

Directors Report to the Members of Pakistan Institute of Corporate Governance (PICG) for the year ended June 30th, 2023.

The Board of PICG is pleased to issue its report on the affairs of your Institute, for the year ended June 30th, 2023.

Board Composition and Remuneration

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. Kaiser Haneef Naseem*

ii. Non-Executive Directors (Nominee Directors of Founding Members)

- a) Dr. Fakhara Rizwan - Pakistan Stock Exchange
- b) Ms. Musarat Jabeen - Securities & Exchange Commission of Pakistan
- c) Mr. Saleem Ullah - State Bank of Pakistan
- d) Mr. Yousaf Hussain - Pakistan Banks Association
- e) Mr. Ahmed Zahid Zaheer** - Overseas Investors Chamber of Commerce & Industry

iii. Executive Director

- a) Mr. Memosh Khawaja*** - President & CEO

iv. Female Directors

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

* Mr. Kaiser H Naseem replaced Mr. Wasif Rizvi in October 2022.

** Mr. Ahmed Zahid Zaheer replaced Mr. Faisal Akhtar in April 2023.

*** Mr. Memosh Khawaja replaced Mr. Ahsan Jamil as President & CEO in August 2022.

Highlights

- During the full year under review, the Institute went through a management transition, appointing the new CEO, Mr. Memosh Khawaja in August 2022.
- The institute achieved a significantly strong financial year, recording operating revenue growth of 32% and net profitability growth of 37%, driven by both operational and investment income.
- The institute updated its flagship director training program in March 2023 with updated content, induction of new faculty and enhanced delivery and regional scope.
- The institute also pushed forward its advocacy agenda significantly by initiating several events, webinars and researches and by also increasing its outreach to stakeholders.

Institute's Operations

During the full year, the Institute conducted 20 Director Training Programs (DTP) vs. 13 conducted in previous year. This strong activity is based on in-person, online and customer specific programs held. The Directors Training Program was revamped in March, comprising of updated content as per latest corporate governance trends and needs. PICG also inducted new faculty, comprising of practicing senior professionals and subject matter experts, through a two days Training of Trainers program. The updated program was also rolled out to new locations in Islamabad and Lahore within the financial year.

The institute also conducted nine Director Orientation Workshops (DOWs) during the year.

The institute focused its workshops programming on more relevant and high interest topics, retaining some of the previous workshops while introducing several new programs, holding a total of ten workshops. The new programming added the dimension of ESG to the institute's portfolio, introducing Pakistan's first ESG for Boards and ESG for Banks workshops.

The institute also completed a record fifty-four Board Evaluations compared to thirty-two in the previous year, comprising fourteen first-time clients including two self-regulatory bodies. This year also marked the addition of three new advisory services delivered to clients, comprising of development of corporate governance policies and plans, terms of reference for board committees, and a delegation of authority matrix. Furthermore, the Institute developed corporate governance frameworks for unlisted companies in the start-up/family business and microfinance space.

This year new memberships acceptance was on hold during the second half of the year to review the offerings to the members. In total, there were 05 new members added in the first half of the year.

The institute went through a phase of management change within the first half of the year, including the appointment of the new CEO, a new head of Training and a new research manager. The institute also outsourced the finance function fully during the third quarter of the year.

Administratively, the institute completed implementation of a new customer and finance software system. Furthermore, a major initiative was taken to reduce use of paper by digitalizing training attendees reading material and feedback forms.

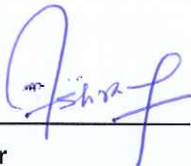
Future Outlook

The institute expects a continued positive development in its services and revenues over the coming year. There is a plan to launch new in-demand workshops in the coming year to continually expand portfolio and fuel further revenue growth. With the expected introduction of a new State-owned Enterprises policy mandating its directors' training on the new SOE Act and policy, PICG is geared to meet this new training demand. PICG also intends to build its capacity in ESG and corporate governance advisory services which are expected to bring new business in the second half of the new year. The overall economic outlook and resulting corporate investment in governance remain nevertheless a watch-out.

The institute also aims to play a larger role in enhancing the corporate governance agenda through stronger research and advocacy. In this regard, the institute is currently strengthening its capability to serve its stakeholders through partnerships, human resource and technology-based initiatives.

