

Directors Report to the members of Pakistan Institute of Corporate Governance (PICG) for the half year-year ended December 31 2017

The Board of Directors of PICG is pleased to issue its report on the affairs of the Institute for half year ended December 31 2017

Operations

During the six months ended December 2017 the Institute conducted 8 Corporate Governance Leadership Skills (CGLS) programs, compared to five in the corresponding period last year. These included six in Karachi and one each in Lahore and Islamabad.

Participation level in these programs was encouraging and 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. Amongst the five organizations approved by SECP to conduct Director Training, PICG's competitive edge remains as we are the only organization that conducts a formal examination at the end of its Director Training program to ensure that participants have fully understood the concepts introduced.

The Institute also conducted three Directors Orientation workshops compared to five in the corresponding period last year, along with eight Board Evaluations. 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 both of which are extremely important for Boards to identify areas of weakness and strength. Accordingly Board Evaluation is considered central to good governance. Last year the Institute had introduced a number of specialized workshops in order to cover the shortfall in revenue from CGLS. In line with that strategy we conducted 4 specialized workshops on various aspect of 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 2017, two new members were inducted including OGDCL which become the first and to date the only life-time member of PICG. In addition eleven associate members applied for full membership which was approved by the Board.

Finance

The Institute generated a surplus of Rs.9.5m compared to a deficit of Rs.9.8m in the corresponding period last year. This was the highest surplus to date for the six months period and was achieved through higher revenue specially from non CGLS programs and a significant saving in costs. Total expenses, including faculty fee, during the six months were Rs.25.4m


compared to Rs.30.9m in the corresponding period last year, despite a much higher number of programs offered this year.

PICG in its efforts to spread corporate governance has started conducting training programs, for nominal fees, for Directors and Trustee of other section 42 not for profit companies. In the last quarter 5 Directors from Karwan-e-Hayat were trained.

We are also pleased to record that the SECP has recently authorized PICG the exclusive right to maintain an independent Director's data bank. We are in the process of working with SECP to finalize the rules governing the databank which is expected to be implemented shortly.

In the extra ordinary general meeting held on 14th November a new BoD of PICG was elected. In its first meeting the BoD, in line with the best practices of the Code of Corporate Governance, appointed a Chairman and formed the sub committees of the Board, including Audit, investment and the Human Resource and Remuneration Committees, members of which were all appointed from amongst the independent and non-Executive Directors. In addition the Board also formed a Strategy Steering Committee to help the management in developing long and medium term strategy of the Institute.

We look forward to the next quarter where although we expect the participation in Director Training to reduce, in view of the extension of one year granted by SECP in the 50% director training requirement, we are expecting to be able to bring about a competitive advantage as we begin to bring the independent Director databank online.

A handwritten signature in green ink, appearing to read "RCC", is positioned above a horizontal line.

Chairman
February 20, 2018

A handwritten signature in black ink, appearing to read "JAN", is positioned above a horizontal line.

President & CEO

PAKISTAN INSTITUTE OF CORPORATE
GOVERNANCE

CONDENSED INTERIM
FINANCIAL INFORMATION FOR THE HALF
YEAR ENDED DECEMBER 31, 2017

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





**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Institute of Corporate Governance as at 31 December 2017 and the related condensed interim income and expenditure account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 condensed interim financial information as of and for the half year ended 31 December 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants
Karachi

Dated: 27 February 2018

Name of the engagement partner: Farrukh Rehman

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 BALANCE SHEET AS AT DECEMBER 31, 2017

