note	2023 Rupees	2022 Rupees
Balance as at 01 July		102,793	886,056
Amount recognized as deferred grant during the year		(102,793)	-
Amount recognized as income during the year		-	(783,263)
		-	102,793
Less: Current portion of deferred government grant		-	(102,793)
Balance as at 30 June		-	-

10 LEASE LIABILITY

The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) is 22.96%. The amount of future payments and the period during which they will become due are:

	2023 Rupees	2022 Rupees
Period ending 30 June		
2022	-	-
2023	-	7,478,049
2024	8,038,884	8,038,903
2025	8,641,797	-
	16,680,681	15,516,952
Less: future finance charges	(2,599,798)	(1,236,513)
	14,080,883	14,280,439
Less: current maturity shown under current liabilities	(5,924,140)	(6,462,098)
	<u>8,156,743</u>	<u>7,818,341</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	8,038,903	6,426,869
Due later than 1 year but not later than 5 years	8,641,797	5,769,350
	<u>16,680,700</u>	<u>12,196,219</u>

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

	Note	2023 Rupees	2022 Rupees
Balances as at 01 July		14,280,439	19,561,848
Impact of reassessment of lease		3,997,039	-
Markup on lease liabilities		3,281,442	1,674,916
		<u>21,558,920</u>	<u>21,236,764</u>
Less: Lease rentals paid		(7,478,037)	(6,956,325)
Balance as at 30 June		<u>14,080,883</u>	<u>14,280,439</u>

11 SHORT TERM BORROWINGS - SECURED

This represents utilized balance of running finance facility obtained from Bank AL Habib Limited against limit of Rs.30 million (2022: Rs 30 million). This facility carries markup at the rate of 3 month KIBOR plus 150 basis points per annum (2022: 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	2023 Rupees	2022 Rupees
12 CONTRACT LIABILITY			
Advance from customers	12.1	30,984,020	29,527,016
Deferred revenue	12.2	76,047,605	68,455,411
		<u>107,031,625</u>	<u>97,982,427</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. 62.75 million (2022: Rs. 59.19 million).

	Note	2023 Rupees	2022 Rupees
13 TRADE AND OTHER PAYABLES			
Remuneration and related cost payable		43,790,072	41,101,851
Infrastructure and related cost payables		490,568	660,800
Administrative and related cost payable		6,537,016	3,137,421
Due to related parties	13.1	1,025,408	318,737
Sales tax payable		19,984,198	13,251,398
		<u>71,827,263</u>	<u>58,470,207</u>

13.1 Due to related parties include

Tasdeeq Information Services Limited (an associate)	13.1.2	<u>1,025,408</u>	<u>318,737</u>
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13.1.2 This represents net payable to Tasdeeq 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 (2022: Rs. 0.05 million).

14.2 Contingencies

14.2.1 The Commissioner Inland Revenue (the "CIR") issued order dated 02-Sep-2021 under section 161(1) of the Income Tax Ordinance, 2001 (the "Ordinance") for the tax year 2014 and 2017 to remand back notice for reassessment. 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 DCIR issued a notice under section 4-C for the year 2022 for recovery of super tax on July, 11 2023. Reply has been submitted and the case is pending with tax officials.

14.2.7 Appeal against an order has been filed with CIR (Appeals) to rectify mistake for the year 2017 under section 221 (1). Demand of Rs 2.2 m has been raised against the same.

14.2.8 The Deputy Commissioner Inland Revenue (the "DCIR") issued show cause notice dated February 19, 2022 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 March 30, 2022 which is still under process. The management expects a favourable outcome in this regard.

14.2.9 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.

