

**PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**



## 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, 2024, 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 material accounting policy information 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 statement of income and expenditure, 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, 2024 and of the surplus, the changes in fund balance and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with 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 report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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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.

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**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Institute as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure, statement of changes in fund balance and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Institute's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

A handwritten signature in blue ink that reads 'A. Ferguson &amp; Co.' with a stylized flourish at the end.

A. F. Ferguson & Co.  
Chartered Accountants  
Karachi

Dated: October 2, 2024

UDIN: AR202410611PkMCnYu6J

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2024

	Note	2024	2023
----- (Rupees) -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	3	4,459,194	3,983,218
Right of use assets	4	16,429,219	6,889,619
Investments - long term	5.1	22,574,977	91,652,691
Security deposits	6	1,540,470	1,540,470
		45,003,860	104,065,998
<b>Current assets</b>			
Receivables - unsecured	7	4,507,892	16,381,669
Investments - short term	5.2	191,547,160	46,571,362
Prepayments and interest receivable	8	3,132,499	1,257,276
Tax refunds due from Government	9	28,516,955	16,791,965
Cash and bank balances	10	20,258,082	52,498,314
		247,962,588	133,500,586
<b>Total assets</b>		<u>292,966,448</u>	<u>237,566,584</u>
<b>FUND BALANCE AND LIABILITIES</b>			
<b>Fund balance</b>			
Accumulated fund		221,089,774	178,831,066
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liability against right of use assets	11	12,859,219	2,807,437
<b>Current liabilities</b>			
Fees in advance	12	15,452,795	14,113,178
Deferred grant income	13	3,299,748	5,000,000
Current portion of lease liability against right of use assets	11	4,589,641	5,723,488
Other payables	14	23,380,443	14,923,739
Accrued expenses	15	12,294,828	16,167,676
		59,017,455	55,928,081
<b>Total liabilities</b>		71,876,674	58,735,518
<b>Total fund balance and liabilities</b>		<u>292,966,448</u>	<u>237,566,584</u>

**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  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
(Rupees)			
<b>INCOME</b>			
Revenue from services	17	135,857,601	125,831,606
<b>EXPENDITURE</b>			
Cost of services	18	114,757,032	98,970,992
Salaries, allowances and benefits	19	4,581,484	8,472,354
Professional expenses		5,081,284	4,061,790
Depreciation on property and equipment		717,698	494,632
Depreciation on right of use assets		2,582,651	1,965,419
Travelling and conveyance		436,324	225,726
Utilities		952,533	692,953
Printing and stationery		313,787	713,884
Insurance		39,113	70,670
Repair and maintenance		1,305,309	766,353
(Reversal of provision) / provision for expected credit losses			(835,220)
Finance cost on lease liability against right of use assets	11.1	316,462	465,849
Other expenditure	20	1,288,461	1,570,903
Administrative expenses		16,779,886	22,697,894
<b>TOTAL EXPENDITURE</b>		<b>131,536,918</b>	<b>121,668,886</b>
<b>Operating surplus</b>		<b>4,320,683</b>	<b>4,162,720</b>
Other income	21	37,938,024	23,722,935
<b>Surplus for the year</b>		<b>42,258,707</b>	<b>27,885,655</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>42,258,708</b>	<b>27,885,655</b>

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, 2024

	Accumulated fund (Rupees)
Balance as at July 01, 2022	150,945,411
Total comprehensive income for the year ended June 30, 2023	27,885,655
Balance as at June 30, 2023	<u>178,831,066</u>
Total comprehensive income for the year ended June 30, 2024	42,258,708
Balance as at June 30, 2024	<u>221,089,774</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, 2024

