PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

FINANCIAL STATEMENTS OF PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE (THE INSTITUTE) FOR THE YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Institute of Corporate Governance (the Institute), which comprises the statement of financial position as at June 30, 2019, and the income and expenditure statement, the statement of changes in fund balance, the statement of cash flows for the year then ended, and notes to the 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 statement of financial position, the income and expenditure statement, the statement of changes in fund balance and the 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 Institute's affairs as at June 30, 2019 and of the surplus, the changes in fund balance 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 Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

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Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute'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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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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 Institute as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the income and expenditure statement, the statement of changes in fund balance and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Institute'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 Farrukh Rehman.

A. F. Ferguson & Co.
Chartered Accountants

Karachi

Date: September 25, 2019

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)]

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,296,489**	2,630,572
Financial assets at amortised cost	6	**8,007,296**	9,232,085
Long term security deposits		**1,540,470**	1,540,470
		11,844,255	13,403,127
Current assets			
Receivable from members	7	**3,713,376**	1,967,875
Short-term prepayments and advances	8	**1,402,928**	1,294,497
Financial assets at amortised cost	9	**74,024,259**	45,860,521
Other receivables	10	**7,762,944**	621,344
Tax refunds due from Government	11	**11,244,959**	10,549,232
Cash and bank balances	12	**1,589,945**	2,650,771
		99,738,411	62,944,240
Total assets		**111,582,666**	76,347,367
FUND BALANCE & LIABILITIES			
Fund Balance			
Accumulated fund		**97,524,244**	67,234,785
Current Liabilities			
Fees in advance	13	**5,850,333**	5,979,678
Accrued expenses		**6,021,744**	2,511,994
Other payables		**2,186,345**	620,910
		14,058,422	9,112,582
CONTINGENCIES AND COMMITMENTS	14		
Total Fund Balance and Liabilities		**111,582,666**	76,347,367

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Financial Officer | **Chief Executive Officer** | **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)]

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
INCOME			
Revenue from services	15	**87,118,900**	58,114,194
EXPENDITURE			
Salaries, allowances and benefits		**32,975,898**	28,054,066
Professional Service Fee	16	**13,500,149**	9,839,324
Rent		**7,455,876**	7,431,374
Depreciation		**582,604**	602,353
Travelling and conveyance		**1,362,357**	950,573
Utilities		**869,724**	719,960
Printing and stationery		**1,079,216**	830,379
Insurance		**198,837**	191,628
Repair and maintenance		**1,006,773**	791,288
Provision for doubtful debts		-	200,000
Boarding and lodging		**2,614,014**	1,880,533
Other expenditure	17	**2,194,299**	1,736,595
		63,839,747	53,228,073
Operating surplus for the year		**23,279,153**	4,886,121
Other income	18	**7,010,306**	3,861,753
Surplus for the year		**30,289,459**	8,747,874
Other comprehensive income		-	-
Total comprehensive income		**30,289,459**	8,747,874

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Financial Officer	**Chief Executive Officer**	**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)]

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		30,289,459	8,747,874
Adjustment for:			
Return on bank balances and investments		(7,010,306)	(3,861,753)
Depreciation		582,604	602,353
Provision for doubtful debts		-	200,000
Surplus before working capital changes		23,861,757	5,688,474
Decrease / (increase) in current assets:			
Receivable from members		(1,745,501)	(1,352,875)
Short term prepayments and advances		(108,431)	19,038
Other receivables		(7,141,600)	125,666
		(8,995,532)	(1,208,171)
(Decrease) / increase in current liabilities:			
Fees in advance		(129,345)	(358,681)
Accrued expenses		3,509,750	672,033
Other payables		1,565,435	347,622
		4,945,840	660,974
Cash generated from operations		19,812,065	5,141,277
Withholding tax paid		(695,727)	(2,632,032)
Net cash generated from operating activities		19,116,338	2,509,245
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(248,521)	(326,000)
Purchase of PIB's		(7,946,943)	-
Proceeds from maturity of PIBs		-	8,786,518
Return on bank balances and investments received		6,949,953	4,310,588
Net cash (used in) / generated from investing activities		(1,245,511)	12,771,106
Net increase in cash and cash equivalents		17,870,827	15,280,351
Cash and cash equivalents at beginning of the year		48,511,292	33,230,941
Cash and cash equivalents at end of the year	19	66,382,119	48,511,292

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Financial Officer	**Chief Executive Officer**	**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)]

