

May 7, 2020

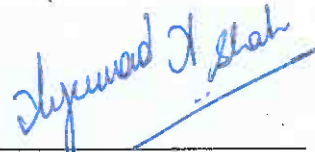
All Members,

Attached please find the Institute's Condensed Interim Financial Statements for the nine months ended 31 March 2020.

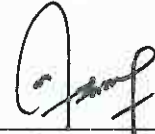
Kind regards,

A handwritten signature in blue ink, appearing to be "S. P. L.", written over a horizontal line.

Chief Financial Officer

A handwritten signature in blue ink, appearing to be "Syed Wasim Shah", written over a horizontal line.

Acting Chief Executive

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Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

[A COMPANY SET UP UNDER SECTION 42 OF THE REPEALED COMPANIES ORDINANCE, 1984
(NOW SECTION 42 OF THE COMPANIES ACT, 2017)]

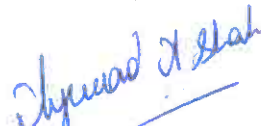
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

	Note	(Unaudited) March 31, 2020 Rupees	(Audited) June 30, 2019 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment		5,539,590	2,296,489
Right of use asset		23,463,399	-
Long-term Investments	6	14,123,194	8,007,296
Long term security deposits		1,540,470	1,540,470
		<u>44,666,653</u>	<u>11,844,255</u>
Current assets			
Receivable from members	7	2,530,920	3,713,376
Short-term prepayments and advances		230,036	1,402,928
Short-term investments	8	56,074,128	74,024,259
Accrued profit		24,342	-
Other receivables		2,482,751	7,762,944
Tax refunds due from Government	9	12,222,073	11,244,959
Cash and bank balances		18,613,208	1,589,945
		<u>92,177,458</u>	<u>99,738,411</u>
Total assets		<u><u>136,844,111</u></u>	<u><u>111,582,666</u></u>
FUND BALANCE & LIABILITIES			
Fund Balance			
Accumulated Fund		98,635,250	97,524,244
Non-current Liabilities			
Lease Liability		23,046,543	-
Current Liabilities			
Fees in advance		10,074,397	5,850,333
Accrued expenses		1,222,983	6,021,744
Other payables		2,974,100	2,186,345
Current portion of Lease liability		890,838	-
		<u>15,162,318</u>	<u>14,058,422</u>
Total liabilities		<u>38,208,861</u>	<u>14,058,422</u>
Total Fund Balance and Liabilities		<u><u>136,844,111</u></u>	<u><u>111,582,666</u></u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Financial Officer



Acting Chief Executive



Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

[A COMPANY SET UP UNDER SECTION 42 OF THE REPEALED COMPANIES ORDINANCE, 1984
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CONDENSED INTERIM INCOME AND EXPENDITURE STATEMENT
FOR NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

	Note	March 31, 2020 Rupees	March 31, 2019 Rupees
INCOME			
Revenue from services	10	40,574,535	60,840,585
EXPENDITURE			
Salaries, allowances and benefits		22,664,756	20,804,462
Professional service fee		9,460,279	9,625,768
Rent			5,591,907
Depreciation on property, plant and equipment		823,692	430,248
Depreciation on right of use asset		4,140,600	
Travelling and conveyance		946,541	1,077,199
Utilities		867,009	619,873
Printing and stationery		996,825	782,681
Insurance		198,565	149,416
Repair and maintenance		813,638	765,705
Conference cost		974,725	
Other expenditure	11	2,874,791	3,916,940
Provision for doubtful debts		298,750	196,215
		45,060,171	43,960,414
Operating (deficit) / surplus		(4,485,636)	16,880,171
Return on bank balances and investments		8,500,164	4,763,649
Finance cost		(2,903,522)	(25,904)
Surplus for the period		1,111,006	21,617,916
Other comprehensive income		-	-
Total comprehensive income		1,111,006	21,617,916

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Chief Financial Officer

Acting Chief Executive

Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

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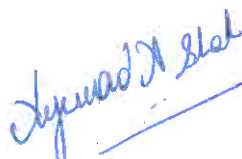
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