	Note	2024	2023
----- (Rupees) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		42,258,707	27,885,655
Adjustments for:			
Depreciation on property and equipment		1,439,421	710,955
Depreciation on right of use assets		4,878,723	4,194,726
Finance cost on lease liability against right of use assets		795,140	1,208,447
(Reversal of provision) / provision for expected credit losses		(835,220)	3,197,362
Other income		<u>(37,938,024)</u>	<u>(23,722,935)</u>
<b>Surplus before working capital changes</b>		10,598,747	13,474,210
<b>Decrease / (increase) in current assets</b>			
Receivables - unsecured		<u>12,708,997</u>	<u>(9,894,274)</u>
Prepayments and interest receivable		<u>(1,875,223)</u>	<u>(211,265)</u>
		10,833,774	(10,105,539)
<b>Increase in current liabilities</b>			
Fees in advance		<u>1,339,617</u>	<u>475,838</u>
Deferred grant income		-	5,000,000
Accrued expenses		<u>(3,872,848)</u>	<u>12,234,645</u>
Other payables		<u>8,456,704</u>	<u>6,959,400</u>
		5,923,473	24,669,883
Cash generated from operations		27,355,994	28,038,554
Return on bank balances received		8,803,571	2,165,640
Withholding tax paid		<u>(11,724,988)</u>	<u>(8,645,028)</u>
<b>Net cash generated from operating activities</b>		24,434,578	21,559,166
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<u>(1,968,943)</u>	<u>(2,383,059)</u>
Proceeds from disposal of property and equipment		54,000	-
Investments matured during the year		45,000,000	28,000,000
Investments made during the year		<u>(114,928,593)</u>	<u>(21,033,549)</u>
Return on investments received		<u>21,464,255</u>	<u>18,005,834</u>
<b>Net cash (used in) / generated from investing activities</b>		(50,379,281)	22,589,226
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment against lease liabilities		<u>(6,295,528)</u>	<u>(4,484,788)</u>
<b>Net cash used in financing activities</b>		(6,295,528)	(4,484,788)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(32,240,232)</u>	<u>38,851,491</u>
Cash and cash equivalents at beginning of the year		52,498,314	13,646,823
<b>Cash and cash equivalents at end of the year</b>	22	<u><u>20,258,082</u></u>	<u><u>52,498,314</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, 2024**

**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). It's members include 99 (June 30, 2023: 108) corporate, 34 (June 30, 2023: 39) individual and the following founding members:

- Securities and Exchange Commission of Pakistan
- The State Bank of Pakistan
- The Pakistan Stock Exchange Limited
- Institute of Business Administration
- Lahore University of Management Sciences
- 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 MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policies adopted 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 of and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year:**

There are certain amendments to the published accounting and reporting standards that are mandatory for the Institute's annual accounting period beginning on July 1, 2023. However, these are not considered to be relevant or did not have any material effect on the Institute's financial statements and have, therefore, not been disclosed in these financial statements except that during the year certain amendments to IAS 1 'Presentation of Financial Statements' have become applicable to the Institute which require entities to disclose their material accounting policy information rather than their significant accounting policies. These amendments to IAS 1 have been introduced to help entities improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. These amendments have been incorporated in these financial statements with the primary impact that the material accounting policy information has been disclosed rather than the significant accounting policies.

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### 2.1.5 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective:

The following amendments to the accounting and reporting standards would be effective from the dates mentioned below against the respective amendments:

Amendments		Effective date (accounting period beginning on or after)
IAS 1	Presentation of financial statements' (amendments)	January 1, 2024
IFRS 16	Leases' (amendments)	January 1, 2025
IFRS 9 and IFRS 7	Classification and measurement of financial instruments (amendments)	January 1, 2024 and January 1, 2026

The management is in the process of assessing the impact of the above amendments on the financial statements.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Institute's accounting periods beginning on or after July 1, 2024 but are considered not to be relevant or will not have any significant effect on the Institute's operations and therefore not stated in these financial statements.

### 2.1.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the requirements of accounting and reporting standards as applicable in Pakistan requires management to make judgements / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgements / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected in accordance with the requirements of International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

In the process of applying the Institute's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

- determining the method of depreciation, residual values and useful lives of property and equipment (notes 2.2.1 and 3)
- determining the allowance for expected credit loss on trade debts (note 2.2.9)
- right of use assets and their related lease liability (notes 2.2.4, 4 and 11)
- contingent liabilities (note 2.2.8)

## 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 equipments 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.

Property and equipment is derecognised when disposed or when no future economic benefits are expected from its use. Gain or loss on disposal is recognised in the statement of income and expenditure as and when incurred.

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The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values 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 as detailed in note 7 of these financial statements. 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 cash flows, cash and cash equivalents comprise of 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.

## 2.2.5 Deferred grant income

Grants restricted for specific expenditures are recognised as 'deferred grant income' when received on the statement of financial position and are subsequently recognised as income on a systematic basis over the periods that the related costs, for which they are intended to compensate, are expensed.