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15 PROPERTY AND EQUIPMENT

2023										
COST				ACCUMULATED DEPRECIATION						
As at 01 July 2022	Additions during the year	Disposals	Cost 30 June 2023	As at 01 July 2022	For the year	Disposals	As at 30 June 2023	Book value as at 30 June 2023	Rate	
Rupees				Rupees						%
17,162,120	9,550,130	4,625,086	22,087,164	9,602,126	2,910,696	4,555,112	7,957,710	14,129,454	10 - 33.33	
17,574,984	7,073,829	7,532,829	17,115,984	13,208,411	2,652,970	7,136,597	8,724,784	8,391,200	10 - 25	
4,292,209	-	42,009	4,250,200	1,233,679	540,012	39,861	1,733,829	2,516,371	20	
39,029,313	16,623,959	12,199,924	43,453,348	24,044,216	6,103,678	11,731,570	18,416,323	25,037,025		
2022										
COST				ACCUMULATED DEPRECIATION						
As at 01 July 2021	Additions during the year	Disposals	Cost / Revalued amount 30 June 2022	As at 01 July 2021	For the year	Disposals	As at 30 June 2022	Book value as at 30 June 2022	Rate	
Rupees				Rupees						%
14,309,631	2,852,489	-	17,162,120	7,971,338	1,630,788	-	9,602,126	7,559,994	10 - 33.33	
16,358,579	1,951,150	734,745	17,574,984	11,276,061	2,564,846	632,496	13,208,411	4,366,573	10 - 25	
2,399,409	4,149,800	2,257,000	4,292,209	1,505,909	1,345,286	1,617,516	1,233,679	3,058,530	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	14,985,097		
							Note	2023	2022	
								Rupees	Rupees	
							29	6,103,678	5,540,920	

15 Depreciation charge is allocated as follows:

Infrastructure cost

Note	2023	2022
	Rupees	Rupees
29	6,103,678	5,540,920

16 INTANGIBLE ASSETS

	2023									
	COST				ACCUMULATED AMORTIZATION				Net book value as at 30 June 2023	Rate
	As at 01 July 2022	Additions during the year	Disposals during the year	As at 30 June 2023	As at 01 July 2022	For the year	Disposals	As at 30 June 2023		
	Rupees				Rupees				2023	%
Windows and MS office software	343,000	-	-	343,000	343,000	-	-	343,000	-	33.33
Rating Software	-	4,491,006	-	4,491,006	-	748,651	-	748,651	3,742,355	33.33
Accounting software	1,031,074	-	-	1,031,074	897,942	76,044	-	973,986	57,088	33.33
	<u>1,374,074</u>	<u>4,491,006</u>	<u>-</u>	<u>5,865,080</u>	<u>1,240,942</u>	<u>824,695</u>	<u>-</u>	<u>2,065,637</u>	<u>3,799,443</u>	

	2022									
	COST				ACCUMULATED AMORTIZATION				Net book value as at 30 June 2022	Rate
	As at 01 July 2021	Additions during the year	Disposals during the year	As at 30 June 2022	As at 01 July 2022	For the year	Disposals	As at 30 June 2023		
	Rupees				Rupees				2023	%
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
	<u>1,374,074</u>	<u>-</u>	<u>-</u>	<u>1,374,074</u>	<u>1,145,895</u>	<u>95,047</u>	<u>-</u>	<u>1,240,942</u>	<u>133,132</u>	

16.1 Amortization charge has been allocated as follows:

Infrastructure cost

Note	2023	2022
	Rupees	Rupees
29	<u>824,695</u>	<u>95,047</u>

THE PAKISTAN CREDIT RATING AGENCY LIMITED

17	RIGHT-OF-USE ASSET	2023 Rupees	2022 Rupees
	Balances as at 01 July	11,913,580	17,870,370
	Impact of reassessment of lease	3,997,039	-
	Less: depreciation	(5,303,540)	(5,956,790)
	Balance as at 30 June	<u>10,607,079</u>	<u>11,913,580</u>

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

18	<u>Cost of investment</u>	Note	2023 Rupees	2022 Rupees
	Tasdeeq Information Services Limited			
	10,000,000 (2022: 10,000,000) fully paid shares of Rs. 10 each	18.1	100,000,000	100,000,000
	<u>Share of loss</u>			
	As at 01 July		(31,034,047)	(30,715,148)
	Share of loss for the year		(3,066,314)	(177,257)
	Share of other comprehensive (loss) / income		(55,225)	(141,641)
	As at 30 June		(34,155,586)	(31,034,047)
	Net investment as at 30 June		<u>65,844,414</u>	<u>68,965,953</u>