Acknowledgement

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

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Director

November 1, 2023



President/CEO & Director



INDEPENDENT AUDITOR'S REPORT

To the members of the Pakistan Institute of Corporate Governance

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Pakistan Institute of Corporate Governance (the Institute)**, which comprise the statement of financial position as at June 30, 2023, and the income and expenditure statement, 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 and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of cash flows and the statement of changes in fund balance 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, 2023 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.

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional 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.



**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 Junaid Mesia.

A handwritten signature in blue ink, appearing to read 'A. Ferguson & Co.', is written over the printed name.

A. F. Ferguson & Co.

Chartered Accountants

Dated: November 2, 2023

Karachi

UDIN: AR202310611dL1HhDyGA

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022
------(Rupees)-----			
ASSETS			
Non-current assets			
Property and equipment	3	3,983,218	2,311,115
Right of use assets	4	6,889,619	7,670,924
Financial assets at amortised cost	5	138,224,053	134,705,139
Security deposits	6	1,540,470	1,540,470
		150,637,360	146,227,648
Current assets			
Receivables - Unsecured	7	16,381,669	9,684,757
Prepayments, advances and interest receivable	8	1,257,276	1,046,011
Financial assets at amortised cost	9	-	6,121,791
Tax refunds due from Government	10	16,791,965	8,146,937
Cash and bank balances	11	52,498,314	13,646,823
		86,929,224	38,646,319
Total assets		237,566,584	184,873,967
FUND BALANCE AND LIABILITIES			
Fund balance			
Accumulated fund		178,831,066	150,945,411
LIABILITIES			
Non-current liabilities			
Lease liability against right of use asset	12	2,807,437	4,141,833
Current liabilities			
Fees in advance	13	14,113,178	13,637,340
Advance against services	14	5,000,000	-
Current portion of lease liability against right of use asset	12	5,723,488	4,252,012
Other payables	15	14,923,739	7,266,539
Rent payable		-	697,800
Accrued expenses	16	16,167,676	3,933,032
		55,928,081	29,786,723
Total liabilities		58,735,518	33,928,556
Total Fund Balance and Liabilities		237,566,584	184,873,967
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 31 form an integral part of these financial statements.

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Chief Executive Officer


Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
 INCOME AND EXPENDITURE STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		------(Rupees)-----	
INCOME			
Revenue from services	18	125,831,606	95,283,343
EXPENDITURE			
Salaries, allowances and benefits		58,686,392	46,432,307
Professional expenses	19	44,328,732	25,193,427
Depreciation on property and equipment		710,955	498,793
Depreciation on right of use assets		4,194,726	3,754,650
Travelling and conveyance		673,426	406,850
Utilities		1,263,994	915,074
Printing and stationery		759,684	883,579
Insurance		489,516	252,747
Repair and maintenance		766,353	1,212,766
Provision for expected credit losses		3,197,362	4,711,268
Finance cost on lease liability against right of use assets	12	1,208,447	1,352,405
Other expenditure	20	5,389,299	2,242,428
		121,668,886	87,856,294
Operating surplus		<u>4,162,720</u>	<u>7,427,049</u>
Other income	21	23,722,935	12,889,924
Surplus for the year		<u>27,885,655</u>	<u>20,316,973</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>27,885,655</u></u>	<u><u>20,316,973</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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 Chief Executive Officer


 Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Accumulated Fund (Rupees)
Balance as at July 01, 2021	130,628,438
Total comprehensive income for the year ended June 30, 2022	20,316,973
Balance as at June 30, 2022	<u>150,945,411</u>
Total comprehensive income for the year ended June 30, 2023	27,885,655
Balance as at June 30, 2023	<u>178,831,066</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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Chief Executive Officer

