

## **Directors Report to the members of Pakistan Institute of Corporate Governance (PICG) for the half-year ended December 31 2018**

The Board of Directors of PICG is pleased to issue its report on the affairs of the Institute for half year ended December 31 2018

### **Operations**

During the six months ended December 2018, the Institute conducted 10 Corporate Governance Leadership Skills (CGLS) programs, same as last year. The programs were conducted in Karachi, Lahore and Islamabad. Participation level in the programs was better than last year. PICG was able to retain its leadership position in the market due to the outstanding profile of its faculty, all of whom have extensive board experience.

The Institute also conducted four Directors Orientation workshops compared to three in the corresponding period last year, along with ten Board Evaluations compared to seven in the corresponding period last year. This year evaluations included not only the Board as a whole but also individual directors along with Board's Committees. Accordingly, the evaluations this year were more comprehensive and covered the entire spectrum of Board activities. It is heartening to see that more companies are relying on external evaluators for assessment of Board performance as this eliminates any internal bias and can be both challenging as well as reassuring. These evaluations are extremely important for Boards to identify areas of weakness and strength and will surely lead to considerable improvement in Board's performance resulting in improved governance.

### **Membership**

PICG encourages corporate bodies and individuals to become its members and so participate in the improvement of governance environment across the corporate world. During the six months to December 2018, five companies & two individuals were inducted as members of the Institute.

### **Databank**

In January, SECP notified that PICG had been approved as the agency required to develop & maintain a databank of independent directors. The databank was developed and became functional from July 2018. By December 2018, 565 individuals had registered their particulars on the databank, while 91 companies have subscribed for access to it. We are hopeful that this

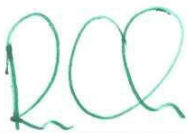
number will increase steadily, enabling companies to have access to a wider cross section of skill and expertise of prospective board members, rather than the hitherto practice of relying on personal acquaintance.

## CSR

The Institute continued to give substantial discount to directors of not-for-profit organizations and during the six months 2 directors from Citizen Foundation attended the Institute's directors training program.

## Finance

The Institute generated a surplus of Rs.14.8m compared to a surplus of Rs.9.5m in the corresponding period last year. For the six months to December 2018 your Institute performed extremely well. The surplus for the six months is just Rs.0.6m below the highest ever annual surplus achieved by the Institute and is 55% above the same period last year. This is a remarkable result and reflects the hard work put in by the management. The Board wishes to put on record its appreciation of the Chief Executive and his team for the excellent result. The Board would also like to thank the members, and regulators for their support and cooperation

A handwritten signature in green ink, consisting of stylized loops and curves.

Chairman  
February 28, 2019

A handwritten signature in blue ink, featuring a series of sharp, angular strokes.

President & CEO

**PAKISTAN INSTITUTE OF CORPORATE  
GOVERNANCE**

**CONDENSED INTERIM  
FINANCIAL STATEMENTS FOR THE HALF  
YEAR ENDED DECEMBER 31, 2018**

**A.F. FERGUSON & CO.**  
*Chartered Accountants*  
*a member firm of the PwC network*







A.F. FERGUSON & CO.

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Institute of Corporate Governance (the 'Institute') as at December 31, 2018 and the related condensed interim income and expenditure statement, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

#### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

  
Chartered Accountants  
Karachi

Dated: 28 February 2019

---

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](http://www.pwc.com/pk)>

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 DECEMBER 31, 2018

	Note	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,348,089	2,630,572
Financial assets at amortised cost	4	-	9,232,085
Long term security deposits		1,540,470	1,540,470
		<u>3,888,559</u>	<u>13,403,127</u>
<b>Current assets</b>			
Receivable from members	5	491,250	1,967,875
Short-term prepayments and advances		1,144,765	1,294,497
Financial assets at amortised cost	6	66,059,420	45,860,521
Other receivables		2,638,033	621,344
Tax refunds due from Government	7	10,759,874	10,549,232
Cash and bank balances		12,804,118	2,650,771
		<u>93,897,460</u>	<u>62,944,240</u>
<b>Total assets</b>		<u><u>97,786,019</u></u>	<u><u>76,347,367</u></u>
<b>FUND BALANCE &amp; LIABILITIES</b>			
<b>Fund Balance</b>			
Accumulated Fund		81,996,516	67,234,785
<b>Current Liabilities</b>			
Fees in advance		13,558,003	5,979,678
Accrued expenses		1,708,455	2,511,994
Other payables		523,045	620,910
		<u>15,789,503</u>	<u>9,112,582</u>
<b>Total Fund Balance and Liabilities</b>		<u><u>97,786,019</u></u>	<u><u>76,347,367</u></u>

