

Chairperson's Review

FY 2021-22

On behalf of the Board of Directors, I am pleased to present to you my review of the performance of Pakistan Institute of Corporate Governance (PICG) for the financial year 2021-22.

The year started with hope following emergence of global recovery in 2021 and gradual move to normalization and shift to strategic reflections and lessons learnt from the pandemic, most distinct has been focus on long-term sustainable thinking, hybrid models of work and open-mindedness towards technological advancements both to promote mitigation and adaptation and efficiency.

Unfortunately, the sense of reawakening and revival was not very long-lived with the outbreak of the Russia-Ukraine war that resulted in a humanitarian crisis, disruption to economic activity, trade and value chain and physical damage that significantly slowed down global growth. Consequently, global inflation heightened with rise in fuel and food prices. Global shock has magnified and coupled with developing countries growing macroeconomic complications has raised poverty and vulnerabilities hitting the hardest low-income countries. Pakistan was no exception.

To add to the instability, Pakistan witnessed political transition during the second half of the year with the shift in the government. The way events have unfolded it has triggered more economic uncertainty delaying opportunity to foster sustainable development, while interrupting economic and social progress. Unfortunately, the situation did not get any better towards the end of the year, and the country was hit by the most devastating floods as a direct result of climate change, destroying over 2 million homes, and leaving 7.9 million people displaced. An estimated 1,700 people have died and 12,800 injured and as per a UN Study approximately 25,100 schools have been damaged. Further, as the impact of the flooding continues, affectees are suffering from multiple diseases and infections across villages and camps, food shortages and prices are rising, and even basic commodities are becoming unaffordable for the vast majority.

Businesses were put to the ultimate test of continuity during these trying times – with those charged with governance having to cater to losses, human resource impact and environmental after affects. The adoption of long-term sustainable Environment, Social and Governance practices was never so clearly felt and acknowledged as they are now.

Hence, when PICG co-founded the PICG-PSX ESG Taskforce under an MOU with the Pakistan Stock Exchange, it was not hard to get stakeholder buy-in to join the ESG bandwagon. Various focus group discussions were held during the year to brainstorm ideas on expanding ESG awareness in the country and developing a set of guidelines to assist companies in adopting best practice in this regard. Several webinars, workshops and events were held, and a series of sector-wise Exploratory Round Table sessions

were initiated, the textile sector being the first one - held during the year. Thought leaders and business owners of Pakistan's leading companies attended the session where they discussed matters of business sustainability and the criticality of ESG. Participants discussed the urgency of ESG action required and challenges in prioritizing long-term resilience over short-term returns, key ESG indicators for the textile sector, and how formal ESG training, as well as meticulous data collection, can push this agenda forward.

Board

We bade farewell to CEO, Mr. Ahsan Jamil and Independent Director, Mr. Wasif Rizvi subsequent to year end. The transition to new leadership has been swift and smooth. The new CEO, Mr. Memosh Khawaja, took over with minimal disruption to the business. The Board looks forward to working with him on furthering the strategic mission of capacity building and policy advocacy of the Institute over 2022-23.

Business Activity

The revamp of the Institutes flagship Directors Training Program (DTP) was initiated during the year, recognizing the need to keep up with global best practices and trends in topics and adult learning tools while ensuring local and regional relevance. The completion of the project will be followed by 'Train the Trainers' sessions to onboard new faculty adding to the diversity and expertise of the existing pool.

PICG also signed an MoU with the Competition Commission of Pakistan during the year to strengthen awareness on corporate governance and competition compliance in Pakistan. This collaboration aligns both organizations in their efforts to promote good governance, fair play, and sustainable business practices. A new workshop on 'Leading a Successful Workplace Harassment Investigation' was also launched during the period.

Board evaluations during the year have expanded to various sectors, with an increase noted in public sector companies in the energy sector and microfinance banks. Likewise, our customized Director Orientation Workshops also witnessed expansion into new sectors such as companies under the Ministry of Defence, Non-Banking Finance Corporations and Islamic Banks.

Finance

PICG's finances were prudently managed with effective oversight of the Board Audit Committee as well as both the Institute's internal (BDO) and external auditors (AFF & Co) who diligently provided their services. The Board has reviewed the Annual Report and Financial Statements and is pleased to confirm that it considers that the report and financial statements, taken as a whole, are fair, balanced, and understandable.

Outlook

The Board approved the 3yr strategy and revised organogram during the year and launched its first Management Trainee program to engage fresh graduates and provide them with extensive exposure and a diverse learning experience at the start of their professional careers.

In line with its strategy to ensure that management focuses on core business activities and services, both HR and financial reporting was outsourced to HRSB & RSM, respectively. Further, the Institute has embarked on its transformational journey and initiated the implementation of an Integrated Microsoft ERP & CRM system to streamline the Institute's business processes.

Awareness and understanding of the rights of minority shareholders has been promoted during the year with inclusion of a section dedicated to the same in our quarterly newsletters. Further, capacity building and development of the SME sector is being explored and under PICG's digital transformation plan it will increasingly leverage technology that enhances its reach to SMEs.

Our Vision at PICG remains to build this Institute as a Center of Excellence for corporate governance expanding its purview to mainstream and recognizing the merits of ESG for sustainability of businesses and people.

The Board looks forward with confidence to the year ahead.