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2019

	Accumulated Fund Rupees
Balance as at July 1, 2017	58,486,911
Total comprehensive income for the year ended June 30, 2018	8,747,874
Balance at June 30, 2018	67,234,785
Total comprehensive income for the year ended June 30, 2019	30,289,459
Balance at June 30, 2019	97,524,244

The annexed notes from 1 to 25 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	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)]

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 1, 2004 under section 42 of the repealed Companies Ordinance, 1984 (now section 42 of the Companies Act, 2017). Its members include 90 (2018: 87) Corporate, 21 (2018: 20) individual and the following founding members:

- The Securities and Exchange Commission of Pakistan
- The State Bank of Pakistan
- The Pakistan Stock Exchange Limited
- Institute of Business Administration
- Lahore University of Management Sciences
- The Institute of Chartered Accountants of Pakistan
- The Institute of Corporate Secretaries of Pakistan
- The 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.

1.3 The Securities and Exchange Commission of Pakistan (SECP) through various circulars has directed all companies set up in pursuance of section 42 of the repealed Companies Ordinance, 1984 and who have completed five years' time from issuance of their license to apply for renewal of license. The license of the Institute has been renewed up to 26 January 2021.

1.4 The SECP through S.R.O 73(I)/2018 dated 25 January 2018 has allowed the Institute to create and maintain a databank of independent directors and post such data on its website for the use by companies making the appointment of such directors in accordance with the prescribed regulations. On 25 June 2018, the SECP approved the Institute's application regarding fee to be charges from individuals and companies. The Institute's Board of Directors have decided to provide this service free of cost subsequent to recommendation made by SECP vide its letter date April 26, 2019 for revision in the fee.

1.5 The registered office of the Institute is situated at Office Suite 316, "The Forum", Clifton, Karachi, Pakistan and the training center of the Institute is situated at Office Suite 315, "The Forum", Clifton, Karachi, Pakistan.

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

The Institute's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Number of Directors Training Program sessions were increased resulting in increased revenue.

- The Institute was authorised by the SECP to maintain a databank of independent directors. The fee received in this regard resulted in increased revenue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

3.1.1 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective accounting policies notes.

3.1.2 Statement of compliance

These 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 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; 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 or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.1.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no significant critical judgments made by the Institute's management in applying the accounting policies that would have effect on the amounts recognised in these financial statements.

3.1.4 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

- IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model for financial instruments.

  The impact of changes laid down by this standard are detailed in note 4.

- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

  IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The management has assessed that the changes laid down by the above standard do not have effect on these financial statements.

  There were certain new amendments to accounting and reporting standards which became effective during the year ended June 30, 2019 but are considered not to be relevant or do not have any significant effect on the Institute's financial statements and are, therefore, not disclosed in these financial statements.

b) **Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective**

The following is the new standard, amendment to existing accounting and reporting standards and new interpretations that will be effective for the periods beginning July 01, 2019 that may have an impact on the financial statements of the Institute.

- IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The management is in the process of assessing the impact of the changes laid down by this standard on the financial statements.

There are certain new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2019 that are considered not to be relevant for the Institute's financial statements and hence have not been detailed here.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, if any. Depreciation on computer equipment is charged using the straight-line method, whereby the cost of an asset less estimated residual value, if not insignificant, is written off over its estimated remaining useful life. Depreciation on furniture & fixtures and vehicles is charged using the reducing balance method at the rates given in the relevant note to the financial statements. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

On all additions, depreciation is charged from the month in which addition / capitalisation occurs. Similarly, no depreciation is charged in the month in which an asset is disposed of.

Maintenance and repairs are charged to expenditure as and when incurred. Major renewals and improvements which increase the assets' remaining useful economic lives or the performance beyond the current estimated levels are capitalised and the assets so replaced, if any, are retired.

Gain or losses on disposal of assets, if any, are recognised in the period in which they are incurred.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amount.

3.3 Receivables from members

Receivables are stated at invoice value less provision for uncollectible amounts. Provision for doubtful debts is based on management's assessment of member's credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cashflows, cash and cash equivalents comprise cash in hand, balances with banks and short term financial assets with original maturities of three months or less.

3.5 Trade and other payables

Trade and other payables are carried at fair value of the consideration to be paid for goods and services. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

3.6 Provisions

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.7 Financial Instruments - Initial recognition and subsequent measurement

Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

Classification of financial assets

The Institute classifies its financial assets in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost

The Institute determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Institute's business model for managing the financial assets and their contractual 'cash flow characteristics'.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is 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 that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Institute classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or

- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be 'measured at FVTPL (such as instruments held for trading or derivatives) or the Institute has opted to measure them at FVTPL.

Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognised at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income and expenditure statement. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the income and expenditure statement in the period in which they arise.

Impairment of financial asset

The Institute recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determined to have low credit risk at the reporting date, in which case 12 months' ECL is recorded. The following were either determined to be short term in nature or to have low or there was no increase in credit risk since initial recognition as at the reporting date:

- bank balances
- receivable from members
- other receivables

Loss allowance for receivable from members and other receivables are generally measured using 12 months ECL, since the credit risk is considered to be low.

The Institute considers a financial asset in default when it is more than 90 days past due.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 month ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Institute has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derecognition

i) Financial assets

The Institute derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised as gain / (loss). In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to income and expenditure statement. In contrast, on derecognition of an investment in equity instrument which the Institute has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to income and expenditure statement, but is transferred to statement of changes in fund balance.

ii) Financial liabilities

The Institute derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the income and expenditure statement.

Financial assets - policy upto June 30, 2018

Receivable from members and other receivables were recognised initially at fair value plus directly attributable costs, if any and subsequently, at amortised cost less impairment, if any. A provision for impairment of receivable from members and other receivables was established when there was an objective evidence that the Institute will not be able to collect all amounts due according to terms of receivables. Receivable from members and other receivables considered irrecoverable were written off.

3.8 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Institute intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

3.9 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date. Foreign currency transactions are recorded using the rates of exchange prevailing at the date of transaction. Exchange gains and losses on translation are included in the income and expenditure statement.

These financial statements are presented in Pakistan Rupee, which is the Institute's functional and presentation currency.

3.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured. Revenue is recognised as follows:

Revenue from services

- Entrance fee from new members is recognised as revenue when no significant uncertainty as to its collectability exists.
- Subscription fees is recognised on an accrual basis.
- Income from advisory is recognised upon rendering of services.
- Income from courses is recognised upon rendering of services.
- Income from databank is recognised on receipt basis.
- Income from conferences is recognised on receipt basis.
- Other revenue is recognised on an accrual basis.

Returns on financial assets

Return on financial assets are recognised on an accrual basis.

3.11 Income Taxes

The Institute is eligible for hundred percent (100%) tax credit on taxes payable by the Institute under clause (d) of sub-section 2 of section 100C of the Income Tax Ordinance, 2001, introduced under the Finance Act, 2015.

As per Section 100C, non profit organisations, trusts or welfare organisations as mentioned in sub section 2 of section 100C are allowed a tax credit equal to one hundred percent of the tax payable, including minimum and final tax payable under any of the provisions of the Income Tax Ordinance, 2001, subject to the following conditions, namely-

(a) return has been filed;
(b) tax required to be deducted or collected has been deducted or collected and paid; and
(c) withholding tax statements for the immediately preceeding tax year have been filed.

The operation of the Institute fall within the purview of clause (d) of sub-section 2 of section 100C of the Income Tax Ordinance, 2001 and the Institute intends to comply with the above-mentioned requirements. Hence, the institute will be eligible to claim tax credit equal to 100 percent of the tax payable by the Institute. Therefore, the institute has not recognised any tax charge.

4. CHANGE IN ACCOUNTING POLICIES

i) IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3.7 above. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated using the modified retrospective restatement approach.

Classifications and remeasurement

On 1 July 2018 (the date of initial application of IFRS 9), the Institute's management has assessed which business models apply to the financial assets held by the Institute and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from these reclassifications and adjustments are as follows:

Financial assets	Note	Loans and receivable	Amortised cost
July 1, 2018		← Rupees	→
Closing balance June 30, 2018 - IAS 39			
Financial assets at amortised cost		55,092,606	(55,092,606)
Long-term security deposits		1,540,470	(1,540,470)
Receivable from members	a	1,967,875	(1,967,875)
Other Receivables		621,344	(621,344)
Cash and bank balances		2,650,771	(2,650,771)
		61,873,066	**(61,873,066)**
Opening balance July 1, 2018 - IFRS 9		**61,873,066**	**(61,873,066)**