The annexed notes from 1 to 12 form an integral part of these condensed interim 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)]

CONDENSED INTERIM INCOME AND EXPENDITURE STATEMENT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Note	December 31, 2018 Rupees	December 31, 2017 Rupees
<b>INCOME</b>			
Revenue from services	8	39,766,465	32,994,985
<b>EXPENDITURE</b>			
Salaries, allowances and benefits	9	13,862,472	13,255,797
Professional service fee		5,212,748	5,022,144
Rent		3,727,938	3,703,436
Depreciation		282,483	291,781
Travelling and conveyance		653,226	239,163
Utilities		457,137	398,194
Printing and stationery		529,215	432,739
Insurance		99,533	99,431
Repair and maintenance		479,612	413,187
Provision for doubtful debts		113,125	-
Other expenditure	10	2,413,865	1,532,761
		<b>27,831,354</b>	<b>25,388,633</b>
<b>Operating surplus</b>		<b>11,935,111</b>	<b>7,606,352</b>
Other Income		<b>2,826,620</b>	<b>1,862,566</b>
<b>Surplus for the period</b>		<b>14,761,731</b>	<b>9,468,918</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>14,761,731</b>	<b>9,468,918</b>

The annexed notes from 1 to 12 form an integral part of these  
condensed interim 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)]

CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Note	December 31, 2018 Rupees	December 31, 2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the period		14,761,731	9,468,918
Adjustment for:			
Return on bank balances and investments		(2,826,620)	(1,862,566)
Depreciation		282,483	291,781
Provision for doubtful debts		113,125	-
<b>Surplus before working capital changes</b>		<b>12,330,719</b>	<b>7,898,133</b>
<b>(Increase) / decrease in current assets:</b>			
Receivable from members		1,363,500	(1,657,487)
Short term prepayments		149,732	128,750
Other receivables		(2,016,689)	(1,590,316)
		(503,457)	(3,119,053)
<b>Increase / (decrease) in current liabilities:</b>			
Fees in advance		7,578,325	3,748,475
Accrued expenses		(803,539)	(1,280,123)
Other payables		(97,865)	(223,533)
		6,676,921	2,244,819
Cash generated from operations		18,504,183	7,023,899
Withholding tax paid / deducted		(210,642)	(2,049,870)
<b>Net cash generated from operating activities</b>		<b>18,293,541</b>	<b>4,974,029</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(233,500)
Proceeds from encashment of PIB		-	8,786,518
Return on bank balances and investments received		2,817,552	2,302,333
<b>Net cash generated from investing activities</b>		<b>2,817,552</b>	<b>10,855,351</b>
<b>Net increase in cash and cash equivalents</b>		<b>21,111,093</b>	<b>15,829,380</b>
Cash and cash equivalents at beginning of the period		48,511,292	33,230,941
<b>Cash and cash equivalents at end of the period</b>	11	<b>69,622,385</b>	<b>49,060,321</b>

The annexed notes from 1 to 12 form an integral part of these  
condensed interim 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)]

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Accumulated Fund Rupees
Balance at July 1, 2017	58,486,911
Total comprehensive income for the half year ended December 31, 2017	9,468,918
Balance at December 31, 2017	<u>67,955,829</u>
Balance at July 1, 2018	67,234,785
Total comprehensive income for the half year ended December 31, 2018	14,761,731
Balance at December 31, 2018	<u>81,996,516</u>

The annexed notes from 1 to 12 form an integral part of these  
condensed interim 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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (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 1, 2004 under section 42 of the repealed Companies Ordinance, 1984 (now section 42 of the Companies Act, 2017). Its members include 90 (June 30, 2018: 87) corporate, 21 (June 30, 2018: 20) individual and the following founding members:

- The Securities & 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
- 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
- Investment Banks 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 & 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 (now Companies Act, 2017) 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 upto 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 charged from individuals and companies.

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

## 2. STATEMENT OF COMPLIANCE

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;
- 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 and Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual financial statements of the Institute for the year ended June 30, 2018.

2.3 These condensed interim financial statements are unaudited but subject to limited scope review by the external auditors.