## 2.2.6 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.

## 2.2.7 Provisions

Provisions are recognised in the statement of financial position when the Institute has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

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## 2.2.8 Contingent liabilities

Contingent liability is disclosed when:

there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Institute; or

there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

## 2.2.9 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 statement of income and expenditure. 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 receivables are generally measured using 12 months ECL, since the credit risk is considered to be low.

The Institute considers a financial asset in default when it is more than 150 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 Institute 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 Institute 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 "statement of income and expenditure". 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 statement of income and expenditure.

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### 2.2.10 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.

### 2.2.11 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 statement of income and expenditure.

### 2.2.12 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 directors' 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

- Returns on financial assets are recognised on an accrual basis using the effective rate of interest.
- Gains / (losses) arising on sale of investments are included in the statement of income and expenditure, on the date when the transaction takes place;
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the statement of income and expenditure in the period in which they arise;
- Dividend income is recognised in the statement of income and expenditure when the Institute's right to receive payment has been established.
- Profit on saving accounts with bank is recognised on an accrual basis.

### 2.2.13 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.

	Note	2024 ----- (Rupees) -----	2023 -----
3	<b>PROPERTY AND EQUIPMENT</b>		
	Tangible assets	3.1	<u>4,459,194</u> <u>3,983,218</u>

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## 3.1 The following is a statement of property and equipment:

June 30, 2024			
Property and equipment			Total
Office equipments	Furniture and fixtures		
(Rupees)			
<b>At July 1, 2023</b>			
Cost	5,084,732	5,827,740	10,912,472
Accumulated depreciation	(2,701,322)	(4,227,932)	(6,929,253)
<b>Net book value</b>	<b>2,383,410</b>	<b>1,599,808</b>	<b>3,983,218</b>
<b>Additions</b>	<b>737,379</b>	<b>1,231,564</b>	<b>1,968,943</b>
<b>Disposals</b>			
Cost	-	(233,900)	(233,900)
Depreciation	-	180,355	180,355
	-	(53,545)	(53,545)
Depreciation charge for the year	(1,076,654)	(362,768)	(1,439,422)
<b>Closing net book value</b>	<b>2,044,135</b>	<b>2,415,059</b>	<b>4,459,194</b>
<b>At June 30, 2024</b>			
Cost	5,822,111	6,825,404	12,647,515
Accumulated depreciation	(3,777,976)	(4,410,345)	(8,188,320)
<b>Net book value</b>	<b>2,044,135</b>	<b>2,415,059</b>	<b>4,459,194</b>
Depreciation rate (% per annum)	30%	15%	

June 30, 2023			
Property and equipment			Total
Office equipments	Furniture and fixtures		
(Rupees)			
<b>At July 1, 2022</b>			
Cost	3,026,947	5,502,466	8,529,413
Accumulated depreciation	(2,217,958)	(4,000,340)	(6,218,298)
<b>Net book value</b>	<b>808,989</b>	<b>1,502,126</b>	<b>2,311,115</b>
<b>Additions</b>	<b>2,057,785</b>	<b>325,274</b>	<b>2,383,059</b>
<b>Disposals</b>			
Cost	-	-	-
Depreciation	-	-	-
Depreciation charge for the year	(483,364)	(227,592)	(710,955)
<b>Closing net book value</b>	<b>2,383,410</b>	<b>1,599,808</b>	<b>3,983,218</b>
<b>At June 30, 2023</b>			
Cost	5,084,732	5,827,740	10,912,472
Accumulated depreciation	(2,701,322)	(4,227,932)	(6,929,253)
<b>Net book value</b>	<b>2,383,410</b>	<b>1,599,808</b>	<b>3,983,218</b>
Depreciation rate (% per annum)	30%	15%	

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## 3.2 Details of disposal of property and equipment are as follows:

Particulars	Cost	Accumulated depreciation	Net book value	Sales proceeds	Net gain on disposal	Mode of disposal	Purchaser
(Rupees)							
Furniture and fixtures	233,900	180,355	53,545	54,000	455	Negotiation	Various persons
2024	233,900	180,355	53,545	54,000	455		
2023	-	-	-	-	-		

