Deloitte

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

AUDITORS' REPORT TO THE MEMBERS OF NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED

We have audited the annexed balance sheet of NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED (the Institute) as at June 30, 2012 and the related income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Institute's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. in our opinion, proper books of account have been kept by the Institute as required by the Companies Ordinance, 1984;

b. in our opinion:

i. the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Institute's business; and

- **iii.** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Institute;

c. in our opinion the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 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, 2012 and of the deficit, its cash flows and changes in equity for the year then ended; and

d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Dated: April 9, 2013

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
NON CURRENT ASSETS			
Property plant and equipment	5	36,988,450	28,051,105
Long term deposits		953,497	401,400
CURRENT ASSETS			
Stock of stationery and consumables		834,908	722,446
Receivable against training programs	6	30,923,631	10,195,763
Advances, prepayments and other receivables	7	2,181,737	1,291,258
Short term investments	8	214,183,904	189,191,527
Cash in hand		160,860	60,000
		248,285,040	201,460,994
		286,226,987	229,913,499
SHAREHOLDERS' EQUITY			
Authorized share capital		200,000,000	200,000,000
(20,000,000 Ordinary shares of Rs.10 each)			
Issued, subscribed and paid up capital	9	29,260,840	29,260,840
Accumulated surplus		24,367,267	24,367,267
		53,628,107	53,628,107
Endowment Fund		67,280,645	-
Capital grant		-	59,429,900
	10	67,280,645	59,429,900
		120,908,752	113,058,007
CURRENT LIABILITIES			
Creditors, accrued expenses and other payables	11	13,751,725	11,858,619
Due to associated undertaking	12	151,566,510	104,996,873
		165,318,235	116,855,492
		286,226,987	229,913,499
COMMITMENTS	13		

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
INCOME			
Hostel and training halls	14	35,246,716	34,579,902
Training and education fee	15	44,072,329	35,865,712
Other income	16	21,523,615	22,213,094
		100,842,660	92,658,708
EXPENDITURE			
Operating, administrative and general expenses	17	(157,273,420)	(130,897,190)
Operating deficit for the year		(56,430,760)	(38,238,482)
Provision for taxation	18	-	(1,306,420)
Deficit for the year		(56,430,760)	(39,544,902)
Other comprehensive income for the year		-	-
Total comprehensive deficit for the year		(56,430,760)	(39,544,902)

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	Rupees	**Rupees**
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating deficit for the year	(56,430,760)	(38,238,482)
Adjustments for non cash items:		
Income from investments	(17,141,632)	(21,583,925)
Depreciation	9,814,396	6,122,719
Gain on disposal	(3,624,730)	(410,375)
Provision for doubtful debts	956,990	1,553,150
Assets disposed off	-	39,897
	(9,994,976)	(14,278,534)
Operating deficit before working capital changes	(66,425,736)	(52,517,016)
Changes in working capital		
(Increase) / decrease in current assets:		
Stock of stationery and consumables	(112,462)	169,804
Receivable against training programs	(21,684,858)	2,193,149
Advances, prepayments and other receivables	(890,479)	(981,703)
	(22,687,799)	1,381,250
Increase / (decrease) in current liabilities:		
Creditors, accrued expenses and other payables	2,021,106	(1,662,142)
Due to associated undertaking	103,000,397	63,975,982
Advance against training program	-	(2,556,200)
	105,021,503	59,757,640
Net changes in working capital	82,333,704	61,138,890
Income tax paid	(128,000)	(457,873)
Net cash generated from operating activities	15,779,968	8,164,001
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(16,743,204)	(8,664,442)
Assets transferred from the Parent Entity	(2,008,607)	-
Proceeds from the disposal of property, plant and equipment	3,624,800	410,375
Long term security deposits	(552,097)	-
Net cash used in investing activities	(15,679,108)	(8,254,067)
Net increase in cash and cash equivalents	100,860	(90,066)
Cash and cash equivalents at beginning of the year	60,000	150,066
Cash and cash equivalents at end of the year	160,860	60,000

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share Capital	Accumulated Surplus	Total
	Rupees	Rupees	Rupees
Balance at July 01, 2010	29,260,770	24,367,267	53,628,037
Total comprehensive deficit for the year	-	(39,544,902)	(39,544,902)
Deficit allocated to State Bank of Pakistan (the Parent entity)	-	39,544,902	39,544,902
Balance at June 30, 2011	29,260,770	24,367,267	53,628,037
Total comprehensive deficit for the year	-	(56,430,760)	(56,430,760)
Deficit allocated to State Bank of Pakistan (the Parent entity)	-	56,430,760	56,430,760
Balance at June 30, 2012	29,260,770	24,367,267	53,628,037

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. STATUS AND NATURE OF BUSINESS

1.1 National Institute of Banking and Finance (Guarantee) Limited ("the Institute") was incorporated under the Companies Ordinance, 1984 on March 21, 1993 in Pakistan, as a Private Company Limited by Guarantee having share capital. The Institute is engaged in providing education and training in the field of banking, finance and allied areas. State Bank of Pakistan is the Parent entity of the Institute ("the Parent entity").