18.1 The Holding Company owns 10 million (2022: 10 million) fully paid shares at the rate of Rs. 10 each resulting in total 20% equity investment in Tasdeeq Information Services Limited and accordingly has classified this interest as investment in associate. The registered office of Tasdeeq 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 Tasdeeq Information Services Limited, an associated company, on the basis of un-audited financial statements for the year ended 30 June 2023 are set out below:

	2023 Rupees	2022 Rupees
Non current assets	509,768,761	430,886,516
Current assets	73,963,620	94,073,161
Non current liabilities	(34,760,687)	(29,609,701)
Current liabilities	(223,725,791)	(150,520,210)
Net assets - 100%	325,245,903	344,829,766
Less: Share deposit money	-	-
	<u>325,245,903</u>	<u>344,829,766</u>
<u>Percentage ownership interest</u>	20%	20%
Group's share of net assets representing carrying amount of interest in associated company	<u>65,049,181</u>	<u>68,965,953</u>
Revenue from contracts with customers-net	205,991,689	188,936,288
Loss after taxation for the year	<u>(15,331,572)</u>	<u>(886,287)</u>
Other comprehensive loss	<u>(276,125)</u>	<u>(708,206)</u>
Total comprehensive loss for the year from continuing operations	<u>(3,066,314)</u>	<u>(318,899)</u>

2023			
Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
----- Rupees -----			
425,257	1,246,632	-	1,671,889
2,006,834	716,141	-	2,722,975
94,700	(94,700)	-	-
686,389	321,014	-	1,007,403
-	1,012,114	-	1,012,114
3,213,180	3,201,201	-	6,414,381
2022			
Opening balance	(Charge) / credit to profit or loss	Credit to other comprehensive income	Closing balance
----- Rupees -----			
1,043,556	(618,299)	-	425,257
1,430,345	576,489	-	2,006,834
124,810	(30,110)	-	94,700
487,782	198,607	-	686,389
3,086,493	126,687	-	3,213,180

THE PAKISTAN CREDIT RATING AGENCY LIMITED

	Note	2023 Rupees	2022 Rupees
20 TRADE DEBTS - UNSECURED			
Trade debts		59,615,336	86,723,826
Receivable from LRA	1.2	33,603,884	-
Less: Provision for expected credit loss	20.1	(9,466,534)	(6,997,082)
		<u>83,752,686</u>	<u>79,726,744</u>

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

Balance as at 01 July	6,997,082	4,959,999
Charge for the year	2,469,452	4,753,087
Trade debts written-off	-	(2,716,004)
	<u>2,469,452</u>	<u>2,037,083</u>
Balance as at 30 June	<u>9,466,534</u>	<u>6,997,082</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.

	Note	2023 Rupees	2022 Rupees
22 RECEIVABLE FROM RELATED PARTIES			
Tasdeeq Information Services Limited-Share deposit money		12,733,007	12,733,007
Tasdeeq Information Services Limited-Accrued Markup		1,875,846	1,113,690
TenX (Private) Limited - Reimbursement		1,066,531	327,099
	22.2	<u>15,675,384</u>	<u>14,173,796</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:

	2023 Rupees	2022 Rupees
Tasdeeq Information Services Limited	14,608,853	13,846,697
TenX (Private) Limited	1,066,531	327,099

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

	Note	2023 Rupees	2022 Rupees
0 to 6 months		2,942,377	14,173,796
6 to 12 months		-	-
Above 12 months		12,733,007	-
		<u>15,675,384</u>	<u>14,173,796</u>

23 LOAN TO AN ASSOCIATE-UNSECURED

Loan to Aequitas Information Services Limited	23.1	30,000,000	30,000,000
Add : Related accrued mark-up		1,875,846	1,113,690
		<u>31,875,846</u>	<u>31,113,690</u>
Less: Accrued mark-up		(1,875,846)	(1,113,690)
		<u>30,000,000</u>	<u>30,000,000</u>
Balance as at 01 July		30,000,000	-
Payments during the year		-	30,000,000
Shares issued		-	-
Balance as at 30 June		<u>30,000,000</u>	<u>30,000,000</u>

23.1 This represents loan given to Tasdeeq Information Services Limited (TISL) for the purpose of bridging TISL's cash shortfall till injection of new equity. The loan is renewed on 18th January 2023. 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 Tasdeeq Information Services Limited to its other sponsor shareholder, whichever is higher. Any delay in payment would yield a service charge of 1% per month.