(a) IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The Institute has determined that the application of IFRS 9's impairment requirement at July 1, 2018 results in no additional allowance for receivable from members.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Institute's financial assets and liabilities as at July 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39 Rupees	New carrying amount under IFRS9 Rupees
Loans and receivables				
Financial assets at amortised cost	Held to Maturity	Amortised cost	55,092,606	55,092,606
Long-term security deposits	Loans and receivables	Amortised cost	1,540,470	1,540,470
Receivable from members	Loans and receivables	Amortised cost	1,967,875	1,967,875
Other Receivables	Loans and receivables	Amortised cost	621,344	621,344
Cash and bank balances	Loans and receivables	Amortised cost	2,650,771	2,650,771
Financial liabilities				
Fees in advance	Financial liabilities at amortised cost	Financial liabilities at amortised cost	5,979,678	5,979,678
Accrued expenses	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,511,994	2,511,994
Other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	620,910	620,910

There is no impact on the Institute's statement of changes in fund balance as a result of the above changes.

ii) IFRS 15 - Revenue from contracts with customers

The Institute has adopted IFRS 15 from July 1, 2018 which has not resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements for the current and prior periods.

		2019 Rupees	2018 Rupees
5.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating assets - note 5.1	**2,296,489**	2,630,572

		Office equipments	Furniture and fittings	Total
		←	Rupees	→
5.1	**Net carrying value basis Year ended June 30, 2019**			
	Opening net book value (NBV)	**367,630**	**2,262,942**	**2,630,572**
	Additions (at cost)	**183,600**	**64,921**	**248,521**
	Depreciation charge	**(238,293)**	**(344,311)**	**(582,604)**
	Disposals (at NBV)	-	-	-
	Closing net book value	**312,937**	**1,983,552**	**2,296,489**
	Gross carrying value basis As at June 30, 2019			
	Cost	**1,929,292**	**5,259,319**	**7,188,611**
	Accumulated depreciation	**(1,616,355)**	**(3,275,767)**	**(4,892,122)**
	Net book value	**312,937**	**1,983,552**	**2,296,489**
	Net carrying value basis Year ended June 30, 2018			
	Opening net book value (NBV)	307,287	2,599,638	2,906,925
	Additions (at cost)	266,000	60,000	326,000
	Depreciation charge	(205,657)	(396,696)	(602,353)
	Disposals (at NBV)	-	-	-
	Closing net book value	367,630	2,262,942	2,630,572
	Gross carrying value basis As at June 30, 2018			
	Cost	1,745,692	5,194,398	6,940,090
	Accumulated depreciation	(1,378,062)	(2,931,456)	(4,309,518)
	Net book value	367,630	2,262,942	2,630,572
	Depreciation rate % per annum	30%	15%	

		2019 Rupees	2018 Rupees
6.	**FINANCIAL ASSETS AT AMORTISED COST**		
	3 years - Pakistan Investment Bonds	**8,007,296**	-
	5 years - Pakistan Investment Bonds	-	9,232,085
		8,007,296	9,232,085

6.1 These carry profit yield @ 7.25% per annum (2018: 11.50% per annum) payable at six month interval and are carried at amortised cost maturing on July 12, 2021.

6.2 The bonds are held by the Institute's banker on behalf of the Institute.

		2019 Rupees	2018 Rupees
7.	**RECEIVABLE FROM MEMBERS - UNSECURED**		
	Considered good		
	Directors Training Program	**3,613,376**	1,816,000
	Others	**100,000**	141,875
		3,713,376	1,957,875
	Considered doubtful		
	Annual subscription	-	210,000
	Less : Provision for doubtful debts	-	(200,000)
		-	10,000
		3,713,376	1,967,875

7.1 The age analysis of receivable from members is as follows:

	2019 Rupees	2018 Rupees
Not yet due (1 to 30 days)	**1,088,000**	1,081,000
Past due but not yet impaired		
- 31 to 60 days	**2,625,376**	490,000
- 61 to 90 days	-	-
- 91 to 120 days	-	136,875
- older than 120 days	-	250,000
	3,713,376	1,957,875

		2019 Rupees	2018 Rupees
8.	**SHORT-TERM PREPAYMENTS AND ADVANCES**		
	Prepaid insurance	**160,652**	153,931
	Other prepayments	**1,240,905**	1,130,566
	Advance against expenses	**1,371**	10,000
		1,402,928	1,294,497
9.	**FINANCIAL ASSETS AT AMORTISED COST**		
	5 years - Pakistan Investment Bonds - note 9.1	**9,232,085**	-
	Market treasury bills - note 9.2	**64,792,174**	45,860,521
		74,024,259	45,860,521

9.1 This carries profit yield @ 11.50% per annum (2018: 11.50% per annum) payable at six month interval and is carried at amortised cost maturing on July 17, 2019.