Dr Shamshad Akhtar
Chairperson

Directors Report to the Members of
Pakistan Institute of Corporate Governance (PICG)
for the Year Ended 30 June 2022

The Board of PICG is pleased to issue its report on the affairs of your Institute for the year 2021-2022.

BOARD COMPOSITION AND REMUNERATION

The Institute's Board is composed of ten members, including three women directors. There are four Independent Directors*, five Non-executive Directors and the CEO is the only Executive Director. The Board has four sub-committees – namely the Audit Committee, Human Resource and Remuneration Committee, Nomination Committee and the Investment Resource Mobilization and Business Development Committee.

The names of the Board Members, and composition of Board's sub-committees are given in the Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations) 2019. A class-wise categorization of Board Members is as follows:

CLASS A - by election

Dr. Fakhara Rizwan	Pakistan Stock Exchange
Mr. Faisal Akhtar	Overseas Investors Chamber of Commerce & Industry
Mr. Yousaf Hussain	Pakistan Banks Association

CLASS A - by nomination

Ms. Musarat Jabeen	Nominee Securities and Exchange Commission of Pakistan
Mr. Saleem Ullah	Nominee State Bank of Pakistan

CLASS B

Mr. Ahsan Iqbal	Lifetime Individual Member (Independent)
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CLASS C

Dr. Shamshad Akhtar	Honorary Lifetime Member (Independent)
Mr. Wasif A. Rizvi *	Corporate Member (Independent)
Mr. Muhammad Ashraf Bawany	Corporate Member (Independent)

*Mr Wasif Rizvi resigned on August 16, 2022, and the Board is currently in the process of appointing an Independent Director to fill the causal vacancy. Further, Mr. Memosh Khawaja replaced Mr. Ahsan Jamil as President & CEO in August 2022.

No remuneration is paid to the non-executive and independent directors as they serve on the Board *pro bono* except for the President & CEO, who is compensated in line with the Institutes HR Policies.

INSTITUTE'S OPERATIONS

Director Training Program

During the COVID-19 scenario, the Institute was quick to adopt and convert PICG's flagship Directors Training Program (DTP's) to an online platform and continued to do so in FY 2021-22 to facilitate professionals in continuing their professional development during these trying times. In-person trainings re-commenced during the year with the introduction of a 'Saturday-only' program, supporting those participants that could attend such training during weekdays. The Institute conducted 13 DTPs with 171 participants during the year ended 30 June 2022, compared to 11 programs last year with 178 participants.

Workshops & Webinars

During 2021-22, the Institute conducted 11 customized Director Orientation Workshops compared to 06 conducted during 2020-21 (an 83% increase), with clients from varied sectors. The Institute also conducted 19 Governance Workshops (LY: 25) on different topics including a new workshop on 'Leading a Successful Workplace Harassment Investigation' and webinars with the Competition Commission on Competition Law Compliance and one on the topic of 'Wellbeing and Mental Health in the Workplace'

Board Evaluations Service

The number of board evaluations completed this year were 32, with 18 in progress as at year end, (LY: 37 and 10 in progress), representing a 14% decrease in number of evaluations completed, however, corresponding revenue increased by 45% due to an increase in fee.

Memberships

This year the Institute inducted only 04 new members - 02 corporate and 02 individual members; compared to 22 new members - 7 corporate and 15 individual members last year.

FINANCIAL REVIEW

The total revenue for the year from operations increased by Rs. 9.6 million (11.2%) to Rs 95.2m from Rs.85.6 m last year. The main reasons for the increase are the increase in workshop and board evaluation revenues by Rs 6m and Rs 7m, respectively. Income from investments increased to Rs.12.9m compared to Rs.10.9m last year. The surplus for this year, after charging all expenses decreased by 18.8% to Rs. 20.3m compared to Rs.25m last year.

APPOINTMENT OF AUDITORS

A. F. Ferguson & Co. Chartered Accountants was appointed to act as external auditors of the Institute for the financial year ending June 30, 2022, in the AGM held on October 26, 2021. The statutory auditors completed their audit of the financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended 30 June 2022.

GOVERNANCE & HUMAN RESOURCE MANAGEMENT

Strategy

PICG's 3-year strategy was revised during the year concentrating on three main focus areas including: capacity development of the corporate sector through training, advisory and an effective communication strategy; advancing the corporate governance agenda through innovative and participative channels while laying the foundations to become a frontline institute for promoting capital market reforms through shareholder rights protection; and advancing the institute's research and policy advocacy agenda through partnerships and resource mobilization.

Two essential enablers which are critical to achieving the strategic objectives within the focus areas are organizational development - with the right human resources and bandwidth, and digital transformation of the Institute's key processes and records. In this regard, the organogram was reviewed in detail and amended after significant deliberation in line with the needs of the Institute under the new strategy approved by the Board.

Implementing HR Best Practices

PICG outsourced one of the top HR services companies, HRSG which provides employee data management, payroll and tax compliances, attendance and leave management automated systems.

PICG employees' payroll, final settlement and tax submission are now processed through HRSG system and employees can access relevant information i.e. income tax deductions, pay slips, leave balance etc. through their mobile apps.

Digitalization

The Institute has implemented an Integrated Microsoft ERP & CRM system to streamline the Institute's business processes. This has built an efficient system for reaching out to and engaging with individual and corporate audiences to build stronger relationships and integrate with a real-time accounting system that results in standardization and better customer service.