Director

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Note	2023	2022
	------(Rupees)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	27,885,655	20,316,973
Adjustments for:		
Return on bank balances and investments	(23,722,935)	(12,889,924)
Depreciation on Property and equipment	710,955	498,793
Depreciation on Right of use assets	4,194,726	3,754,650
Finance cost on lease liability	1,208,447	1,352,405
Expected credit loss	3,197,362	4,711,268
Surplus before working capital changes	<u>13,474,210</u>	<u>17,744,165</u>
Increase in current assets		
Receivables - Unsecured	(9,894,274)	(6,825,443)
Prepayments, advances and interest receivable	(211,265)	(719,964)
	<u>(10,105,539)</u>	<u>(7,545,407)</u>
Increase in current liabilities		
Fees in advance	475,838	1,975,441
Advance against services	5,000,000	-
Accrued expenses	12,234,645	(2,889,890)
Other payables	6,959,400	4,894,778
	<u>24,669,883</u>	<u>3,980,329</u>
Cash generated from operations	28,038,554	14,179,087
Withholding tax paid	(8,645,028)	(2,891,383)
Net cash generated from operating activities	19,393,526	11,287,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,383,059)	(652,200)
Proceeds from investments	28,000,000	8,600,000
Purchase of financial assets	(21,033,549)	(65,175,327)
Return on bank balances and investments received	19,359,361	11,107,067
Net cash generated from / (used in) investing activities	<u>23,942,753</u>	<u>(46,120,460)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment against lease liabilities	(4,484,788)	(4,384,440)
Net cash used in financing activities	<u>(4,484,788)</u>	<u>(4,384,440)</u>
Net increase / (decrease) in cash and cash equivalents	38,851,491	(39,217,196)
Cash and cash equivalents at beginning of the year	13,646,823	52,864,019
Cash and cash equivalents at end of the year	22 <u><u>52,498,314</u></u>	<u><u>13,646,823</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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Chief Executive Officer



Director

**PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

1 THE INSTITUTE AND ITS OPERATIONS

1.1 Pakistan Institute of Corporate Governance (the Institute) was incorporated in Pakistan as a company limited by guarantee without share capital on December 1, 2004 under section 42 of the repealed Companies Ordinance, 1984 (now section 42 of the Companies Act, 2017). Its members include 108 (June 30, 2022: 99) Corporate, 39 (June 30, 2022: 47) 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 notes.

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

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

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

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

There are certain other standards, amendments and interpretations that are mandatory for the Institute's accounting periods beginning on or after July 1, 2023 but are considered not to be relevant or will not have any significant effect on the Institute's operations and are, therefore, not detailed in these financial statements.

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2.2 Accounting policies

2.2.1 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.

2.2.2 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.

2.2.3 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.

2.2.4 Right of use assets and their related lease liability

2.2.4.1 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.

2.2.4.2 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.

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.

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2.2.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of consideration to be paid in the future for goods and services whether or not billed to the Institute.

2.2.6 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.

2.2.7 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.

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).

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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

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".

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.

2.2.8 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.

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2.2.9 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.

2.2.10 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 director's training program, specialised workshops, board evaluation and advisory services is recognised upon rendering of services.
- Other revenue is recognised on an accrual basis.

Returns on financial assets

Return on financial assets are recognised on an accrual basis using the effective rate of interest.

2.2.11 Income Taxes

The Institute is registered with the Income tax authorities as a non-profit organisation under section 2(36)(c) of the Income Tax Ordinance, 2001 read with Rules 212 and 220A of the Income Tax Rules, 2002. The Institute, being a non-profit organisation, is allowed a tax credit equal to one hundred percent (100%) of the tax payable, including minimum tax and final tax payable, under section 100C of the Income Tax Ordinance, 2001, subject to fulfilment of certain conditions stipulated therein.

3 PROPERTY AND EQUIPMENT

	Cost			Accumulated depreciation			Net book value as at June 30, 2023	Rate
	As at July 1, 2022	Additions / (disposals)	As at June 30, 2023	As at July 1, 2022	Charge / (reversal) for the year	As at June 30, 2023		
	(Rupees)							%
Office equipment	3,026,947	2,057,785	5,084,732	2,217,958	483,364	2,701,322	2,383,410	30%
Furniture and fixtures	5,502,466	325,274	5,827,740	4,000,340	227,592	4,227,932	1,599,808	15%
	<u>8,529,413</u>	<u>2,383,059</u>	<u>10,912,472</u>	<u>6,218,298</u>	<u>710,955</u>	<u>6,929,253</u>	<u>3,983,218</u>	

	Cost			Accumulated depreciation			Net book value as at June 30, 2022	Rate
	As at July 1, 2021	Additions	As at June 30, 2022	As at July 1, 2021	Charge for the year	As at June 30, 2022		
	(Rupees)							%
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>8,529,413</u>	<u>5,719,505</u>	<u>498,793</u>	<u>6,218,298</u>	<u>2,311,115</u>	