9.2 These carry interest rate of 10.95% - 11.00% per annum (2018: 6.24% per annum) and have maturity up to 3 months. These securities have an aggregate face value of Rs. 65.15 million (2018: Rs. 46 million).

9.3 These instruments are held by the Institute's banker on behalf of the Institute.

		2019 Rupees	2018 Rupees
10	**OTHER RECEIVABLES - UNSECURED**		
	Considered good		
	Directors Training Program	**7,762,944**	621,344
		7,762,944	621,344
	Considered Doubtful	-	-
		-	-
		7,762,944	621,344

	2019 Rupees	2018 Rupees
11. TAX REFUNDS DUE FROM GOVERNMENT		
Tax deducted at source - note 11.1	**11,244,959**	10,549,232

11.1 This represents amounts either withheld by various withholding agents on account of payments received by the Institute or advance tax paid by the Institute as required under the Income Tax Ordinance, 2001 at the time of making certain payments.

	2019 Rupees	2018 Rupees
12. CASH AND BANK BALANCES		
Cash and cheques in hand	**29,625**	29,625
Cash at bank :		
- savings account - note 12.1	**1,560,320**	2,621,146
	1,589,945	2,650,771

12.1 Represents savings account with a commercial bank carrying profit of 10.25% per annum (2018: 4.50% per annum).

	2019 Rupees	2018 Rupees
13. FEES IN ADVANCE		
Annual Subscription Fee	**125,000**	2,002,500
Board Evaluation Fee	**4,313,560**	2,641,000
Advance fee for Directors' Training Program	**1,361,769**	1,091,678
Others	**50,004**	244,500
	5,850,333	5,979,678

14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

15. REVENUE FROM SERVICES

	2019 Rupees	2018 Rupees
Entrance fee from members	**455,000**	1,710,000
Annual subscription and application fee	**8,567,000**	9,963,000
Fee from Directors Training Program	**59,931,950**	33,627,761
Fee from specialised workshops	**3,318,960**	9,029,103
Advisory services - note 15.1	**3,349,640**	3,735,330
Sales of publications	**14,850**	12,000
Registration fee for enrollment in databank of independent directors - note 15.2	**11,407,500**	-
Others	**74,000**	37,000
	87,118,900	58,114,194

15.1 This mainly includes fee against Board evaluations performed for various corporate entities.

15.2 The registration fee was charged on the basis of fee structure approved by SECP vide its letter dated June 25, 2018 for the major part of the year. The Institute's Board of Directors have decided to provide this service free of cost subsequent to recommendation made by SECP vide its letter date April 26, 2019 for revision in the fee.

16. PROFESSIONAL SERVICE FEE

	2019 Rupees	2018 Rupees
Directors Training Program	**12,445,000**	7,864,875
Specialised workshops	**840,000**	1,365,000
Others	**215,149**	609,449
	13,500,149	9,839,324

		2019 Rupees	2018 Rupees
17.	**OTHER EXPENDITURE**		
	Marketing and advertisement	**546,047**	107,219
	Publication expenses	**385,385**	296,090
	Resource development	**25,000**	7,100
	Bank charges	**35,789**	18,245
	Others - note 17.1	**1,202,078**	1,307,941
		2,194,299	1,736,595

17.1 This mainly includes cost of meals and other ancillary cost in relation to courses and workshops.

		2019 Rupees	2018 Rupees
18.	**OTHER INCOME**		
	Return / interest on:		
	- Profit / loss savings account	**833,041**	287,068
	- Treasury bills	**5,075,644**	2,476,300
	- Pakistan Investment Bonds	**1,101,621**	1,098,385
		7,010,306	3,861,753
19.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	**1,589,945**	2,650,771
	Financial assets at amortised cost - treasury bills	**64,792,174**	45,860,521
		66,382,119	48,511,292

20. **TRANSACTIONS WITH RELATED PARTIES**

Relationship	**Nature of transaction**	**2019 Rupees**	2018 Rupees
Key management employees compensation	Salaries and other employee benefits	**20,031,360**	16,293,042