	Note	March 31, 2020 Rupees	March 31, 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the period		1,111,006	21,617,916
Adjustment for:			
Return on bank balances and investments		(8,500,164)	(4,763,649)
Depreciation		823,692	430,248
Depreciation on lease		4,140,600	
Interest cost on lease		2,898,420	
Loss on disposal of operating fixed assets		26,539	
Provision for doubtful debts		298,750	196,215
Surplus before working capital changes		798,843	17,480,730
(Increase) / decrease in current assets:			
Receivable from members		1,119,956	873,000
Short term prepayments and advances		1,172,892	25,697
Other receivables		5,043,943	(4,164,856)
		7,336,791	(3,266,159)
Increase / (decrease) in current liabilities:			
Fees in advance		4,224,064	4,654,570
Accrued expenses		(4,798,761)	(1,348,112)
Other payables		787,755	143,876
		213,058	3,450,334
Withholding tax paid		(977,113)	(410,350)
Net cash generated from operating activities		7,371,579	17,254,555
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating fixed assets		(4,123,232)	(248,521)
Proceeds from maturity of short-term investments		8,733,334	-
Purchase of PIB's		(5,922,003)	-
Proceeds from disposal of operating fixed assets		29,900	-
Return on bank balances and investments received		8,780,677	5,038,718
Net cash generated from investing activities		7,498,676	4,790,197
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease liabilities		(6,565,038)	-
Net cash (used in) / generated from financing activities		(6,565,038)	-
Net increase in cash and cash equivalents		8,305,217	22,044,752
Cash and cash equivalents at beginning of the period		66,382,119	48,511,292
Cash and cash equivalents at end of the period	12	74,687,336	70,556,044

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



Chief Financial Officer



Acting Chief Executive



Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

[A COMPANY SET UP UNDER SECTION 42 OF THE REPEALED COMPANIES ORDINANCE, 1984
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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

	Accumulated Fund Rupees
Balance as at June 30, 2019	97,524,244
Total Comprehensive Income for the half year ended December 31, 2019	1,494,304
(Deficit) for the quarter ended March 31, 2020	(383,298)
Balance at March 31, 2020	<u><u>98,635,250</u></u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Chief Financial Officer

Acting Chief Executive

Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

**[A COMPANY SET UP UNDER SECTION 42 OF THE REPEALED COMPANIES ORDINANCE, 1984
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)**

1. THE INSTITUTE AND ITS OPERATIONS

1.1 Pakistan Institute of Corporate Governance (the Institute) was incorporated in Pakistan as a company limited by guarantee without share capital on December 01, 2004 under section 42 of the repealed Companies Ordinance, 1984 (now section 42 of the Companies Act, 2017). Its members include 92 (June 30, 2019: 90) Corporate, 26 (June 30, 2019: 21) Individual and the following founding members:

- Securities & Exchange Commission of Pakistan
- The State Bank of Pakistan
- The Pakistan Stock Exchange Limited
- Institute of Business Administration
- Lahore University of Management Sciences
- Institute of Chartered Accountants of Pakistan
- Institute of Corporate Secretaries of Pakistan
- Institute of Cost and Management Accountants of Pakistan
- Overseas Investors Chamber of Commerce and Industry
- Federation of Pakistan Chambers of Commerce and Industry
- Insurance Association of Pakistan
- Mutual Funds Association of Pakistan
- Pakistan Banks Association

1.2 The main objective of the Institute is to promote awareness of corporate governance and encourage compliance with good corporate governance practices by corporate bodies and professionals. In this regard, the Institute also conducts Directors' Training Program based on a standard curricula for which the Institute has arrangements with foreign organisations.

1.3 Securities and Exchange Commission of Pakistan (SECP) through various circulars has directed all companies set up in pursuance of section 42 and have completed five years' time from issuance of their license to apply for renewal of license. The license of the Institute has been renewed upto January 26, 2021.

1.4 The registered office of the Institute is situated at Office Suite 316, "The Forum", Clifton, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- Accounting Standard for Not for Profit Organisations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the institute's annual financial statements for the year ended June 30, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Institute's annual financial statements for the year ended 30 June 2019 except for the adoption of new standards, amendments and interpretation of International Financial Reporting Standards (IFRSs) as disclosed in note 4.

4. NEW STANDARDS, AMMENDMENTS AND IMPROVEMENTS OF IFRSs

The Institute has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective during the current period:

Standard or amendment:

IFRS 16 – Leases

IFRS 9 – Prepayment features with negative compensation (Amendments)

IAS 19 – Plan amendment, curtailment or settlement (Amendments)

IAS 28 – Long term interests in associates and joint ventures (Amendments)

IFRIC 23 – Uncertainty over income tax treatments

Improvements to accounting standards issued by the IASB in December 2017

IFRS 3 Business combinations – Previously held interests in a joint operation

IFRS 11 Joint arrangements – Previously held interests in a joint operation

IAS 12 Income taxes – Income tax consequences of payments on financial instruments classified as equity

IAS 23 Borrowing costs – Borrowing costs eligible for capitalization

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Institute's condensed interim financial statements except for IFRS 16. The impact of adoption of IFRS 16 are described below:

IFRS 16 - Leases

During the current year, the Institute has adopted IFRS 16 as issued by the International Accounting Standards Board (IASB) in January 2016.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Institute has lease contracts for its head office in The Forum, Karachi. Before the adoption of IFRS 16, the Institute classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in income and expenditure statement. Any prepaid rent was recognised under short term advances and prepayments.