4 RIGHT OF USE ASSETS

	2023	2022
	(Rupees)	
Cost		
Opening as at July 1	20,660,916	21,615,550
Re-assessment during the year	3,413,421	(954,634)
Closing as at June 30	<u>24,074,337</u>	<u>20,660,916</u>
Accumulated depreciation:		
Opening as at July 1	12,989,992	9,235,342
Charge for the year	4,194,726	3,754,650
Closing as at June 30	<u>17,184,718</u>	<u>12,989,992</u>
Net carrying amounts as at June 30	<u>6,889,619</u>	<u>7,670,924</u>
Useful life (in years)	<u>5</u>	<u>5</u>

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5	FINANCIAL ASSETS AT AMORTISED COST	Note	2023	2022
			------(Rupees)-----	
	Pakistan Investment Bonds	5.1	115,761,017	134,705,139
	GOP Ijarah Sukuks	5.2	22,463,036	-
			<u>138,224,053</u>	<u>134,705,139</u>

5.1 These carry profit yield within a range of 7.83% - 12.30% per annum (June 30, 2022: 7.83% - 13.20% per annum) payable at three / six month interval and are carried at amortised cost maturing on August 20, 2023, October 22, 2023, August 05, 2024 and October 07, 2024.

5.2 These carry profit yield within a range of 15.45% - 17.65% per annum (June 30, 2022: nil per annum) payable at three / six month interval and are carried at amortised cost maturing on July 29, 2025.

6 SECURITY DEPOSITS

These represent security deposits paid to "The Forum" in accordance with the Rental agreements for office suites 315 and 316.

7	RECEIVABLES - UNSECURED	Note	2023	2022
			------(Rupees)-----	
	Annual subscription		1,414,436	4,705,550
	Director's training program		15,965,628	9,639,203
	Fee from specialised workshops and others		3,306,292	2,321,831
	Entrance fee		9,500	72,500
	Receivable against Board Evaluation		1,709,126	-
	Receivable against advisory services for Board Evaluation		869,536	-
			<u>23,274,518</u>	<u>16,739,084</u>
	Less: Provision for expected credit losses		<u>(6,892,849)</u>	<u>(7,054,327)</u>
			<u>16,381,669</u>	<u>9,684,757</u>

The aging analysis of receivable from the members is as follows:

- 1 to 30 days	14,031,111	3,385,596
- 31 to 60 days	635,250	3,004,860
- 61 to 90 days	866,650	125,450
- 91 to 120 days	92,767	432,396
- older than 120 days	7,648,740	9,790,782
	<u>23,274,518</u>	<u>16,739,084</u>

8 PREPAYMENTS, ADVANCES AND INTEREST RECEIVABLE

Prepaid insurance	275,760	198,123
Other prepayments	564,973	847,888
Interest receivable	416,543	-
	<u>1,257,276</u>	<u>1,046,011</u>

9 FINANCIAL ASSETS AT AMORTISED COST

Pakistan Investment Bonds	9.1	-	6,121,791
		<u>-</u>	<u>6,121,791</u>

9.1 These carry profit yield at nil per annum (June 30, 2022: 7.83% - 13.20% per annum) payable at three / six month interval and are carried at amortised cost maturing on September 19, 2022.

10	TAX REFUNDS DUE FROM GOVERNMENT	Note	2023	2022
			------(Rupees)-----	
	Tax deducted at source	10.1	<u>16,791,965</u>	<u>8,146,937</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.

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11 CASH AND BANK BALANCES	Note	2023	2022
------(Rupees)-----			
Cash in hand		50,000	40,000
Cash at bank :			
- saving account	11.1	52,448,314	13,606,823
		<u>52,498,314</u>	<u>13,646,823</u>

11.1 Represents savings account with a commercial bank carrying profit of 11% per annum (2022: 10% per annum).

12 LEASE LIABILITIES

It represents obligation in respect of right of use assets (premises for office suite # 316 and suite # 315) leased through tenancy agreements from various owners for a period of 5 years at an incremental borrowing rate of 13.99% per annum which have been used as a discounting factor. Rentals are payable in quarterly installments in advance as per terms of the tenancy agreements.