20.1 Key management personnel includes Chief Executive Officer and Manager Accounts.

21. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

21.1. Financial assets and liabilities

	Interest / mark up bearing			Non - interest / mark up bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
	(Rupees)						
Financial Assets							
Financial assets at amortised cost	74,024,259	8,007,296	82,031,555	-	-	-	82,031,555
Long-term deposits	-	-	-	-	1,540,470	1,540,470	1,540,470
Receivable from members	-	-	-	3,713,376	-	3,713,376	3,713,376
Other Receivables	-	-	-	7,762,944	-	7,762,944	7,762,944
Cash and bank balances	1,560,320	-	1,560,320	29,625	-	29,625	1,589,945
2019	**75,584,579**	**8,007,296**	**83,591,875**	**11,505,945**	**1,540,470**	**13,046,415**	**96,638,290**
2018	48,481,667	9,232,085	57,713,752	2,618,844	1,540,470	4,159,314	61,873,066
Financial Liabilities							
Accrued expenses	-	-	-	6,021,744	-	6,021,744	6,021,744
Other Payables	-	-	-	2,186,345	-	2,186,345	2,186,345
2019	-	-	-	**8,208,089**	-	**8,208,089**	**8,208,089**
2018	-	-	-	3,132,904	-	3,132,904	3,132,904

21.2. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As per the requirements of the IFRS 13, the Institute shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

Currently, the Institute does not hold any assets which are either being carried or disclosed at fair value.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

22.1 Market Risk

(i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at June 30, 2019 the Institute does not have any financial instrument that is denominated in foreign currency and as such has no exposure to currency risk.

(ii) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest. The Institute does not have any short and long term borrowings from banks and is exposed to interest rate risk on its short term investments and bank balances. At the balance sheet date, the interest rate risk profile of the Institute's interest bearing financial instruments is:

	2019 Rupees	2018 Rupees
Profit bearing financial instruments		
Bank balance - profit / loss savings account	**1,560,320**	2,621,146
Financial assets at amortised cost	**82,031,555**	45,860,521
	83,591,875	48,481,667

Had the interest rate been higher / lower by 100 basis points with all the other variables held constant, interest income on profit / loss savings account and interest income on market treasury bills, Pakistan Investment Bonds for the year would have been higher / lower by Rs. Nill (2018: Rs. 2,871) and Rs. 18,036 (2018: Rs. 24,763) respectively.

(iii) Other Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently the Institute does not face any risk as none of the financial assets or liabilities face the risk of change in market price.

22.2 Credit risk

Credit risk represents the risk of financial loss being caused if the counter parties fail to discharge an obligation. The Institute's credit risk is primarily attributable to its receivable from members. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The maximum exposure to credit risk is equal to the carrying amount of the financial assets excluding cash in hand balance of Rs. 29,625.

The Institute monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as follows:

	2019	2018
	Rupees	Rupees
Financial assets at amortised cost	**82,031,555**	55,092,606
Long-term security deposits	**1,540,470**	1,540,470
Receivable from members	**3,713,376**	1,967,875
Other receivables	**7,762,944**	621,344
Cash and bank balances	**1,560,320**	2,621,146
	96,608,665	61,843,441

The credit quality of advances can be assessed with reference to their historical performance with no major defaults in recent history. The credit quality of the Institute's bank balances can be assessed with reference to external credit rating as follows:

		Rating	
Bank	**Rating agency**	**Short term**	**Long term**
Faysal Bank Limited	PACRA	A1+	AA

22.3 Liquidity risk

Liquidity risk reflects the Institute's inability in raising funds to meet obligations associated with financial liabilities.

The Institute manages liquidity risk by maintaining sufficient cash and cash equivalents.

22.4 Capital Risk Management

The Institute's objectives when managing capital are to safeguard the Institute's ability to continue as a going concern and to generate funds to meet the primary objective of the Institute. The capital structure of the Institute consists of a general fund balance raised through operating surplus and income on investments.

23.	NUMBER OF EMPLOYEES		2019	2018
23.1	Number of employees at June 30			
	-	Permanent	**11**	11
	-	Contractual	**-**	-
			11	11
23.2	Average number of employees during the year			
	-	Permanent	**11**	11
	-	Contractual	**-**	-
			11	11

24. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration to the Chief Executive and Executives of the Institute is as follows:

	Chief Executive		Executives	
	2019	**2018**	**2019**	**2018**
Managerial remuneration	**16,839,360**	12,366,933	**11,476,800**	12,058,600
Bonus	**3,000,000**	1,088,000	**1,912,800**	564,750
Others	**-**	45,859	**-**	-
	19,839,360	13,500,792	**13,389,600**	12,623,350

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Institute in their meeting held on 30 AUG 2019.

Chief Financial Officer **Chief Executive Officer** **Director**