Financial Outsourcing

In line with its strategy to ensure that management focuses on core business activities and services, PICG outsourced its financial recording, corporate filing, and tax management responsibilities to RSM Pakistan. This provides further assurance on systems and processes within the Institute, along with the quarterly Internal Audits conducted by BDO Pakistan and external audit by AFF & Co.

NPO Certification

PICG has NPO Certification through the Pakistan Centre for Philanthropy (PCP) to avail tax credit under section 100(c) of Income Tax Ordinance 2002. The PCP is notified by the FBR to act as a Certification Agency for Non-Profit Organizations abiding by rules 211 to 220B of the Income Tax Rules 2002.

Stakeholder Engagement

The Institute has been actively involved with the International Corporate Governance Network (ICGN) and the Global Network of Director Institutes (GNDI) through representation at various Policy Committee & Members meetings, meetings with their executives, participation in membership surveys – both within the network and through the members' members, and contributions to their publications. New avenues of best practice and improvements are being discussed at these forums.

The national PSX-PICG ESG Taskforce was established during the year under the leadership of Dr Shamshad Akhtar through an MOU signed by both parties. The aim of the ESG Taskforce is to create awareness and encourage Environment Social and Governance (ESG) best practices through development of ESG guidelines for all businesses in Pakistan. Several meetings were held during the year and various events around the topic were attended by the Chairperson, CEO and staff, including a Roundtable with the Textile Sector. PICG also conducted ESG 101 workshops and initiated an ESG Survey to gauge awareness on ESG practices in Pakistan.

With the engagement of Board Members representing both apex and frontline regulators, the Institute is being encouraged to take a leadership role in contemporary governance debates like minority shareholder rights, and development of SME and NPO governance toolkits. Ms Sadia Khan, Commissioner -SECP also visited PICG's office and was provided an update on PICG's strategy and the ESG Taskforce mandate and proposed activities.

An MOU was signed with the Competition Commission in Islamabad to initiate a series of awareness programs around Competition Law and the first webinar on Competition Law Compliance was held in Q4.

PICG once again co-hosted the "Ring the Bell" event on Women's Day along with the Pakistan Stock Exchange, International Finance Corporation (IFC), UN Women and Women on Board (WOB). At the event, to inspire and promote Diversity, Equity & Inclusion in the Board Room, PICG CEO, Mr Ahsan Jamil proudly offered all women a 50% on PICG's flagship Directors Training Program.

PICG published a survey on ESG Awareness in Pakistan's Corporate Sector and a Report on the need for Quality Mentorship for CEO's & C-Suite Executives in Pakistan. PICG also sent members updates on activities of the Institute via the quarterly "Quorum" and hosted a brunch for faculty, being one of its key stakeholder groups.

BUSINESS CONTINUITY

The Board is pleased to report that throughout the several waves of the pandemic, and thereafter, the Institute's Management has been adaptable and responsive, and the Institute has continued to operate business as usual while limiting its health impacts on staff. Our members have played their part in this by stewarding their organizations through this extremely difficult time and continuing to participate in the Institute's programs and availing the Institute's services.

CORPORATE SOCIAL RESPONSIBILITY

The Board has adopted corporate social responsibility into the Institute's programming by offering a discounted DTP fee structure to women aspiring to board positions as well as for board members of not-for-profit organizations. This fee structure will now also be offered to board and senior management of small and medium sized businesses, particularly women-led SMEs. This CSR policy is embedded in the Institute's agenda to promote diversity and inclusion.

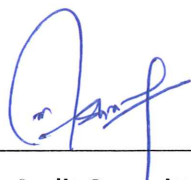
COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

As required under the Listed Companies (Code of Corporate Governance) Regulations 2019 the Directors are pleased to state as follows:

- The financial statements of the Institute present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Institute have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. Proper accounting records have been maintained by the Institute.
- International Financial Reporting Standards, as applicable to the Institute, have been followed in preparation of financial statements and deviation, if any, from these have been adequately disclosed and explained.
- The Chief Executive Officer and the finance department have reviewed the financial statements and Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards.
- The system of internal control is sound in design and effectively implemented and monitored.
- There are no significant doubts about the Institute's ability to continue as a going concern.
- The Institute has issued a statement of compliance with the code of corporate governance which has also been reviewed by the auditors of the Institute and states the extent of the Institutes adoption with best practices of corporate governance.
- The Board of Directors of the Institute is committed to good corporate governance and appropriate steps are taken to comply with best practices.

ACKNOWLEDGEMENT

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



Chairman Audit Committee

October 6, 2022



President/CEO & Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE**Opinion**

We have audited the financial statements of **Pakistan Institute of Corporate Governance (the Institute)**, which comprise the statement of financial position as at June 30, 2022 and the statement of income and expenditure, the statement of changes in fund balance and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2022 and of the surplus, the changes in accumulated fund and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the 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.

Other Matter

The financial statements of the Institute for the year ended June 30, 2021 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated October 05, 2021.

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 reports 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 of 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.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, 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 judgment 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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A.F.FERGUSON & Co.

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 cash flows and the statement of changes in fund balance 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 **Salman Hussain**.

A handwritten signature in blue ink, appearing to read 'A. F. Ferguson & Co.', with a horizontal line extending to the right.