The amount of future payments for the leases and the period in which these payments will become due are as follows:

	2023	2022
------(Rupees)-----		
Present value of minimum lease payment	8,530,925	8,393,845
Less: current portion	<u>(5,723,488)</u>	<u>(4,252,012)</u>
	<u>2,807,437</u>	<u>4,141,833</u>

	2023		2022	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
----- Rupees -----				
Not later than one year	6,295,524	5,723,488	5,780,040	4,252,012
Later than one year and not later than five years	2,946,850	2,807,437	4,384,440	4,141,833
Later than five years	-	-	-	-
	<u>9,242,374</u>	<u>8,530,925</u>	<u>10,164,480</u>	<u>8,393,845</u>
Finance cost allocated to future periods	<u>(711,449)</u>	-	<u>(1,770,635)</u>	-
Present value of minimum lease payments	8,530,925	8,530,925	8,393,845	8,393,845
Less: current portion	<u>(5,723,488)</u>	<u>(5,723,488)</u>	<u>(4,252,012)</u>	<u>(4,252,012)</u>
	<u>2,807,437</u>	<u>2,807,437</u>	<u>4,141,833</u>	<u>4,141,833</u>

12.1 Movement of lease liability against right-of-use assets	2023	2022
------(Rupees)-----		
At the beginning of the year	8,393,845	13,078,315
Re-assessment during the year	3,413,421	(954,634)
Finance cost charged during the year	1,208,447	1,352,405
Rentals Paid during the year	(4,484,788)	(4,384,440)
Reclassified to rent payable	-	(697,800)
As at June 30, 2023	<u>8,530,925</u>	<u>8,393,846</u>
Non-current portion of lease liability	2,807,437	4,141,833
Current portion of lease liability	<u>5,723,488</u>	<u>4,252,012</u>
	<u>8,530,925</u>	<u>8,393,845</u>

13 FEES IN ADVANCE

Annual subscription fee	3,500	-
Advance fee for Board evaluation	5,381,250	11,456,340
Advance fee for Directors' Training Program	7,813,428	2,181,000
Advance fee for specialised workshops	<u>915,000</u>	-
	<u>14,113,178</u>	<u>13,637,340</u>

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	Note	2023	2022
------(Rupees)-----			
14 ADVANCE AGAINST SERVICES			
Advance against services	14.1	<u>5,000,000</u>	<u>-</u>
14.1			
PICG (Pakistan Institute of Corporate Governance) and Faysal Bank (FABL) have initiated a collaborative effort aimed at advancing the development of the ESG (Environmental, Social, and Governance) ecosystem in Pakistan. Under this collaboration, Faysal Bank has contributed Rs.5 million, while PICG will provide strategic support for ESG development, including capacity building, research, training, and advisory services at critical stages of corporate ESG adoption.			
		2023	2022
------(Rupees)-----			
15 OTHER PAYABLES			
Withholding income tax payable		1,742,714	50,024
Trade creditors - Services		128,040	53,240
Sales tax payable		5,527,653	4,357,425
Provident fund payable		<u>7,525,333</u>	<u>2,805,850</u>
		<u>14,923,739</u>	<u>7,266,539</u>
16 ACCRUED EXPENSES			
Bonus		9,000,000	2,938,872
Other accrued expenses		<u>7,167,676</u>	<u>994,160</u>
		<u>16,167,676</u>	<u>3,933,032</u>
17 CONTINGENCIES AND COMMITMENTS			
There were no contingencies and commitments as at June 30, 2023 and June 30, 2022.			
	Note	2023	2022
------(Rupees)-----			
18 REVENUE FROM SERVICES			
Entrance fee from members		280,000	560,000
Annual subscription and application fee		16,710,000	18,531,000
Fee from Director's Training Program	18.1	64,967,725	41,778,538
Fee from specialized workshops		7,214,531	11,909,431
Advisory services for board evaluation	18.2	<u>36,659,350</u>	<u>22,504,374</u>
		<u>125,831,606</u>	<u>95,283,343</u>
18.1			
This represents fee against Director's training programs conducted for various corporate entities			
18.2			
This mainly includes fee against Board evaluations performed for various corporate entities.			
		2023	2022
------(Rupees)-----			
19 PROFESSIONAL SERVICE FEE			
Director's Training Program		30,374,962	14,356,877
Board evaluation		7,235,080	6,289,210
Specialised workshops		2,656,900	3,924,580
Finance outsourcing		1,400,143	464,400
Human resource outsourcing		300,777	113,000
Software Implementation		1,192,792	-
Provident fund registration fee		139,838	-
Freelancing fee		32,000	-
Subscription Fee		734,200	-
Internal audit fee		168,540	45,360
Others		<u>93,500</u>	<u>-</u>
		<u>44,328,732</u>	<u>25,193,427</u>