	Note	2024	2023
(Rupees)			
<b>4 RIGHT OF USE ASSETS</b>			
Cost			
Opening as at July 1		24,074,337	20,660,916
Re-assessment during the year		14,418,323	3,413,421
Closing as at June 30		38,492,660	24,074,337
Accumulated depreciation:			
Opening as at July 1		17,184,718	12,989,992
Charge for the year		4,878,723	4,194,726
Closing as at June 30		22,063,441	17,184,718
Net carrying amounts as at June 30		16,429,219	6,889,619
Useful life (in years)		5	5
<b>5 INVESTMENTS</b>			
<b>5.1 Investments - long term</b>			
- At amortised cost			
Pakistan Investment Bonds	5.3	-	69,301,041
GOP Ijarah sukuks	5.4	22,574,977	22,351,650
		22,574,977	91,652,691
<b>5.2 Investments - short term</b>			
- At amortised cost			
Pakistan Investment Bonds	5.3	70,908,158	46,571,362
GOP Ijarah sukuks	5.4	32,196,052	-
		103,104,210	46,571,362
- At fair value through profit or loss			
Units of open-ended mutual funds	5.6	88,442,950	-
		88,442,950	46,571,362
		191,547,160	93,142,724
		214,122,137	184,795,415

5.3 These carry profit / yield within a range of 7.00% to 22.40% per annum (June 30, 2023: 7.83% to 12.30% per annum) payable at three / six month interval and are carried at amortised cost maturing on August 05, 2024 and October 07, 2024.

5.4 These carry profit / yield within a range of 15.48% - 23.71% per annum (June 30, 2023: 15.45% - 17.65% per annum) payable at three / six month interval and are carried at amortised cost maturing on August 07, 2024 and July 29, 2025.

5.5 The market value of securities classified at amortised cost as at June 30, 2024 amounted to Rs. 118.63 million (2023: Rs. 131.71 million).

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## 5.6 Units of open-ended mutual funds

Particulars	As at July 1 2023	Purchased during the year	Sold during the year	As at June 30, 2024	As at June 30, 2024		
					Carrying value	Market value	Unrealised appreciation
----- Number of units -----					----- (Rupees) -----		
Faysal Islamic Cash Fund	-	350,818	-	350,818	35,081,839	35,081,839	-
Faysal Islamic Sovereign Plan - I	-	530,376	-	530,376	53,239,143	53,361,111	121,968
<b>As at June 30, 2024</b>					<b>88,320,982</b>	<b>88,442,950</b>	<b>121,968</b>
<b>As at June 30, 2023</b>					<b>-</b>	<b>-</b>	<b>-</b>

## 5.7 Net unrealised appreciation on revaluation of investments classified as 'financial assets at fair value through profit or loss'

	Note	2024	2023
		----- (Rupees) -----	
Market value of investments	5.6	88,442,950	-
Less: Carrying value of investments	5.6	88,320,982	-
		<u>121,968</u>	<u>-</u>

## 6 SECURITY DEPOSITS

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

	Note	2024	2023
		----- (Rupees) -----	
<b>7 RECEIVABLES - UNSECURED</b>			
Annual subscription		761,079	1,414,436
Directors' training program		4,393,824	15,965,628
Fee from specialised workshops and others		1,353,454	3,306,292
Entrance fee		-	9,500
Receivable against board evaluation		1,846,674	1,709,126
Receivable against advisory services for board evaluation		-	869,536
		<u>8,355,031</u>	<u>23,274,518</u>
Less: provision for expected credit losses		<u>(3,847,139)</u>	<u>(6,892,849)</u>
		<u>4,507,892</u>	<u>16,381,669</u>

The aging analysis of receivable is as follows:

- 1 to 30 days	2,706,325	14,031,111
- 31 to 60 days	2,571,656	635,250
- 61 to 90 days	437,500	866,650
- 91 to 120 days	-	92,767
- older than 120 days	<u>2,639,550</u>	<u>7,648,740</u>
	<u>8,355,031</u>	<u>23,274,518</u>

## 8 PREPAYMENTS AND INTEREST RECEIVABLE

Prepaid insurance	426,210	275,760
Other prepayments	1,894,646	564,973
Interest receivable	811,643	416,543
	<u>3,132,499</u>	<u>1,257,276</u>

## 9 TAX REFUNDS DUE FROM GOVERNMENT

Tax deducted at source	9.1	<u>28,516,955</u>	<u>16,791,965</u>
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9.1 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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10 CASH AND BANK BALANCES	Note	2024	2023
----- (Rupees) -----			
Cash in hand		50,000	50,000
Cash at bank :			
- savings accounts	10.1	<u>20,208,082</u>	<u>52,448,314</u>
		<u>20,258,082</u>	<u>52,498,314</u>

10.1 These represent savings accounts with a commercial bank carrying profit of 18.50% per annum (2023: 11.00% per annum).

