



**Corporate Supervision Department
Company Law Division**

No. EMD/IACC/4/2009-43

August 31, 2020

CIRCULAR NO. 26 of 2020

Subject: Disclosure of impact of COVID-19 pandemic on financial statements of companies

1. The outbreak of COVID-19 pandemic and the lockdown situation in the country have impacted companies to varying degrees, having implications on the companies' operations, financial position, profitability, liquidity and in certain cases going concern.
2. Nonetheless, it is important for companies to ensure that all available information about the impact of COVID-19 on the company and its operations are communicated in a timely and cogent manner to its investors and stakeholders.
3. Recognizing the informational needs of the investors, potential investors, lenders and other stakeholders it is imperative that the financial statements should include a specific disclosure on the impacts of COVID-19 on company's financial position and financial performance for the year/period.
4. In view of the above, the Securities and Exchange Commission of Pakistan (SECP) in exercise of powers conferred under section 510 of the Companies Act, 2017 (XIX of 2017) hereby requires companies to make following specific disclosure under a separate note titled 'Impact of COVID-19 on the financial statements':

- (i) The financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses, as required under the relevant accounting and reporting standards.

This note would be in addition to the information required to be disclosed in the financial statements under the relevant accounting and reporting standards as applicable in Pakistan.

- (ii) In cases, where there is going concern uncertainty due to COVID-19, the specific disclosure shall also provide information about management actions and plans to mitigate/handle the adverse financial implications and operational changes.
- (iii) In cases, where management has evaluated and concluded that there are no material implications of COVID-19 that require specific disclosure in the financial statements, this fact should be disclosed.
- (iv) The specific disclosure in the financial statements on impacts of COVID-19 would be subject to the materiality considerations in the context of IAS 1, '*Presentation of Financial Statements*'.

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5. The specific disclosure for the impacts of COVID-19 shall be required in the first set of annual or interim financial statements issued after this circular in which the entity provides the disclosures on the impacts of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses as required under the relevant accounting and reporting standards.
6. This Circular shall come into force with immediate effect.



Amir M. Khan Afridi
Director - CSD

Distribution to;

- (i) The Chief Executive Officer, Pakistan Stock Exchange, Karachi.
- (ii) The President, Institute of Chartered Accountants of Pakistan, Karachi.
- (iii) The President, Institute of Cost & Management Accountants of Pakistan, Karachi.
- (iv) Office Copy.