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	Note	2023	2022
------(Rupees)-----			
20 OTHER EXPENDITURE			
Marketing and advertisement		1,202,738	61,500
Publication expenses		-	84,540
Canteen supplies		39,794	182,229
Others	20.1	4,146,767	1,914,159
		<u>5,389,299</u>	<u>2,242,428</u>

20.1 This mainly includes IT related expenses pertains to web maintenance, licensing fee and internet charges.

		2023	2022
------(Rupees)-----			
21 OTHER INCOME			
Return / interest on:			
- Profit on saving account		2,582,183	1,870,820
- Market Treasury bills		-	1,071,249
- Pakistan Investment Bonds		21,952,865	9,947,855
Less: Income credited to provident fund balance		(812,113)	-
		<u>23,722,935</u>	<u>12,889,924</u>

22 CASH AND CASH EQUIVALENTS

Cash and bank balances		52,498,314	13,646,823
		<u>52,498,314</u>	<u>13,646,823</u>

23 TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2023	2022
------(Rupees)-----			
Key management employees compensation	Salaries and other employee benefits	<u>15,605,040</u>	<u>17,268,198</u>

23.1 Key management personnel includes Chief Executive Officer.

	Note	2023	2022
------(Rupees)-----			
24 FINANCIAL INSTRUMENTS BY CATEGORY			
Financial Assets			
Amortised cost			
Financial assets at amortised cost	5	138,224,053	140,826,930
Deposits	6	1,540,470	1,540,470
Receivables - Unsecured	7	16,381,669	9,684,757
Cash and bank balances	11	52,498,314	13,646,823
Interest receivable	8	416,543	-
		<u>209,061,049</u>	<u>165,698,980</u>
Financial Liabilities			
Amortised cost			
Lease liabilities against right of use assets	12	8,530,925	8,393,845
Other payables	15	7,653,373	2,859,090
Accrued expenses	16	16,167,676	3,933,032
		<u>32,351,974</u>	<u>15,185,967</u>

25 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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:

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- 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.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 Market Risk

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.

a) Sensitivity analysis for variable rate instruments

Presently, the Institute holds variable rate Pakistan investment bonds and balances held with bank which expose the Institute to cash flow interest 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 surplus for the year of the Institute would have been higher / lower by Rs. 53.103 million (2022: Rs. 14.482 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the Institute holds fixed rate Pakistan investment bonds and fixed rate GoP ijarah sukuks which expose the Institute to cash flow interest 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 surplus for the year of the Institute would have been higher / lower by Rs. 0.687 million (2022: Rs. 1.500 million).

The Institute's interest rate sensitivity related to financial instruments as at June 30, 2023 can be determined as follows:

2023				
Exposed to interest rate risk			Not exposed to interest rate risk	Total
Upto three Months	More than three months and up to one year	More than one year		
------(Rupees)-----				

On-balance sheet financial instruments

Financial assets

Financial assets at amortised cost	83,684,911	-	54,539,142	-	138,224,053
Security deposits	-	-	-	1,540,470	1,540,470
Receivables - Unsecured	16,381,669	-	-	-	16,381,669
Cash and bank balances	52,498,314	-	-	-	52,498,314
Interest receivable	-	-	-	416,543	416,543
	152,564,894	-	54,539,142	1,957,013	209,061,049

Financial liabilities

Lease liabilities against right of use assets	2,446,131	3,849,393	2,946,850	-	9,242,374
Other payables	7,653,373	-	-	-	7,653,373
Accrued expenses	16,167,676	-	-	-	16,167,676
	26,267,180	3,849,393	2,946,850	-	33,063,423

On-balance sheet gap (a)

	126,297,715	(3,849,393)	51,592,292	1,957,013	175,997,627
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Off-balance sheet financial instruments

	-	-	-	-	-
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Off-balance sheet gap (b)

	-	-	-	-	-
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Total interest rate sensitivity gap (a+b)

	126,297,715	(3,849,393)	51,592,292		
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Cumulative interest rate sensitivity gap

	126,297,715	122,448,322	174,040,614		
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2022				
Exposed to interest rate risk			Not exposed to interest rate risk	Total
Upto three Months	More than three months and up to one year	More than one year		

(Rupees)