#### 11 LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

It represents obligation in respect of right of use assets (premises for office suites 315 and 316) leased through tenancy agreements from various owners for a period of 5 years at an incremental borrowing rate of 14.00% per annum for suite 315 and 17.12% per annum for suite 316 which have been used as a discounting factor. Rentals are payable in quarterly instalments 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:

	2024	2023
----- (Rupees) -----		
Present value of minimum lease payments	17,448,860	8,530,925
Less: current portion	<u>(4,589,641)</u>	<u>(5,723,488)</u>
	<u>12,859,219</u>	<u>2,807,437</u>

	2024		2023	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
----- Rupees -----				
Not later than one year	6,770,794	4,589,641	6,295,524	5,723,488
Later than one year and not later than five years	16,977,410	12,859,219	2,946,850	2,807,437
	<u>23,748,204</u>	<u>17,448,860</u>	<u>9,242,374</u>	<u>8,530,925</u>
Finance cost allocated to future periods	<u>(6,299,344)</u>	-	<u>(711,449)</u>	-
Present value of minimum lease payments	17,448,860	17,448,860	8,530,925	8,530,925
Less: current portion	<u>(4,589,641)</u>	<u>(4,589,641)</u>	<u>(5,723,488)</u>	<u>(5,723,488)</u>
	<u>12,859,219</u>	<u>12,859,219</u>	<u>2,807,437</u>	<u>2,807,437</u>

11.1 Movement of lease liability against right of use assets	2024	2023
----- (Rupees) -----		
At the beginning of the year	8,530,925	8,393,845
Re-assessment during the year	14,418,323	3,413,421
Finance cost charged during the year	795,140	1,208,447
Rentals paid during the year	<u>(6,295,528)</u>	<u>(4,484,788)</u>
At the end of the year	<u>17,448,860</u>	<u>8,530,925</u>
Non-current portion of lease liability	12,859,219	2,807,437
Current portion of lease liability	<u>4,589,641</u>	<u>5,723,488</u>
	<u>17,448,860</u>	<u>8,530,925</u>

#### 12 FEES IN ADVANCE

Annual subscription	-	3,500
Advance fee for board evaluation	9,990,000	5,381,250
Advance fee for directors' training program	4,263,975	7,813,428
Advance fee for specialised workshops	<u>1,198,820</u>	<u>915,000</u>
	<u>15,452,795</u>	<u>14,113,178</u>

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	Note	2024	2023
		(Rupees)	
<b>13 DEFERRED GRANT INCOME</b>			
Balance at the beginning of the year		5,000,000	-
Grant received during the year		-	5,000,000
Less: grant income recognised during the year		1,700,252	-
Balance at the end of the year	13.1	<u>3,299,748</u>	<u>5,000,000</u>
<b>13.1</b>	In 2023, Pakistan Institute of Corporate Governance (PICG) and Faysal Bank Limited (FABL) embarked on a strategic partnership to enhance the Environmental, Social, and Governance (ESG) ecosystem in Pakistan. Under this collaboration, Faysal Bank Limited provided a grant of Rs. 5 million to PICG. The grant is allocated to provide strategic support for ESG development, including capacity building, research, training, and advisory services at critical stages of corporate ESG adoption.		
	This grant was initially classified as 'Deferred grant income' in the statement of financial position and is being recognised in the statement of income and expenditure in alignment with the fulfilment of agreed-upon milestones.		
<b>14 OTHER PAYABLES</b>			
		(Rupees)	
Withholding income tax payable		1,074,657	1,742,714
Trade creditors - services		252,783	128,040
Sales tax payable		5,549,795	5,527,653
Provident fund payable		16,503,208	7,525,333
		<u>23,380,443</u>	<u>14,923,739</u>
<b>15 ACCRUED EXPENSES</b>			
Bonus		6,000,000	9,000,000
Other accrued expenses		6,294,828	7,167,676
		<u>12,294,828</u>	<u>16,167,676</u>
<b>16 CONTINGENCIES AND COMMITMENTS</b>			
	There were no contingencies and commitments outstanding as at June 30, 2024 and June 30, 2023.		
<b>17 REVENUE FROM SERVICES</b>			
		(Rupees)	
Entrance fee from members		130,000	280,000
Annual subscription and application fee		16,025,600	16,710,000
Fee from director's training program	17.1	81,191,251	64,967,725
Fee from specialized workshops		18,499,500	7,214,531
Advisory services for board evaluation	17.2	20,011,250	36,659,350
		<u>135,857,601</u>	<u>125,831,606</u>
<b>17.1</b>	This represents fee against directors' training programs conducted for various corporate entities		
<b>17.2</b>	This mainly includes fee against board evaluations performed for various corporate entities.		
<b>18 COST OF SERVICES</b>			
		(Rupees)	
Directors' training program		31,183,061	30,374,962
Board evaluation		5,478,333	7,235,080
Specialised workshops		6,829,600	2,656,900
Salaries, allowances and benefits		62,295,217	50,214,038
Depreciation on property and equipment		721,723	216,323
Depreciation on right of use assets		2,296,072	2,229,307
Travelling and conveyance		794,230	447,700
Utilities		704,581	571,042
Printing and stationery		23,680	45,800
Insurance		531,821	418,846
Finance cost on lease liability against right of use assets		478,678	742,598
Marketing Expenses		1,247,822	1,202,738
IT Expenses		2,172,214	2,615,658
		<u>114,757,032</u>	<u>98,970,992</u>