A. F. Ferguson & Co.

Chartered Accountants

Dated: October 25, 2022

Karachi

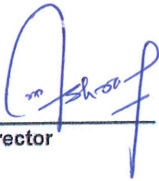
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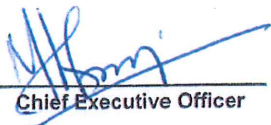
PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
Non-current assets			
Property and equipment	3	2,311,115	2,157,708
Right of use assets	4	7,670,924	12,380,208
Financial assets at amortised cost - Long-term	5	134,705,139	74,033,230
Security deposits	6	1,540,470	1,540,470
		<u>146,227,648</u>	<u>90,111,616</u>
Current assets			
Receivables	7	9,684,757	7,570,582
Short-term prepayments and advances	8	1,046,011	326,047
Financial assets at amortised cost - Short-term	9	6,121,791	57,727,325
Tax refunds due from Government	10	8,146,937	5,255,554
Cash and bank balances	11	13,646,823	3,572,211
		<u>38,646,319</u>	<u>74,451,719</u>
Total assets		<u><u>184,873,967</u></u>	<u><u>164,563,335</u></u>
FUND BALANCE & LIABILITIES			
Fund balance			
Accumulated fund		150,945,411	130,628,438
Non-current liabilities			
Lease liability	12	4,141,833	7,602,401
Current liabilities			
Fees in advance	13	13,637,340	11,661,899
Current portion of lease liability	12	4,252,012	5,475,914
Other payables		7,266,539	2,371,761
Rent payable		697,800	-
Accrued expenses		3,933,032	6,822,922
		<u>29,786,723</u>	<u>26,332,496</u>
CONTINGENCIES AND COMMITMENTS			
	14		
Total Fund Balance and Liabilities		<u><u>184,873,967</u></u>	<u><u>164,563,335</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

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Director


Chief Executive Officer



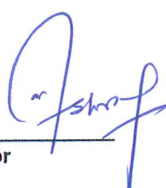
Director


PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2022


	Note	2022 Rupees	2021 Rupees
INCOME			
Revenue from services	15	95,283,343	85,643,258
EXPENDITURE			
Salaries, allowances and benefits	16	46,432,307	37,217,406
Professional service fee		25,193,427	20,422,192
Depreciation on property and equipment		498,793	543,754
Depreciation on right of use asset		3,754,650	4,912,232
Travelling and conveyance		406,850	538,986
Utilities		915,074	1,360,026
Printing and stationery		883,579	434,533
Insurance		252,747	155,610
Repair and maintenance		1,212,766	987,208
Provision for expected credit losses		4,711,268	1,390,434
Other expenditure	17	2,242,428	1,445,310
		86,503,889	69,407,691
Operating surplus		8,779,454	16,235,567
Other income	18	12,889,924	10,926,513
Finance cost - lease liability	12	(1,352,405)	(2,140,046)
Surplus for the year		20,316,973	25,022,034
Other comprehensive income		-	-
Total comprehensive income		20,316,973	25,022,034

The annexed notes from 1 to 27 form an integral part of these financial statements.

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Director


Chief Executive Officer

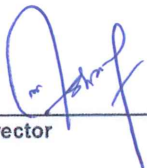

Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2022

	Accumulated Fund Rupees
Balance as at July 01, 2020	105,606,404
Total comprehensive income for the year ended June 30, 2021	25,022,034
Balance as at June 30, 2021	<u>130,628,438</u>
Total comprehensive income for the year ended June 30, 2022	20,316,973
Balance as at June 30, 2022	<u>150,945,411</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

All in


Director


Chief Executive Officer

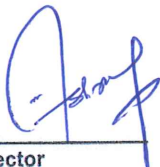

Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022


	Note	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		20,316,973	25,022,034
Adjustment for:			
Return on bank balances and investments		(12,889,924)	(10,502,396)
Depreciation on Property and equipment		498,793	543,754
Depreciation on Right-of-use assets		3,754,650	4,912,232
Finance cost on lease liability		1,352,405	2,140,046
Gain on disposal of fixed asset		-	(424,116)
Expected credit loss		4,711,268	1,390,434
Surplus before working capital changes		17,744,165	23,081,988
Decrease / (increase) in current assets:			
Receivables		(6,825,443)	(3,847,895)
Short term prepayments and advances		(719,964)	(38,542)
		(7,545,407)	(3,886,437)
(Decrease) / Increase in current liabilities:			
Fees in advance		1,975,441	1,940,502
Accrued expenses		(2,889,890)	6,015,966
Other payables		4,894,778	803,171
		3,980,329	8,759,639
Cash generated from operating operations		14,179,087	27,955,190
Withholding tax paid		(2,891,383)	6,991,386
Net cash generated from operating activities		11,287,704	34,946,576
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(652,200)	(449,885)
Proceeds from maturity of short-term investments		8,600,000	7,946,943
Purchase of investments		(65,175,327)	(75,815,906)
Proceeds from disposal of fixed assets		-	3,400,000
Return on bank balances and investments received		11,107,067	10,483,849
Net cash used in investing activities		(46,120,460)	(54,434,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment against lease liabilities		(4,384,440)	(5,082,241)
Net cash used in financing activities		(4,384,440)	(5,082,241)
Net decrease in cash and cash equivalents		(39,217,196)	(24,570,664)
Cash and cash equivalents at beginning of the year		52,864,019	77,434,683
Cash and cash equivalents at end of the year	19	13,646,823	52,864,019

The annexed notes from 1 to 27 form an integral part of these financial statements.