On-balance sheet financial instruments**Financial assets**

Financial assets at amortised cost	-	6,121,791	134,705,139	-	140,826,930
Security deposits	-	-	-	1,540,470	1,540,470
Receivables - Unsecured	9,684,757	-	-	-	9,684,757
Cash and bank balances	13,646,823	-	-	-	13,646,823
Interest receivable	-	-	-	-	-
	<u>23,331,580</u>	<u>6,121,791</u>	<u>134,705,139</u>	<u>1,540,470</u>	<u>165,698,980</u>

Financial liabilities

Lease liabilities against right of use assets	1,968,360	3,811,680	4,384,440	-	10,164,480
Other payables	2,859,090	-	-	-	2,859,090
Accrued expenses	3,933,032	-	-	-	3,933,032
	<u>8,760,482</u>	<u>3,811,680</u>	<u>4,384,440</u>	<u>-</u>	<u>16,956,602</u>

On-balance sheet gap (a)

	<u>14,571,098</u>	<u>2,310,111</u>	<u>130,320,699</u>	<u>1,540,470</u>	<u>148,742,378</u>
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Off-balance sheet financial instruments

	-	-	-	-	-
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Off-balance sheet gap (b)

	-	-	-	-	-
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Total interest rate sensitivity gap (a+b)

	<u>14,571,098</u>	<u>2,310,111</u>	<u>130,320,699</u>		
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Cumulative interest rate sensitivity gap

	<u>14,571,098</u>	<u>16,881,209</u>	<u>147,201,908</u>		
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Off-balance sheet gap (b)

	-	-	-	-	-
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Total interest rate sensitivity gap (a+b)

	<u>(12,197,833)</u>	<u>(83,430,949)</u>	<u>(409,705,015)</u>		
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Cumulative interest rate sensitivity gap

	<u>(12,197,833)</u>	<u>(95,628,782)</u>	<u>(505,333,797)</u>		
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26.2 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 receivables and balances with banks. 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. 50,000 (2022: 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:

	2023	2022
	(Rupees)	
Financial assets at amortised cost	138,224,053	140,826,930
Security deposits	1,540,470	1,540,470
Receivables - Unsecured	16,381,669	9,684,757
Cash and bank balances	52,448,314	13,606,823
Interest receivable	416,543	-
	<u>209,011,049</u>	<u>165,658,980</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:

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

26.3 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.

The table below summaries the maturity profile of the financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

	2023			
	Total	Upton three months	More than three months and up to one year	More than one year
	----- (Rupees) -----			
Financial liabilities				
Lease liabilities against right of use assets	9,242,374	2,446,131	3,849,393	2,946,850
Other payables	7,653,373	7,653,373	-	-
Accrued expenses	16,167,676	16,167,676	-	-
	<u>33,063,423</u>	<u>26,267,180</u>	<u>3,849,393</u>	<u>2,946,850</u>
	----- (Rupees) -----			
	----- (Rupees) -----			
	2022			
	Total	Upton three months	More than three months and up to one year	More than one year
	----- (Rupees) -----			
Financial liabilities				
Lease liabilities against right of use assets	10,164,480	1,968,360	3,811,680	4,384,440
Other payables	2,974,098	2,859,090	-	-
Accrued expenses	3,933,032	3,933,032	-	-
	<u>17,071,610</u>	<u>8,760,482</u>	<u>3,811,680</u>	<u>4,384,440</u>

26.4 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, 2023, the Institute does not have any financial instrument that is denominated in foreign currency and as such has no exposure to currency risk.

26.5 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.

26.6 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.

27 NUMBER OF EMPLOYEES

27.1 Number of employees at June 30

	2023	2022
- Permanent	15	14
- Contractual	-	4
	<u>15</u>	<u>18</u>

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27.2 Average number of employees during the year

- Permanent
- Contractual

	2023	2022
	15	9
	2	4
	<u>17</u>	<u>13</u>

28 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 are as follows:

	Chief Executive		Executives	
	2023	2022	2023	2022
	----- (Rupees) -----			
Managerial remuneration	15,605,040	15,642,000	13,450,000	8,491,099
Bonus	-	2,300,000	1,693,412	2,072,383
	<u>15,605,040</u>	<u>17,942,000</u>	<u>15,143,412</u>	<u>10,563,482</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>3</u>

29 RECLASSIFICATION

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

30 GENERAL

Figures have been rounded off to the nearest Rupee, unless otherwise stated.

31 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 NOVEMBER 1, 2023

Affix


 Chief Executive Officer


 Director



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, 2023 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, 2023.