After the adoption of IFRS-16, the Institute has accounted for the lease contract of its head office as per the requirements of the new standard for lessee and recognized a right-of-use asset against a lease liability. Any advance receipts are net off against the right-of-use asset as disclosed in table below.

As permitted by the transitional provisions of IFRS 16, the Institute elected not to restate the comparative figures and not to adjust the opening retained earnings. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

4.1 Summary of new accounting policies

Set out below are the new accounting policies of the Institute upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Institute recognises 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 and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Institute is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Institute recognises 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 Institute and payments of penalties for terminating a lease, if the lease term reflects the Institute exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Institute uses the incremental borrowing rate at the initial application date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Institute applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Institute determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are same as those applied in the Institute's annual financial statements for the year ended June 30, 2019, except for those disclosed in note 4 to these condensed interim financial statements.

6.	Note	(Unaudited) March 31, 2020 Rupees	(Audited) June 30, 2019 Rupees
LONG-TERM INVESTMENTS			
	6.1	<u>14,123,194</u>	<u>8,007,296</u>

6.1 These carry profit yield @ 7.25% - 9.00% per annum (June 30, 2019: 7.25% per annum) payable at six month interval and are carried at amortised cost maturing on July 12, 2021 & September 19, 2022.

7.	Note	(Unaudited) March 31, 2020 Rupees	(Audited) June 30, 2019 Rupees
RECEIVABLE FROM MEMBERS -			
Annual subscription		815,000	-
Directors Training Program		1,001,175	3,613,376
Fee from specialised workshops / others		<u>777,245</u>	<u>100,000</u>
		2,593,420	3,713,376
Less: Provision for doubtful debts		<u>62,500</u>	<u>-</u>
		62,500	-
		<u>2,530,920</u>	<u>3,713,376</u>

8. SHORT-TERM INVESTMENT

Pakistan Investment Bonds		-	9,232,085
Market treasury bills	8.1	55,074,128	64,792,174
Term deposit receipt		1,000,000	-
		<u>56,074,128</u>	<u>74,024,259</u>

- 8.1 These carry interest rate of 13.02% (June 30, 2019: 10.95% - 11.00%) per annum. These securities have an aggregate face value of Rs.60 million (June 30, 2019: Rs.65.15 million).

9. TAX REFUNDS DUE FROM GOVERNMENT

This represents income tax refundable from income tax authorities on account of withholding tax deducted from payments made to the Institute. The institute is currently in the process of recovering the said balance from the authorities.

10. REVENUE

	(Unaudited)	
	March 31, 2020 Rupees	March 31, 2019 Rupees
Entrance fee from members	400,000	455,000
Annual subscription and application fee	6,617,496	6,430,750
Fee from Directors Training Program	21,607,832	40,578,500
Fee from specialized workshops	7,016,097	3,342,000
Advisory services board evaluation	2,977,480	2,628,235
Conference fee	1,716,630	-
Sale of publications	239,000	14,850
Databank for independent directors	-	7,391,250
	<u>40,574,535</u>	<u>60,840,585</u>

11. OTHER EXPENDITURE

	(Unaudited)	
	March 31, 2020 Rupees	March 31, 2019 Rupees
Marketing and advertisement	104,000	334,936
Publication expenses	444,155	283,040
Hotel Stay and Event cost	1,106,225	1,761,919
Loss on disposal of operating fixed assets	26,539	-
Others	1,193,872	1,537,045
	<u>2,874,791</u>	<u>3,916,940</u>

	Rupees	Rupees
12. CASH AND CASH EQUIVALENTS		
Cash and bank balances	18,613,208	54,641,889
Short-term investments	56,074,128	15,914,155
	<u>74,687,336</u>	<u>70,556,044</u>

13. GENERAL

13.1 Figures in this condensed interim financial information have been rounded off to the nearest Rupee, unless otherwise stated.

13.2 Comparative figures have been reclassified for the purpose of better presentation and comparison, wherever necessary.

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Institute in their meeting held on 29 APRIL 2020.

Chief Financial Officer

Acting Chief Executive

Director

Directors Report to the Members of Pakistan Institute of Corporate Governance (PICG) for the Nine Months Ended March 31, 2020.

The Board of PICG is pleased to issue its report on the affairs of your Institute, for the nine months ended March 31, 2020.