### 2.4 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current period**

- 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 Securities and Exchange Commission of Pakistan (SECP) has extended the applicability of IFRS 9 "Financial Instruments" for periods ending on or after June 30, 2019. The management is currently in the process of assessing the impacts of IFRS 9 on the Institute's financial statements.

- 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 condensed interim financial statements.



There are certain other new and amended standards and interpretations that are mandatory for the Institute's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or do not have any significant effect on the Institute's operations and are therefore not detailed in these condensed interim financial statements.

## 2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

- 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. This standard will be effective for the Institute's accounting period beginning on July 1, 2019. The management is in the process of assessing the impact of adoption of this standard on the Institute's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding annual audited financial statements of the Institute for the year ended June 30, 2018.

	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>4. FINANCIAL ASSETS AT AMORTISED COST</b>		
5 years - Pakistan Investment Bonds - note 4.1	9,241,153	9,232,085
Less: Investments having a maturity of less than one year:		
5 years - Pakistan Investment Bonds	(9,241,153)	-
	<u>-</u>	<u>9,232,085</u>
<b>4.1</b> These carry coupon rate of 11.50% per annum (June 30, 2018: 11.50% per annum) payable at six month interval and are carried at amortised cost maturing on July 17, 2019. These securities have an aggregate face value of Rs. 9.1 million (June 30, 2018: Rs. 9.1 million).		
<b>4.2</b> These bonds are held by the Institute's banker on behalf of the Institute.		



	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>5. RECEIVABLE FROM MEMBERS - UNSECURED</b>		
<b>Considered good</b>		
Annual subscription	307,500	-
Directors Training Program	-	1,816,000
Others	-	141,875
	<u>307,500</u>	<u>1,957,875</u>
<b>Considered doubtful</b>		
Annual subscription	200,000	210,000
Directors Training Program	245,000	-
Others	51,875	-
Less: Provision for doubtful debts - note 5.1	(313,125)	(200,000)
	<u>183,750</u>	<u>10,000</u>
	<u>491,250</u>	<u>1,967,875</u>

- 5.1 These have been provided against annual subscription, directors training program and other receivables from various members. The provision has been created against these balances based on management's best estimate.

	(Unaudited) December 31, 2018 Rupees	(Audited) June 30, 2018 Rupees
<b>6. FINANCIAL ASSETS AT AMORTISED COST</b>		
5 years - Pakistan Investment Bonds - note 4.1	9,241,153	-
Market treasury bills - note 6.1	56,818,267	45,860,521
	<u>66,059,420</u>	<u>45,860,521</u>

- 6.1 These carry interest rate of 8.74% to 10.30% (June 30, 2018: 6.24%) per annum and have maturity upto 3 months. These securities have an aggregate face value of Rs. 57 million (June 30, 2018: Rs. 46 million).

## 7. TAX REFUNDS DUE FROM GOVERNMENT

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.

		(Unaudited)	
		December 31, 2018	December 31, 2017
		Rupees	Rupees
<b>8. REVENUE</b>			
Entrance fee from members	455,000	1,400,000	
Annual subscription and application fee	4,294,500	5,677,500	
Fee from Directors Training Program	27,096,850	18,371,550	
Fee from specialised workshops	2,122,000	5,152,000	
Advisory services board evaluation	1,074,515	2,356,935	
Registration fee for enrollment in databank of independent directors	4,708,750	-	
Other income	14,850	37,000	
	<u>39,766,465</u>	<u>32,994,985</u>	

**9. SALARIES, ALLOWANCES AND BENEFITS**

Salaries, allowances and benefits includes Chief Executive's remuneration amounting to Rs. 6,919,680 (December 31, 2017: Rs. 6,049,788).

		(Unaudited)	
		December 31, 2018	December 31, 2017
		Rupees	Rupees
<b>10. OTHER EXPENDITURE</b>			
Marketing and advertisement	18,436	107,219	
Publication expenses	180,205	135,285	
Resource development	-	7,100	
Bank charges	19,282	11,916	
Boarding and lodging	1,116,151	603,008	
Others	1,079,791	668,233	
	<u>2,413,865</u>	<u>1,532,761</u>	

**11. CASH AND CASH EQUIVALENTS**

Cash and bank balances	12,804,118	4,286,178
Financial assets at amortised cost - note 6	56,818,267	44,774,143
	<u>69,622,385</u>	<u>49,060,321</u>

**12. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue by the Board of Directors of the Institute in their meeting held on **28 FEB 2019**.



Chief Financial Officer



Chief Executive Officer



Director