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Director


Chief Executive Officer


Director

**PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. THE INSTITUTE AND ITS OPERATIONS

1.1 Pakistan Institute of Corporate Governance (the Institute) was incorporated in Pakistan as a company limited by guarantee without share capital on December 01, 2004 under section 42 of the repealed Companies Ordinance, 1984 (now section 42 of the Companies Act, 2017). It's members include 99 (June 30, 2021: 97) Corporate, 47 (June 30, 2021: 41) Individual and the following founding members:

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

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

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

2 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.

2.1 BASIS OF PREPARATION

2.1.1 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 as applicable in Pakistan for financial reporting comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

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

2.1.3 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.1.4 **Standards, interpretations and amendments to accounting and reporting standards that are effective in the current year**

There are certain amendments to standards that are mandatory for the Institute's accounting period beginning on July 1, 2021. However, these are either not relevant or do not have any significant impact on the Institute's operations and, therefore, have not been detailed in these financial statements.

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2.1.5 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Institute's accounting periods beginning on or after July 1, 2022, but are considered to be not relevant or will not have any significant impact on the Institute's operations and, therefore, have not been detailed in these financial statements.

2.3 Accounting policies

2.3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value, if any. Depreciation on office 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 and fixtures and vehicles is charged using the reducing balance method. 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 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.

2.3.2 Receivables from members

Receivables are stated at invoice value less provision for uncollectible amounts. Bad debts are written-off when there is no realistic prospect of recovery.

2.3.3 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.

2.3.4 Right of use assets and their related lease liability

2.3.4.1 Right of use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are subsequently stated at cost less any accumulated depreciation / accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight-line method.

2.3.4.2 Lease liability against right of use assets

At the commencement date of the lease, the Institute recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Institute and payments of penalties for terminating a lease, if the lease term reflects the Institute exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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In calculating the present value of lease payments, the Institute uses the incremental borrowing rate at the initial application date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.3.5 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.

2.3.6 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.

2.3.7 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 or amortised 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.

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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.

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 bank balances and other receivable 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.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach in respect of receivable balance from members and has calculated ECL based on life time ECL.

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.

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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.

2.3.8 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.

2.3.9 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

2.3.10 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 using effective rate of interest.

2.3.11 Income Taxes

The Institute is exempt from Income Taxes under the Income Tax Ordinance, 2001 and therefore has made no provision for income taxes in the financial statement.

3. PROPERTY AND EQUIPMENT

	Cost				Accumulated depreciation				Net book value as at June 30, 2022	Rate
	As at July 01, 2021	Additions	Disposals	As at June 30, 2022	As at July 01, 2021	Charge for the year	On disposals	As at June 30, 2022		
	Rupees									%
Vehicles	-	-	-	-	-	-	-	-	-	20%
Office equipment	2,479,747	547,200	-	3,026,947	1,970,352	247,606	-	2,217,958	808,989	30%
Furniture and fixtures	5,397,466	105,000	-	5,502,466	3,749,153	251,187	-	4,000,340	1,502,126	15%
	<u>7,877,213</u>	<u>652,200</u>	<u>-</u>	<u>8,529,413</u>	<u>5,719,505</u>	<u>498,793</u>	<u>-</u>	<u>6,218,298</u>	<u>2,311,115</u>	

	Cost				Accumulated depreciation				Net book value as at June 30, 2021	Rate
	As at July 01, 2020	Additions	Disposals	As at June 30, 2021	As at July 01, 2020	Charge for the year	On disposals	As at June 30, 2021		
	Rupees									%
Vehicles	3,694,200	-	3,694,200	-	615,700	102,617	(718,317)	-	-	20%
Office equipment	2,071,747	408,000	-	2,479,747	1,816,398	153,954	-	1,970,352	509,395	30%
Furniture and fixtures	5,355,581	41,885	-	5,397,466	3,461,969	287,184	-	3,749,153	1,648,313	15%
	<u>11,121,528</u>	<u>449,885</u>	<u>3,694,200</u>	<u>7,877,213</u>	<u>5,894,067</u>	<u>543,755</u>	<u>(718,317)</u>	<u>5,719,505</u>	<u>2,157,708</u>	