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	Note	2024	2023
		(Rupees)	
<b>19 PROFESSIONAL EXPENSES</b>			
Finance outsourcing		3,110,400	1,400,143
Human resource outsourcing		386,286	300,777
Software implementation		-	1,192,792
Provident fund registration fee		10,500	139,838
Freelancing fee		-	32,000
Subscription Fee		799,064	734,200
Internal audit fee		366,870	168,540
Others		408,164	93,500
		<u>5,081,284</u>	<u>4,061,790</u>
<b>20 OTHER EXPENDITURE</b>			
Canteen supplies		288,053	39,794
Others	20.1	1,000,408	1,531,109
		<u>1,288,461</u>	<u>1,570,903</u>
20.1	This mainly includes IT related expenses pertaining to website maintenance, licensing fee and internet charges.		
<b>21 OTHER INCOME</b>	Note	2024	2023
		(Rupees)	
Return / profit on:			
- Savings accounts		9,615,214	2,582,183
- GOP Ijarah sukuks		10,245,511	1,787,068
- Pakistan Investment Bonds		14,031,499	20,165,797
Gain on disposal of property and equipment		455	-
Dividend income on units of open-ended mutual funds		3,785,045	-
Unrealised appreciation on units of open-ended mutual funds		121,968	-
Grant income	13.1	1,700,252	-
Sponsorship income	21.1	500,000	-
Other income	21.2	31,760	-
Less: Income credited to provident fund balance		(2,093,680)	(812,113)
		<u>37,938,024</u>	<u>23,722,935</u>
21.1	This represents the funds received from Fauji Fertilizer Company Limited and EY Ford Rhodes for sponsoring the Environmental, Social, and Governance conference held during the year.		
21.2	This represents rent received from Askari Life Assurance Company Limited for the use of the Institute's premises for meeting purposes.		
<b>22 CASH AND CASH EQUIVALENTS</b>		2024	2023
		(Rupees)	
Cash and bank balances		20,258,082	52,498,314
		<u>20,258,082</u>	<u>52,498,314</u>
<b>23 TRANSACTIONS WITH RELATED PARTIES</b>		2024	2023
		(Rupees)	
Relationship	Nature of transaction		
Key management employees' compensation	Salaries and other employee benefits	33,448,173	22,186,598
23.1	Key management personnel includes Chief Executive Officer and Company Secretary.		

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## 24 FINANCIAL INSTRUMENTS BY CATEGORY

Note

2024				
At amortised cost	At fair value through profit or loss	Total		
(Rupees)				
<b>Financial assets</b>				
Investments	5	125,679,187	88,442,950	214,122,137
Security deposits	6	1,540,470	-	1,540,470
Receivables - unsecured	7	4,507,892	-	4,507,892
Interest receivable	8	811,643	-	811,643
Cash and bank balances	10	20,258,082	-	20,258,082
		<u>152,797,274</u>	<u>88,442,950</u>	<u>241,240,224</u>
<b>Financial liabilities</b>				
Lease liability against right of use assets	11	17,448,860	-	17,448,860
Other payables	14	16,755,991	-	16,755,991
Accrued expenses	15	12,294,828	-	12,294,828
		<u>46,499,680</u>	<u>-</u>	<u>46,499,680</u>