Operations

During the nine months ended March 2020, the Institute conducted eight (8) Director Training Programs (DTP) compared to eighteen (18), which included five (5) In-company programs, in the same period last year. The programs were conducted in Karachi, Islamabad and Lahore.

The Institute also conducted six (6) Directors Orientation Workshops (DOW) compared to six (6) in the corresponding period last year.

In addition to director training, twenty one (21) Board Evaluations were completed during the period as compared to twenty one (21) in the corresponding period last year. The Institute's Board Evaluation service is being availed as an important service for Boards to identify areas of weaknesses and strengths and will lead to considerable improvement in Board performance resulting in improved governance.

In addition to the above, on January 16, 2020 the Institute held a seminar in collaboration with ICAP on *Amendments in Corporate Governance Reporting in Pakistan : Comply or Explain* seminar. The seminar served as basis for future knowledge partnering to add value to the ongoing regulatory dialogue.

On December 12, 2019 the Institute launched its survey on 'Corporate Governance Practices 2019', covering areas such as board composition, practices and remuneration of a variety of companies across Pakistan. The survey launch coincided with the celebration of the Institute's 15 year anniversary, attended by our members, faculty and staff. The 2019 survey is a follow up to the 2016 survey, and highlights major changes that have taken place since then as a result of the changes in the regulatory environment in the country.

On October 5, 2019 the Institute held the 'Forum on Family Business and Intrapreneurship' in collaboration with INSEAD Business School Alumni Association to generate interest in the growth and performance of family owned businesses in Pakistan. This has resulted in greater interest in our follow up activities including specialized workshops and in-house corporate advisory services.

Finance

During the nine months, the Institute had a **surplus of Rs.1.11 million** compared to the surplus of Rs.21.62 million in the corresponding period last year. The decrease in surplus was primarily witnessed in the first and third quarters, on account of the following:

- i) On stipulation from SECP to increase DTP training to full forty (40) hours¹ of practical training, the duration of the program was extended from three (3) to five (5) days resulting in higher attrition rates. We have subsequently scaled these back to four (4) days while developing more training content for virtual training (in process).
- ii) The withdrawal of mandatory requirement of DTP from Code of Corporate Governance by replacing the word "mandatory" to "encouraged". We are diversifying the revenue sources through specialized workshops on related topics.
- iii) Discontinuation of registration fees for enrolment in Databank of Independent Directors. This was a major source of revenue booked last year, which unfortunately we cannot avail this year due to the decision taken last June.

¹ Previously 40 hours of training included pre-reading of online course materials

- iv) Lockdown situation due to the COVID-19 pandemic resulting in canceled sessions of DTP on account of the health and safety of our valued participants and faculty and staff members.

Membership

During the nine months two (2) corporate members and five (5) individual members joined the growing list of membership of PICG. The Board welcomes the new corporate as well as individual members.

Search for a new President & CEO

During this quarter **Ms. Sadia Khan, President & CEO of PICG has resigned** with effective from March 5, 2020, due to her appointment as a Commissioner of SECP.

The Board has unanimously agreed to give **Ms. Arjumand Ahmed Shah, the additional charge as Acting President & CEO** of the Institute with effect from March 6, 2020.

The Human Resource committee has advertised for this vacancy and is currently in the process of shortlisting suitable candidates from amongst whom the board will appoint a successor, in due course.

Future Outlook

The COVID-19 outbreak is a human tragedy that has affected hundreds of thousands of people worldwide. It is also having a growing impact on the global economy including, of course, Pakistan. It has also disrupted the Institute's activities. The Board has been constantly monitoring the situation and its implications for the Institute. Mindful of employees' health and safety, the Board ensured that the Institute's staff worked from their homes. With imposed limitations on both in-person business activities and travel, the Institute successfully launched its **first virtual Director Training Program** in April through Skype.



As the future of professional learning is online, this will provide the Institute with the opportunity to innovate with a different learning model. However, this will also lead to higher expectations with regard to how participants want to engage and learn. We expect that the Institute's management will be able to fulfil those expectations and PICG will retain its position in the market due to the outstanding profile of its faculty.

Acknowledgement

The Board wishes to acknowledge the contribution made by all stakeholders including Directors, employees, members and the two apex regulators, Securities and Exchange Commission of Pakistan and the State Bank of Pakistan.

The BoD would like to remind you all to **practice social distancing** and **stay safe**.

A handwritten signature in black ink, consisting of stylized, overlapping loops, positioned above a horizontal line.

Chairman & Director
April 29, 2020

A handwritten signature in blue ink, written in a cursive style, positioned above a horizontal line.

Acting President/CEO
& Director