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	Note	2022 Rupees	2021 Rupees
4. RIGHT OF USE ASSETS			
Cost			
Opening as at July 1		21,615,550	21,615,550
Re-assessment adjustment		(954,634)	-
Closing as at June 30		<u>20,660,916</u>	<u>21,615,550</u>
Accumulated depreciation:			
Opening as at July 1		9,235,342	4,323,110
Charge for the year		3,754,650	4,912,232
Closing as at June 30		<u>12,989,992</u>	<u>9,235,342</u>
Net carrying amounts as at 30 June		<u>7,670,924</u>	<u>12,380,208</u>
5. FINANCIAL ASSETS AT AMORTISED COST - LONG-TERM			
Pakistan Investment Bonds	5.1	<u>134,705,139</u>	<u>82,468,747</u>
5.1 These carry profit yield @ 7.83% - 13.20% per annum (June 30, 2021: 7.83% - 13.20% per annum) payable at three / six month interval and are carried at amortised cost maturing on June 19, 2023, August 20, 2023, October 22, 2023, August 05, 2024 and October 07, 2024.			
5.2 These instruments are held by the Institute's banker on behalf of the Institute.			
6. LONG TERM SECURITY DEPOSITS			
These represent security deposits paid to The Forum in accordance with the Rental agreements for office suites 315			
	Note	2022 Rupees	2021 Rupees
7. RECEIVABLES - UNSECURED			
Receivable from members			
Annual subscription		4,705,550	1,417,250
Director's Training Program		9,639,203	1,092,000
Fee from specialised workshops and others		2,321,831	1,546,220
Entrance fee		72,500	325,500
		<u>16,739,084</u>	<u>4,380,970</u>
Other receivables		-	5,532,671
		<u>16,739,084</u>	<u>9,913,641</u>
Less: Provision for expected credit losses		<u>(7,054,327)</u>	<u>(2,343,059)</u>
		<u>9,684,757</u>	<u>7,570,582</u>
The age analysis of receivable from members is as follows:			
Not yet due (1 to 30 days)		3,385,596	1,484,375
Past due but not yet impaired			
- 31 to 60 days		3,004,860	134,400
- 61 to 90 days		125,450	276,000
- 91 to 120 days		432,396	-
- older than 120 days		9,790,782	2,486,195
		<u>16,739,084</u>	<u>4,380,970</u>
8. SHORT-TERM PREPAYMENTS AND ADVANCES			
Prepaid insurance		198,123	17,843
Other prepayments		797,888	258,204
Advance against expenses		50,000	50,000
		<u>1,046,011</u>	<u>326,047</u>
9. FINANCIAL ASSETS AT AMORTISED COST - SHORT-TERM			
Market treasury bills	9.1	-	49,291,808
Pakistan Investment Bonds		<u>6,121,791</u>	<u>8,435,517</u>
		<u>6,121,791</u>	<u>57,727,325</u>

These carry profit yield @ 11.54% per annum (June 30, 2021: 13.20% per annum) payable at three / six month interval and are carried at amortised cost maturing on September 19, 2022.

9.1 These securities have an aggregate face value of Rs. Nil million (June 30, 2021: Rs.50 million) and are carried at amortised cost.

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

	Note	2022 Rupees	2021 Rupees
10. TAX REFUNDS DUE FROM GOVERNMENT			
Tax deducted at source	10.1	<u>8,146,937</u>	<u>5,255,554</u>

10.1 This represents refundable withholding tax deducted from payments made to the Institute. The Institute is in the process of recovering the said balance from the authorities.

	Note	2022 Rupees	2021 Rupees
11. CASH AND BANK BALANCES			
Cash in hand		40,000	40,000
Cash at bank :			
- saving account	11.1	<u>13,606,823</u>	<u>3,532,211</u>
		<u>13,646,823</u>	<u>3,572,211</u>

11.1 Represents savings account with a commercial bank carrying profit of 10% per annum (2021: 5.5%% per annum).

	2022 Rupees	2021 Rupees
12. LEASE LIABILITIES		
At the beginning of the year	13,078,315	16,020,510
Re-assessment adjustment	(954,634)	-
Finance cost	1,352,405	2,140,046
Payments	(4,384,440)	(5,082,241)
Reclassified to rent payable	(697,800)	-
As at June 30, 2022	<u>8,393,846</u>	<u>13,078,315</u>
Non-current portion of lease liability	4,141,833	7,602,401
Current portion of lease liability	<u>4,252,012</u>	<u>5,475,914</u>
	<u>8,393,845</u>	<u>13,078,315</u>

13. FEES IN ADVANCE		
Annual Subscription Fee	-	1,511,000
Board evaluation fee	11,456,340	6,989,374
Advance fee for Directors' Training Program	2,181,000	2,176,019
Others	-	985,506
	<u>13,637,340</u>	<u>11,661,899</u>

14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2022 and June 30, 2021.

	Note	2022 Rupees	2021 Rupees
15. REVENUE FROM SERVICES			
Entrance fee from members		560,000	2,430,000
Annual subscription and application fee		18,531,000	16,805,000
Fee from Director's Training Program		41,778,538	44,967,235
Fee from specialized workshops		11,909,431	5,892,423
Advisory services for board evaluation	15.1	22,504,374	15,523,600
Sale of publication		-	25,000
		<u>95,283,343</u>	<u>85,643,258</u>

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

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	2022 Rupees	2021 Rupees
16. PROFESSIONAL SERVICE FEE		
Director's Training Program	13,390,895	10,120,000
Board evaluation	6,289,210	4,661,899
Specialised workshops	3,924,580	2,625,000
Finance outsourcing	464,400	-
Human resource outsourcing	113,000	-
Search for CEO	-	1,356,000
PCP certification	-	398,700
Professional fee for tax	-	292,880
Others	1,011,342	967,713
	<u>25,193,427</u>	<u>20,422,192</u>
17. OTHER EXPENDITURE		
Marketing and advertisement	61,500	262,473
Publication expenses	84,540	366,785
Canteen supplies	182,229	89,894
Membership fees	-	286,274
Others	1,914,159	439,884
	<u>2,242,428</u>	<u>1,445,310</u>
18. OTHER INCOME		
Return / interest on:		
- Profit / loss saving account	1,870,820	823,672
- Market Treasury bills	1,071,249	5,760,531
- Pakistan Investment Bonds	9,947,855	3,918,194
Gain on disposal of fixed assets	-	424,116
	<u>12,889,924</u>	<u>10,926,513</u>
19. CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,646,823	3,572,211
Short term investments	-	49,291,808
	<u>13,646,823</u>	<u>52,864,019</u>

20. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2022 Rupees	2021 Rupees
Key management employees compensation	Salaries and other employee benefits	<u>17,268,198</u>	<u>20,996,184</u>

20.1 Key management personnel includes Chief Executive Officer and Chief Financial Officer.

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	6,121,791	134,705,139	140,826,930	-	-	-	140,826,930
Long-term security deposits	-	-	-	-	1,540,470	1,540,470	1,540,470
Receivable from members	-	-	-	9,684,757	-	9,684,757	9,684,757
Cash and bank balances	13,606,823	-	13,606,823	-	-	-	13,606,823
June 30, 2022	<u>19,728,614</u>	<u>134,705,139</u>	<u>154,433,753</u>	<u>9,684,757</u>	<u>1,540,470</u>	<u>11,225,227</u>	<u>165,658,980</u>
June 30, 2021	<u>61,259,536</u>	<u>74,033,230</u>	<u>135,292,766</u>	<u>7,570,582</u>	<u>1,540,470</u>	<u>9,111,052</u>	<u>144,403,818</u>

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	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 Liabilities							
Lease liability	4,252,012	4,141,833	8,393,845	-	-	-	8,393,845
Accrued expenses	-	-	-	3,933,032	-	3,933,032	3,933,032
Rent payable	-	-	-	697,800	-	697,800	697,800
Other payables	-	-	-	7,266,539	-	7,266,539	7,266,539
June 30, 2022	4,252,012	4,141,833	8,393,845	11,897,371	-	11,897,371	20,291,216
June 30, 2021	5,475,914	7,602,401	13,078,315	9,194,683	-	9,194,683	22,272,998

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, 2022, 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 is exposed to such risk on its balances held with banks and investments in Pakistan investment bond. At the statement of financial position date, the interest rate risk profile of the Institute's interest bearing financial instruments is:

a) Sensitivity analysis for variable rate instruments

Presently, the Institute holds PKRV based Pakistan investment bond and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year of the Institute would have been higher / lower by Rs. 14.482 million (2021: Rs. 4.052 million).

b) Sensitivity analysis for fixed rate Instruments

Presently, the Institute holds fixed rate Pakistan investment bond which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year of the Institute would have been higher / lower by Rs. 1.500 million (2021: Rs. 0.296 million).

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(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 also include 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. 40,000.

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:

	2022 Rupees	2021 Rupees
Financial assets at amortised cost	140,826,930	131,760,555
Long-term security deposits	1,540,470	1,540,470
Receivable from members	9,684,757	7,570,582
Cash and bank balances	13,606,823	3,532,211
	<u>165,658,980</u>	<u>144,403,818</u>

The credit quality of financial asset at amortised cost includes investment in government securities which are not exposed to credit risk as these are guaranteed by the Government of Pakistan. The credit quality of receivable 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:

Bank	Rating agency	Rating	
		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**23.1 Number of employees at June 30**

	2022	2021
- Permanent	14	8
- Contractual	4	5
	<u>18</u>	<u>13</u>

23.2 Average number of employees during the year

	2022	2021
- Permanent	13	9
- Contractual	4	4
	<u>17</u>	<u>13</u>

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	
	2022	2021	2022	2021
Managerial remuneration	15,642,000	15,338,734	8,491,099	12,355,884
Bonus	2,300,000	2,300,000	1,693,412	2,072,383
	<u>17,942,000</u>	<u>17,638,734</u>	<u>10,184,511</u>	<u>14,428,267</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>6</u>

25. RECLASSIFICATION

Comparative figures have been re-arranged and re-classified for the purpose of better presentation, the effect of which is not material.

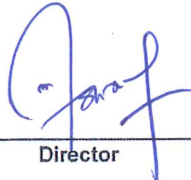
26. GENERAL

26.1 Figures have been rounded off to the nearest rupee unless otherwise stated.


26.2 Certain prior year's figures have been reclassified for the purpose of compression. However there were no material reclassifications to report.

27. 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 October 6, 2022.
 All ✓


 Director


 Chief Executive Officer


 Director

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pakistan Institute of Corporate Governance Year Ended June 30, 2022

This statement is being presented to voluntarily comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 and establishes that Pakistan Institute of Corporate Governance (“the Institute”) is managed in compliance with the best practices of corporate governance. The Institute is not required to comply with the provisions of the Code of Corporate Governance which are applicable to listed companies. However, to ensure the implementation of best practices in its own operations, the Board of Directors of the Institute have decided to measure its governance against the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Institute complies with such provisions of the Code that specifically relate to its activities and operations.

1. The total number of directors are 10 (9 elected directors and the CEO) comprising the following:
 - a. Males : 7
 - b. Females : 3
2. The composition of the Board is as follows:
 - i. **Independent Directors**
 - a) Dr. Shamshad Akhtar (Chairperson)
 - b) Mr. Ahsan Iqbal
 - c) Mr. Muhammad Ashraf Bawany
 - d) Mr. Wasif Akbar Rizvi (resigned subsequent to year end on August 16, 2022)
 - ii. **Non-Executive Directors**
 - a) Mr. Faisal Akhtar (Founding Director - OICCI)
 - b) Dr. Fakhara Rizwan (Founding Director – Pakistan Stock Exchange)
 - c) Ms. Musarat Jabeen (Founding Director – Securities & Exchange Commission of Pakistan)
 - d) Mr. Saleem Ullah (Founding Director – State Bank of Pakistan)
 - e) Mr. Yousaf Hussain (Founding Director – Pakistan Banks Association)