		(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
Note			
ASSETS			
Non-current assets			
	Property, plant and equipment	4 2,848,644	2,906,925
	Long term investments	5 9,241,153	9,232,085
	Long term security deposits	1,540,470	1,540,470
		<u>13,630,267</u>	<u>13,679,480</u>
Current assets			
	Receivable from members	6 2,472,487	815,000
	Short-term prepayments	1,184,785	1,313,535
	Short-term investments	7 44,774,143	41,050,782
	Other receivables	2,337,326	747,010
	Tax refunds due from Government	8 9,967,070	7,917,200
	Cash and bank balances	4,286,178	1,415,512
		<u>65,021,989</u>	<u>53,259,039</u>
	Total assets	<u><u>78,652,256</u></u>	<u><u>66,938,519</u></u>
FUND BALANCE & LIABILITIES			
Fund Balance			
	Accumulated Fund	67,955,829	58,486,911
Current Liabilities			
	Fees in advance	10,086,834	6,338,359
	Accrued expenses	559,838	1,839,961
	Other payables	49,755	273,288
		<u>10,696,427</u>	<u>8,451,608</u>
	Total Fund Balance and Liabilities	<u><u>78,652,256</u></u>	<u><u>66,938,519</u></u>

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



Chairman



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 ACCOUNTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Note	December 31, 2017 Rupees	December 31, 2016 Rupees
INCOME			
Revenue from services	9	32,994,985	18,223,455
EXPENDITURE			
Salaries, allowances and benefits	10	13,255,797	18,877,672
Professional service fee		5,022,144	4,456,060
Rent		3,703,436	3,389,034
Depreciation		291,781	403,241
Travelling and conveyance		239,163	559,422
Utilities		398,194	504,215
Printing and stationery		432,739	361,993
Insurance		99,431	196,435
Repair and maintenance		413,187	402,313
Other expenditure	11	1,532,761	1,742,080
		25,388,633	30,892,465
Operating surplus / (deficit)		7,606,352	(12,669,010)
Other Income		1,862,566	2,870,449
Surplus / (deficit) for the period		9,468,918	(9,798,561)
Other comprehensive income		-	-
Total comprehensive income / (loss)		9,468,918	(9,798,561)

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



Chairman



Chief Executive



Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

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CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Note	December 31, 2017 Rupees	December 31, 2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus / (deficit) for the period		9,468,918	(9,798,561)
Adjustment for:			
Return on bank balances and investments		(1,862,566)	(2,113,227)
Depreciation		291,781	403,241
Gain on disposal of fixed assets		-	(757,222)
Surplus / (deficit) before working capital changes		7,898,133	(12,265,769)
(Increase) / decrease in current assets:			
Receivable from members		(1,657,487)	(564,000)
Short term prepayments		128,750	368,967
Other receivables		(1,590,316)	(560,590)
		(3,119,053)	(755,623)
Increase / (decrease) in current liabilities:			
Fees in advance		3,748,475	3,536,575
Accrued expenses		(1,280,123)	(1,848,591)
Other payables		(223,533)	20,610
		2,244,819	1,708,594
Withholding tax paid / deducted		(2,049,870)	(110,436)
Net cash generated from / (used in) operating activities		4,974,029	(11,423,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(233,500)	(53,180)
Sale proceeds from disposal of property, plant and equipment		-	1,821,000
Proceeds from maturity of PIBs		8,786,518	-
Return on bank balances and investments received		2,302,333	2,101,742
Net cash generated from investing activities		10,855,351	3,869,562
Net increase / (decrease) in cash and cash equivalents		15,829,380	(7,553,672)
Cash and cash equivalents at beginning of the period		33,230,941	41,220,745
Cash and cash equivalents at end of the period	12	49,060,321	33,667,073

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



Chairman



Chief Executive



Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Accumulated Fund Rupees
Balance as at July 1, 2016	65,349,619
Total Comprehensive Loss for the half year ended December 31, 2016	(9,798,561)
Balance at December 31, 2016	<u>55,551,058</u>
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>

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



Chairman



Chief Executive



Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

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NOTE TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (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 Companies Ordinance, 1984. Its members include 85 (June 30, 2017: 88) Corporate, 17 (June 30, 2017: 17) 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
- 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 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 26 January 2021.