A.F. Ferguson & Co.
Chartered Accountants
Engagement partner: Junaid Mesia
Karachi
Dated: November 2, 2023
UDIN: CR202310611DJmFqpv9g

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

Pakistan Institute of Corporate Governance For The Year Ended June 30, 2023

This statement is being presented to voluntarily comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 and establishes that the 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 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. Kaiser Haneef Naseem*
 - ii. **Non-Executive Directors (Nominee Directors of Founding Members)**
 - a) Dr. Fakhara Rizwan - Pakistan Stock Exchange Limited
 - b) Ms. Musarat Jabeen - Securities & Exchange Commission of Pakistan
 - c) Mr. Saleem Ullah - State Bank of Pakistan
 - d) Mr. Yousaf Hussain - Pakistan Banks Association
 - e) Mr. Ahmed Zahid Zaheer** - Overseas Investors Chamber of Commerce & Industry
 - iii. **Executive Director**
 - a) Mr. Memosh Khawaja*** - President & CEO
- * Mr. Kaiser H Naseem replaced Mr. Wasif Rizvi in October 2022.
- ** Mr. Ahmed Zahid Zaheer replaced Mr. Faisal Akhtar in April 2023.
- *** Mr. Memosh Khawaja replaced Mr. Ahsan Jamil as President & CEO in August 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 Institute.
 4. The Institute has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Institute along with its supporting policies and procedures.
 5. The Board has developed a vision / mission statement, overall corporate strategy, and significant policies of the Institute. The Board has ensured that a complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Institute.
 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings 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. Memosh Khawaja
 - iv. Mr. Ahmed Zahid Zaheer
 - v. Dr. Fakhara Rizwan
 - vi. Mr. Muhammad Ashraf Bawany
 - vii. Ms. Musarat Jabeen
 - viii. Mr. Kaiser Haneef Naseem
 - ix. Mr. Yousaf Hussain
 10. The Board has approved the outsourcing of the finance function (outsourced to RSM Avais Hyder Liaquat Nauman), appointment of the Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
 11. The 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 and Remuneration Committee

- Ms. Musarat Jabeen (Non-executive Chairperson)
- Dr. Fakhara Rizwan (Non-executive Director)
- Mr. Ahmed Zahid Zaheer (Non-executive Director)
- Mr. Muhammad Ashraf Bawany (Independent Director)
- Mr. Memosh Khawaja (Executive Director)

iii. Nomination Committee

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

iv. Investment Resource Mobilization & Business Development Committee

- Mr. Saleem Ullah* (Non-executive Chairman)
- Mr. Yousaf Hussain (Non-executive Director)
- Mr. Kaiser Haneef Naseem (Independent Director)
- Ms. Musarat Jabeen (Non-executive Director)
- Mr. Memosh Khawaja (Executive Director)

*Mr. Saleem Ullah replaced Mr. Yousaf Hussain as Chair of the Investment Committee on March 3, 2023.

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, 2023, were as follows:

- | | |
|---|---------------------|
| i. Audit Committee | - Four (4) meetings |
| ii. Human Resource and Remuneration Committee | - Two (2) meetings |
| iii. Nomination Committee | - Nil |
| iv. Investment Committee | - Nil |

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 Institute.

16. The statutory auditors of the Institute 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 Institute;

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

i. **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.

ii. **Regulation 10(2): Risk Policy**

A draft risk policy has been prepared by management and is subject to review by the Audit Committee in its upcoming meeting. Further, risks are managed through quarterly internal audits conducted by an outsourced audit firm, the reports of which are reviewed by the Audit Committee. Also, the Institute's risks have been assessed and related risk factors & opportunities were disclosed in the Institute's last published annual report.

iii. **Regulation 35: Disclosure of significant policies on website**

The Institute shall be revisiting the overall structure and content of material on its website during 2023-24 and shall include key elements of significant policies, as deemed appropriate, based on the recommendation in the Code.

iv. **Regulation 20: Appointment of Chief Financial Officer**

The Board approved the outsourcing of the whole of the finance function to M/s RSM Avais Hyder Liaquat Nauman & Co Chartered Accountants, and consequently the Institute does not have a Chief Financial Officer. The decision was taken by the Board to outsource regular business functions and avail the benefits of a professional firm due to the size and structure of the Institute, and so that existing management could focus on strategic core business functions in line with the strategic direction of the Institute.

On behalf of the Board



DR. SHAMSHAD AKHTAR

CHAIRPERSON