iii. Executive Director

- a) Mr. Ahsan Jamil (President & CEO)*

**Resigned subsequent to year end on August 16, 2022. Mr. Memosh Khawaja appointed as CEO on August 22, 2022)*

iv. Female Directors

- a) Dr. Shamshad Akhtar
b) Dr. Fakhara Rizwan
c) Ms. Musarat Jabeen

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/members as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. No remuneration is paid to the Directors except for the Executive Director for whose remuneration the Board has a formal policy and transparent procedure in accordance with the Act and these Regulations
9. The Board is in compliance with the requirement of Directors' Training program as the following Directors have completed their Directors Training or have been exempted from the requirement under provisions of the Code:
- i. Dr. Shamshad Akhtar
ii. Mr. Ahsan Iqbal
iii. Mr. Ahsan Jamil
iv. Mr. Faisal Akhtar

- v. Dr. Fakhara Rizwan
- vi. Mr. Muhammad Ashraf Bawany
- vii. Ms. Musarat Jabeen
- viii. Mr. Wasif Akber Rizvi
- ix. Mr. Yousaf Hussain

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The chief financial officer resigned during the year with effect from January 16, 2022, and in his place head of finance was appointed with effect from April 21, 2022. Moreover, the Company secretary resigned during the year with effect from January 31, 2022 and acting company secretary was appointed in her place, prior to her exit with effect from January 8, 2022.

11. Chief Financial Officer/Head of Finance and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

i. Audit Committee

- Mr. Muhammad Ashraf Bawany (Independent Chairman)
- Mr. Ahsan Iqbal (Independent Director)
- Dr. Fakhara Rizwan (Non-executive Director)
- Mr. Saleem Ullah (Non-executive Director)

ii. Human Resource Committee

- Ms. Musarat Jabeen (Non-executive Chairperson)
- Dr. Fakhara Rizwan (Non-executive Director)
- Mr. Faisal Akhtar (Non-executive Director)
- Mr. Muhammad Ashraf Bawany (Independent Director)
- Mr. Ahsan Jamil (Executive Director)

iii. Nomination Committee

- Dr. Shamshad Akhtar (Independent Chairperson)
- Ms. Musarat Jabeen (Non-executive Director)
- Mr. Yousaf Hussain (Non-executive Director)
- Mr. Ahsan Jamil (Executive Director)

iv. Investment Resource Mobilization & Business Development Committee

- Mr. Yousaf Hussain (Non-executive Chairman)
- Mr. Faisal Akhtar (Non-executive Director)
- Ms. Musarat Jabeen (Non-executive Director)

- Mr. Saleem Ullah (Non-executive Director)
- Mr. Ahsan Jamil (Executive Director)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees during the year ended June 30, 2022, were as follows:

- i. Audit Committee - Three (3) meetings **
- ii. Human Resource Committee - Three (3) meetings
- iii. Nomination Committee - Zero (0) meetings
- iv. Investment Committee - Zero (0) meeting

15. The Board has outsourced the internal audit function to BDO Pakistan who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, except for:

** The requirement under Regulation 27 (2)(i) as no meeting of the Audit Committee was held in Q3 on account of the financial statements for half year and quarter ended Dec 31, 2021 being delayed after the resignation of the CFO, and non-availability of staff and requisite information within the required time. However, the Audit Committee was regularly kept abreast of activities through email communications by the Chief Executive Officer.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

i. Regulation 10(2): Risk Policy

A formal risk policy has not been documented, although risks have been assessed and related risk factors & opportunities disclosed in the Institute's annual report. Further, risks are managed through quarterly internal audits conducted by an outsourced audit firm, the reports of which are reviewed by the Audit Committee. However, we plan to develop a formal risk policy within the first half of the current year 2022-23.

ii. Regulation 10(3): Board Evaluation

As the new Board was appointed in May 2021, a decision was taken to conduct the performance evaluation of the Board after the completion of the fiscal year 2021-22 so that the new members had time to settle and provide better insights. The Board has already initiated the process after a discussion in its last Board meeting held on October 6, 2022.

iii. Regulation 28. Human Resource and Remuneration Committee

Chair of the Human Resource and Remuneration Committee, not being an Independent Director as per Regulation 28, owes to the Institute's commitment to having a woman chair for gender balance in committee leadership which was deemed more important by the Board. Moreover, as a not for profit we are not required by law to comply or explain but do so in the spirit and practice of good governance.

On behalf of the Board



DR. SHAMSHAD AKHTAR

CHAIRPERSON

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Pakistan Institute of Corporate Governance

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pakistan Institute of Corporate Governance (the Institute) for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Institute. Our responsibility is to review whether the Statement of Compliance reflects the status of the Institute's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Institute's personnel and review of various documents prepared by the Institute to comply with the Regulations.


As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Institute's corporate governance procedures and risks.

The Regulations require the Institute to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Institute's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Institute for the year ended June 30, 2022.

Further, we highlight below the instance of non-compliance with the requirement of the Regulations as reflected in paragraph reference where it is stated in the Statement of Compliance.

Reference	Description
Clause 18	No meeting of the Audit Committee was held in the third quarter.


A.F. Ferguson & Co.
Chartered Accountants
Engagement partner: Salman Hussain
Karachi
Date: October 25, 2022
UDIN: CR202210113fAavL4IVF

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