THE PAKISTAN CREDIT RATING AGENCY LIMITED

	Note	2023 Rupees	2022 Rupees
24			
ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - unsecured, considered good			
- to employees		486,500	6,286,168
- to suppliers		805,000	481,257
		1,291,500	6,767,425
Sales tax receivable		13,714,833	7,858,882
Prepayments		2,550,631	2,450,651
Others		-	166,755
		<u>17,556,964</u>	<u>17,243,713</u>

25			
SHORT TERM INVESTMENTS			
Investment in Government securities	25.1	<u>44,202,019</u>	<u>60,727,392</u>
25.1	This relates to investment in treasury bills by the Company. They carry yield ranging from 15.57% to 21.99% (2022: 10.2% to 12.4%) per annum. These Treasury bills have maturity period of 3 months. These Government securities have an aggregate face value of Rs. 45.5 million (2022: 62 million)		

	Note	2023 Rupees	2022 Rupees
26			
CASH AND BANK BALANCES			
Local currency - deposits and saving accounts	26.1	<u>84,256,046</u>	<u>34,122,718</u>

26.1 These carries mark up ranging from 13% to 19.5% (2022: 6.5% to 13%) per annum.

	Note	2023 Rupees	2022 Rupees
27			
REVENUE FROM CONTRACTS WITH CUSTOMERS - NET			
Income from rating business			
- domestic		416,463,776	352,052,187
- foreign		1,710,685	1,610,740
		418,174,461	353,662,927
Income from non rating business			
- domestic		-	13,866,805
- foreign		43,458,533	8,997,465
		43,458,533	22,864,270
Less: Provincial Sales tax		(52,336,404)	(51,457,952)
	27.1	<u>409,296,590</u>	<u>325,069,245</u>

27.1 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	2023 Rupees	2022 Rupees
Type of rating services			
Entity rating		254,509,563	216,864,810
Instrument rating		78,678,439	63,650,155
Fund rating		25,970,618	23,228,409
		359,158,620	303,743,374
Type of Non rating services			
Consultancy services		43,458,533	12,889,146
Credit Risk Assessment Training		6,679,437	8,436,725
		409,296,590	325,069,245
Timing of revenue recognition			
Revenue recognized at a point in time		328,773,159	272,516,638
Revenue recognized over - time		80,523,431	52,552,607
		<u>409,296,590</u>	<u>325,069,245</u>

28 REMUNERATION COST

Staff salaries & other benefits	28.1	181,911,836	151,259,864
Retired employees benefits		1,976,507	1,041,168
External rating committee member fee		7,491,664	6,850,000
Advisory/Consultancy fee		1,774,642	1,660,313
		<u>193,154,648</u>	<u>160,811,345</u>

28.1 Salaries and other benefits include Rs. 5.65 million (2022: Rs. 4.25 million) in respect of contribution to provident fund.

29 INFRASTRUCTURE COST

	Note	2023 Rupees	2022 Rupees
Rent, rates and taxes		3,184,806	2,734,233
Utilities		4,925,582	3,390,977
Technology & related expenses		3,759,694	2,183,563
Repair & Maintenance		2,024,956	4,328,754
Depreciation on property and equipment		6,103,678	5,540,920
Amortization on intangible assets		824,695	95,047
Depreciation on right of use asset		5,303,540	5,956,790
Loss on disposal of fixed assets		283,342	-
Others		2,097,218	1,561,690
		<u>28,507,511</u>	<u>25,791,974</u>

30 ADMINISTRATIVE COST

Directors meeting expenses	30.1	5,458,900	3,616,774
Legal & professional charges		1,821,872	1,753,187
Entertainment and related expenses		6,694,438	3,836,297
Travelling, food and accommodation		3,421,579	3,050,835
Auditor's remuneration		1,450,001	900,000
Tax advisory, consultancy & fees		987,979	1,031,499
Worker welfare fund		3,490,049	-
Communication and related expenses		1,375,856	907,211
Promotional expenses		492,246	1,739,164
Others		1,752,898	914,519
		<u>26,945,818</u>	<u>17,749,485</u>