Note

2023				
At amortised cost	At fair value through profit or loss	Total		
(Rupees)				
<b>Financial assets</b>				
Investments	5	138,224,053	-	138,224,053
Security deposits	6	1,540,470	-	1,540,470
Receivables - unsecured	7	16,381,669	-	16,381,669
Interest receivable	8	416,543	-	416,543
Cash and bank balances	10	52,498,314	-	52,498,314
		<u>209,061,049</u>	<u>-</u>	<u>209,061,049</u>
<b>Financial liabilities</b>				
Lease liability against right of use assets	11	8,530,925	-	8,530,925
Other payables	14	7,653,373	-	7,653,373
Accrued expenses	15	16,167,676	-	16,167,676
		<u>32,351,974</u>	<u>-</u>	<u>32,351,974</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:

- 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).

As at June 30, 2024 and June 30, 2023, the Institute holds the following financial instruments measured at fair values:

2024				
	Level 1	Level 2	Level 3	Total
(Rupees)				
<b>At fair value through profit or loss</b>				
Units of open-ended mutual funds	-	88,442,950	-	88,442,950
<b>At fair value through profit or loss</b>				
Units of open-ended mutual funds	-	-	-	-

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## Valuation techniques used in determination of fair values

Pakistan Investment Bonds	The fair value of Pakistan Investment Bonds is derived using PKFRV rates for floater PIBs and PKRV rates for fixed rate PIBs. These rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from eight different predefined / approved dealers / brokers.
GOP Ijarah sukuks	The fair value of GOP Ijarah Sukuks is derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters.
Units of open-ended mutual funds	The valuation has been determined based on net asset values (NAVs) declared by respective funds.

The fair values of financial assets which are not measured at fair value have been disclosed in note 5.5 of these financial statements using level 2 basis.

There were no transfers between levels 1 and 2 during the year ended June 30, 2024.

## 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 rates.

## a) Sensitivity analysis for variable rate instruments

Presently, the Institute holds variable rate Pakistan Investment Bonds, GOP Ijarah sukuks and balances held with banks 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. 1.13 million (2023: Rs. 1.43 million).

## b) Sensitivity analysis for fixed rate instruments

Presently, the Institute holds fixed rate Pakistan Investment Bonds which expose the Institute to fair value 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. 0.34 million (2023: Rs. 0.48 million).

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

2024				
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

Investments - long term	65,876,977	37,227,233	22,574,977	88,442,950	214,122,137
Security deposits	-	-	-	1,540,470	1,540,470
Receivables - unsecured	-	-	-	4,507,892	4,507,892
Cash and bank balances	20,208,082	-	-	50,000	20,258,082
	86,085,059	37,227,233	22,574,977	94,541,312	240,428,581

## Financial liabilities

Lease liability against right of use assets	1,087,153	3,502,488	12,859,219	-	17,448,860
Other payables	-	-	-	16,755,991	16,755,991
Accrued expenses	-	-	-	12,294,829	12,294,829
	1,087,153	3,502,488	12,859,219	29,050,820	46,499,681

## On-balance sheet gap (a)

	84,997,906	33,724,745	9,715,758	65,490,492	193,928,900
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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)

	84,997,906	33,724,745	9,715,758		
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## Cumulative interest rate sensitivity gap

	84,997,906	118,722,651	128,438,409		
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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**

Investments - long term	83,684,911	-	54,539,142	-	138,224,053
Security deposits	-	-	-	1,540,470	1,540,470
Receivables - unsecured	-	-	-	18,229,031	18,229,031
Cash and bank balances	52,448,314	-	-	50,000	52,498,314
Interest receivable	-	-	-	416,543	416,543
	<u>136,133,225</u>	<u>-</u>	<u>54,539,142</u>	<u>20,236,044</u>	<u>210,908,411</u>

**Financial liabilities**

Lease liability against right of use assets	1,353,246	4,370,242	2,807,437	-	8,530,925
Other payables	-	-	-	7,653,373	7,653,373
Accrued expenses	-	-	-	16,167,676	16,167,676
	<u>1,353,246</u>	<u>4,370,242</u>	<u>2,807,437</u>	<u>23,821,049</u>	<u>32,351,974</u>

**On-balance sheet gap (a)**

	<u>134,779,979</u>	<u>(4,370,242)</u>	<u>51,731,705</u>	<u>(3,585,005)</u>	<u>178,556,438</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>134,779,979</u>	<u>(4,370,242)</u>	<u>51,731,705</u>		
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**Cumulative interest rate sensitivity gap**

	<u>134,779,979</u>	<u>130,409,737</u>	<u>182,141,442</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 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 (2023: Rs 50,000).