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

2. STATEMENT OF COMPLIANCE

- 2.1 This condensed interim financial information has been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. As per the requirements of circular No. CLD/CCD/PR (II)/2017 dated October 4, 2017 issued by SECP, companies the financial year of which closes on or before December 31, 2017 are required to prepare their financial statements in accordance with the provisions of the Ordinance. Accordingly approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.
- 2.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information 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, 2017.
- 2.3 This condensed interim financial information is unaudited but subject to limited scope review by the auditors.
- 2.4 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current period**

There are certain new and amended standards and interpretations that are mandatory for the Institute's accounting periods beginning on or after July 1, 2017 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 this condensed interim financial information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information 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, 2017.

	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
4. PROPERTY, PLANT AND EQUIPMENT		
Opening book value	2,906,925	4,631,245
Additions during the period / year	233,500	53,180
	<u>3,140,425</u>	<u>4,684,425</u>
Less: Written down value of disposals during the period / year	-	(1,063,778)
Less: Depreciation for the period / year	(291,781)	(713,722)
	<u>(291,781)</u>	<u>(1,777,500)</u>
	<u>2,848,644</u>	<u>2,906,925</u>

The details of additions and disposals during the period / year are as follows:

	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
5. LONG TERM INVESTMENTS		
Additions-Cost		
Office equipment	173,500	34,000
Furniture and Fittings	60,000	19,180
	<u>233,500</u>	<u>53,180</u>
Disposals-Cost		
Motor vehicles	-	2,475,900
	<u>-</u>	<u>2,475,900</u>
3 years - Pakistan Investment Bonds	-	9,235,353
5 years - Pakistan Investment Bonds - note 5.1	9,241,153	9,232,085
	<u>9,241,153</u>	<u>18,467,438</u>
Less: Investments having maturity of less than one year		
3 years - Pakistan Investment Bonds	-	(9,235,353)
	<u>9,241,153</u>	<u>9,232,085</u>

- 5.1 These carry coupon rate of 11.50% per annum (June 30, 2017: 11.50%) 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, 2017: Rs. 9.1 million).

	(Unaudited) December 31, 2017 Rupees	(Audited) June 30, 2017 Rupees
6. RECEIVABLE FROM MEMBERS		
Annual subscription	310,000	300,000
Directors Training Program	2,157,487	490,000
Others	5,000	25,000
	<u>2,472,487</u>	<u>815,000</u>
7. SHORT TERM INVESTMENTS		
3 years - Pakistan Investment Bonds	-	9,235,353
Market treasury bills- note 7.1	44,774,143	31,815,429
	<u>44,774,143</u>	<u>41,050,782</u>
7.1	These carry interest rate of 6.00% (June 30, 2017: 6.00%) per annum and have maturity upto 3 months. These securities have an aggregate face value of Rs. 45 million (June 30, 2017: Rs. 32 million).	
8. 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.		
	(Unaudited) December 31, 2017 Rupees	December 31, 2016 Rupees
9. REVENUE		
Entrance fee from members	1,400,000	500,000
Annual subscription and application fee	5,677,500	4,067,500
Fee from Directors Training Program	18,371,550	9,221,000
Fee from specialised workshops	5,152,000	3,167,000
Advisory services board evaluation	2,356,935	846,525
Other income	37,000	421,430
	<u>32,994,985</u>	<u>18,223,455</u>
10. SALARIES, ALLOWANCES AND BENEFITS		
Salaries, allowances and benefits includes Chief Executive's remuneration amounting to Rs. 6,049,788 (December 31, 2016 Rs. 10,684,855 including Rs. 3,512,808 paid to ex-CEO as leave encashment).		

(Unaudited)

	December 31, 2017 Rupees	December 31, 2016 Rupees
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11. OTHER EXPENDITURE

Marketing and advertisement	107,219	309,606
Publication expenses	135,285	134,760
Resource development	7,100	-
Bank charges	11,916	6,945
Boarding and lodging	603,008	622,363
Others	668,233	668,406
	1,532,761	1,742,080

12. CASH AND CASH EQUIVALENTS

Cash and bank balances	4,286,178	1,921,187
Short term investment in treasury bills	44,774,143	31,745,886
	49,060,321	33,667,073

13. GENERAL

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

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



Chairman



Chief Executive



Director