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

	2023 Rupees	2022 Rupees
Income from financial assets:		
Mark-up based income from conventional banks:		
Mark-up on savings accounts	2,100,408	5,094,869
Unwinding of Government grant	102,793	783,263
Mark-up on loan given to associate	6,270,061	1,908,452
Profit on short term investment	8,818,490	2,034,455
	<u>17,291,752</u>	<u>9,821,040</u>
Income from non-financial assets:		
Gain on disposal of fixed assets	-	2,219,268
Reimbursement from clients	597,330	4,730,010
Miscellaneous income	128,587	119,954
	<u>725,917</u>	<u>7,069,231</u>
	<u>18,017,669</u>	<u>16,890,271</u>

32 FINANCE COST

Mark-up on long term borrowings	444,877	1,344,549
Finance cost on lease liability	3,277,238	1,674,916
Bank charges	43,724	73,182
	<u>3,765,839</u>	<u>3,092,647</u>

33 TAXATION

Current tax

Current year

Prior year

49,033,653	37,501,220
-	-

49,033,653	37,501,220
------------	------------

Deferred tax

(3,201,201)	(126,687)
-------------	-----------

45,832,452	37,374,534
------------	------------

33.1 Reconciliation between accounting profit and taxation

Profit before taxation

169,404,677	129,583,721
-------------	-------------

Tax at applicable rate of 29% (2022: 29%)

49,127,356	37,579,279
------------	------------

Tax effect of deductions

(1,108,535)	(78,058)
-------------	----------

Deferred taxation impact

(2,186,369)	(126,687)
-------------	-----------

45,832,453	37,374,534
------------	------------

34 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after tax

123,572,225	92,209,187
-------------	------------

Weighted average number of ordinary shares
outstanding during the year

7,452,900	7,452,900
-----------	-----------

Earnings per share - basic and diluted

16.58	12.37
-------	-------

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	
	2023	2022	2023	2022	2023	2022
----- Rupees -----						
Managerial remuneration	24,000,000	22,956,861	-	-	77,704,378	50,634,001
Contribution to provident fund	1,032,145	1,043,139	-	-	3,652,106	2,578,032
Bonus	12,325,266	8,000,000	-	-	15,932,586	11,207,994
Meeting fee	-	-	5,125,000	3,616,774	-	-
Reimbursable expenses	-	208,130	-	-	665,822	515,689
Total	37,357,411	32,208,130	5,125,000	3,616,774	97,954,892	64,935,716
Numbers	1	1	6	6	25	15

35.1 This bonus is paid to Ex. CEO Mr. Shahzad Saleem.

Transactions and balances with related parties

2023	2022
Rupees	Rupees

Balances and transactions with related parties are as follows:

Associated company (20% owned)

Tasdeeq Information Services Limited

Investment in associate during the year

- -

Amount on account of loan during the year

- -

Expense paid on behalf of related party during the year

1,393,788 1,266,500

Expenses paid by related party on behalf of Company during the year

2,100,459 1,595,237

Mark-up on loan charged to related party during the year

6,270,061 1,908,452

Markup paid by related party during the year

4,394,215 794,762

Payable to related party - unsecured

(1,025,408) (794,953)

Associated company (Common Directorship)

TenX (Private) Limited

Expense paid on behalf of related party during the year

1,395,573 1,266,500

Post employment benefit plans / Other related parties

On account of:

Contributions to Provident Fund Trust

5,654,917 4,254,802

Year end payable balance

Provident fund

1,511,269 793,336

Directors

() Muhammad Adnan Afaq (10% equity held)

On account of:

Dividend paid

8,198,190 8,198,190

Meeting fee

- 40,000

Mr. Shahzad Saleem, Ex CEO

On account of:

Remuneration

14,000,000 22,956,861

Bonus

12,325,266 8,000,000

Year end payable balance

Salary payable

2,000,000 -

Mr. Usman Haider, CEO	2023	2022
	Rupees	Rupees
On account of:		
Remuneration	10,000,000	-
Bonus	-	-
Year end payable balance		
Salary payable	-	-
Mumtaz Hussain Syed (27% equity held)	Rupees	Rupees
On account of:		
Dividend paid	24,147,360	22,135,080
Meeting fee	700,000	460,000
Sardar Ali Watto (13.5% equity held)		
On account of:		
Dividend paid	12,073,680	11,067,551
Meeting Fee	900,000	615,000
Usman Haider (13.5% Equity held)		
On account of:		
Dividend paid	12,073,680	11,067,540
Meeting Fee	-	-
Other Directors (0.00930% equity held)		
On account of:		
Dividend paid	72	77
Meeting fee	2,975,000	2,270,000
<u>Share holders holding more than 20% equity:</u>		
Lahore Stock Exchange (36% Equity held)		
On account of:		
Dividend paid	32,196,504	29,513,462
<u>Key Management Personnel (other than directors)</u>		
Mr. Shahzad Saleem, CEO		
On account of:		
Remuneration	14,000,000	22,956,861

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	
		2023 (Rupees)	2022 (Rupees)
Trade debts - unsecured	20	83,752,686	79,726,744
Advances, prepayments and other receivables	24	17,556,964	17,243,713
Advance income tax - net		40,267,106	34,603,221
Cash and bank balances	26	84,256,046	34,122,718
		<u>225,832,802</u>	<u>165,696,396</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 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 2023						
Expected credit loss rate			-	-	100%	-
Estimated total gross carrying amount at default	74,654,998	11,680,287	4,414,483	-	2,469,452	93,219,220
Expected credit loss	-	-	-	-	2,469,452	2,469,452
	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%	30.4%				-
Estimated total gross carrying amount at default	65,696,146	20,950,714	-	-	-	86,646,860
Expected credit loss	594,079	6,362,038	-	-	-	6,956,117

THE PAKISTAN CREDIT RATING AGENCY LIMITED

37.1.2 Bank balances	Rating		Rating Agency	2023	2022
	Short Term	Long Term		(Rupees)	(Rupees)
Bank AL Habib	A1+	AAA	PACRA	84,256,046	34,122,718
				<u>84,256,046</u>	<u>34,122,718</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 2023	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
-----Amount in Rupees-----						
Short term borrowing-	-	-	-	-	-	-
Contract liability	-	107,031,625	-	-	-	107,031,625
Current portion of long term finance	-	-	-	-	-	-
Current portion of lease liabilities	-	-	5,924,140	8,156,743	-	14,080,883
Accrued mark-up	30,034	-	-	-	-	30,034
Trade and other payable:	71,827,263	-	-	-	-	71,827,263
	<u>71,857,297</u>	<u>107,031,625</u>	<u>5,924,140</u>	<u>8,156,743</u>	<u>-</u>	<u>192,969,805</u>
-----Amount in Rupees-----						
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-	-	-	-	-	-	-
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 payable:	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 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 2023 (Rupees)	2022 (Rupees)
+100	<u>8,425,605</u>	<u>3,412,272</u>
-100	<u>(8,425,605)</u>	<u>(3,412,272)</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

	2023			Total
	Long term finances	Lease liabilities	Dividend payable	
	----- Rupees -----			
Balance as at 01 July	9,385,463	14,280,439	-	23,665,902
<u>Cashflows</u>				
Long term loans repaid net of repayment	(9,385,463)	-	-	(9,385,463)
Lease liabilities - net	-	(7,478,037)	-	(7,478,037)
Dividend declared	-	-	89,434,800	89,434,800
Dividend paid	-	-	(89,434,800)	(89,434,800)
Balance as at 30 June	-	6,802,402	-	6,802,402
	2022			Total
	Long term finances	Lease liabilities	Dividend payable	
	----- Rupees -----			
Balance as at 01 July	28,199,730	19,561,848	-	47,761,578
<u>Cashflows</u>				
Long term loans obtained 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	9,385,463	14,280,439	-	23,665,902

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 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.

Signature

40 NUMBER OF EMPLOYEES

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

	2023	2022
	-----	-----
	(No. of employees)	(No. of employees)
Average number of employees during the year	95	75
Number of employees as at 30 June	91	80

41 DATE OF AUTHORIZATION

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

Musman Haider

Chief Executive

[Signature]

Director