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:

	2024		2023	
	Balance as per statement of financial position	Maximum exposure to credit risk	Balance as per statement of financial position	Maximum exposure to credit risk

(Rupees)

Investments	88,442,950	88,442,950	138,224,053	-
Security deposits	1,540,470	1,540,470	1,540,470	1,540,470
Receivables - unsecured	4,507,892	4,507,892	16,381,669	16,381,669
Cash and bank balances	20,258,082	20,208,082	52,498,314	52,448,314
Interest receivable	811,643	811,643	416,543	416,543
	<u>115,561,037</u>	<u>115,511,037</u>	<u>209,061,049</u>	<u>70,786,996</u>

Difference in the balance as per the statement of financial position and maximum exposure is due to the fact that investments in government securities amounting to Rs. 214.12 million (2023: Rs. 138.22 million) are not exposed to credit risk.

The credit quality of receivables 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 and investments in units of open-ended mutual funds 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
Faysal Islamic Cash Fund	VIS	-	AA(f)
Faysal Islamic Sovereign Plan - I	VIS	-	AA(f)

### 26.3 Liquidity risk

Liquidity risk is the risk that the Institute may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Institute.

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

The table below summarizes the maturity profile of the Institute's 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.

	2024			
	Total	Upton three months	More than three months and up to one year	More than one year
	(Rupees)			
<b>Financial liabilities</b>				
Lease liability against right of use assets	17,448,860	1,692,699	5,078,096	16,977,410
Other payables	16,755,991	16,755,991	-	-
Accrued expenses	12,294,829	12,294,829	-	-
	<u>46,499,680</u>	<u>30,743,519</u>	<u>5,078,096</u>	<u>16,977,410</u>
	2023			
	Total	Upton three months	More than three months and up to one year	More than one year
	(Rupees)			
<b>Financial liabilities</b>				
Lease liabilities against right of use assets	8,530,925	1,573,881	4,721,643	2,946,850
Other payables	7,375,530	7,653,373	-	-
Accrued expenses	17,167,677	16,167,676	-	-
	<u>33,074,132</u>	<u>25,394,930</u>	<u>4,721,643</u>	<u>2,946,850</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, 2024, 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 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 holds units of open-ended mutual funds which expose the Institute to the risk of changes in market price.

In case of 1% increase / decrease in the applicable net asset values (NAVs) on June 30, 2024, with all other variables held constant, the total surplus of the Institute for the year would increase / decrease by Rs. 0.88 million (2023: Rs. Nil) and the net assets of the Institute would increase / decrease by the same amount as a result of gains / losses on units of open-ended mutual funds classified as financial assets at fair value through profit or loss.

### 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.

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**27 NUMBER OF EMPLOYEES**

27.1 Number of employees at June 30		2024	2023
- Permanent		15	15
- Contractual		3	2
		<u>18</u>	<u>17</u>
27.2 Average number of employees during the year		2024	2023
- Permanent		16	15
- Contractual		2	2
		<u>18</u>	<u>17</u>

**28 REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES**

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

	Chief Executive		Other Executives	
	2024	2023	2024	2023
	----- (Rupees) -----			
Managerial remuneration	19,604,121	15,605,040	16,302,098	13,450,000
Bonus paid	3,900,000	-	2,475,000	1,693,412
	<u>23,504,121</u>	<u>15,605,040</u>	<u>18,777,098</u>	<u>15,143,412</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

**29 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. The major reclassifications have been disclosed as follows:

Reclassified from	Reclassified to	Amount (Rupees) 2023
Professional expenses	Cost of services	40,266,942
Salaries, allowances and benefits		50,214,038
Depreciation on property and equipment		216,323
Depreciation on right of use assets		2,229,307
Travelling and conveyance		447,700
Utilities		571,042
Printing and stationery		45,800
Insurance		418,846
Finance cost on lease liability against right of use assets		742,598
Other expenditure		3,818,396

**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 30/09/2024.

MPH

  
Chief Executive Officer

  
Director