1.2 These financial statements are presented in Pakistan Rupee which is the Institute's functional and presentation currency.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan, differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, amendments and interpretations which became effective during the year

a) The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Institute's accounting period beginning on or after July 1, 2011:

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Institute's accounting period beginning on or after July 1, 2011:

- IFRS 7, 'Financial Instruments: Disclosures' (effective January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Institute's financial statements, other than certain additional disclosures.

- IFRS 7, 'Financial instruments: Disclosures' (effective July 1, 2011). This amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Institute's financial statements during the current year.

- IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Institute's financial statements as currently no items are being reported in other comprehensive income.

- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any significant impact on the Institute's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Institute's operations and therefore have not been detailed in these financial statements.

b) Other standards and amendments to published standards that are not yet effective and have not been early adopted by the Institute

The following standards, amendments to published standards and interpretation are not effective (although available for early adoption) for the accounting period beginning on or after July 1, 2012 and have not been early adopted by the Institute:

- IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any effect on the Institute's financial statements as presently no items are reported in 'other comprehensive income'.

- IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Institute is in the process of assessing the impact of this amendment on the Institute's financial statements.

- IFRS 9, ‘Financial instruments’ (effective for periods beginning on or after January 1, 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

- IFRS 13, 'Fair Value Measurement' (effective for periods beginning on or after January 1, 2012). This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit price' notion and uses 'a fair value hierarchy', which results in a market-based, rather than entity-specific measurement.

There are no other standards, amendments and interpretations that are not yet effective that would be expected to have

2.3 Basis of measurement

These financial statements have been prepared on the historical cost basis.

2.4 Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

(a) Property, plant and equipment

The Institute reviews the residual values and useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on depreciation charge and impairment.

(b) Impairment

The Institute's assessment relating to impairment of assets is discussed in notes 3.2.

(c) Provision for slow moving stocks and other receivables

The Institute assesses the amount of provision for slow moving stocks on the basis of their actual pattern of usage. Provision is determined for those stocks, which are not used for considerable period of time. Provision for other receivables is determined by using judgment based on past business practices, probability of recovery and lapsed time period of due balance.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and provision for impairment, if any. Depreciation on additions is charged from the month the asset is available for use and on disposal up to the month preceding the month of disposal. Depreciation for the year is calculated using the straight line method at rates given in note 5 to the financial statements and included in the income and expenditure account. Maintenance and normal repairs are charged to income as and when incurred. Major extensions, renewals and improvements are capitalized. Gains and losses on disposal of property, plant and equipment are taken to the income and expenditure account currently.

3.2 Impairment

The carrying amounts of the Institute's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of assets is estimated and impairment losses are recognized as expense in the income and expenditure account.

3.3 Deferred grants

Grants related to specific assets are set up as deferred grants and recognized as income on a systematic basis over the useful life of the related assets.

3.4 Stocks

Stocks and other consumables are valued at the lower of cost and net realizable value. Cost comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Replacement cost of the items is used to measure the net realizable value. Provision is made for stocks which are not used for a considerable period of time.

3.5 Accounts receivables and other receivables

Accounts receivables and other receivables are carried at invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off when identified.

3.6 Investment held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Institute has positive intent and ability to hold to maturity are classified as held to maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method.

3.7 Trade and other payables

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

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks in current and deposit accounts.

3.9 Financial instruments

Financial assets and liabilities are recognized when the Institute becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or amortized cost as the case may be.

The Institute de-recognizes a financial assets or a portion of financial asset when, and only when, the Institute loses control of the contractual right that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired.

3.10 Offsetting financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Institute has a legal enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

3.11 Provisions

A provision is recognized in the balance sheet when the Institute has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the can be made of the amount of obligation.

3.12 Revenue recognition

(i) Training, education and hostel services are charged on accural basis except for State Bank Officers Training Courses (SBOTs) which are provided free of cost, to trainees sent by the State Bank of Pakistan.

(ii) Interest on bank accounts and on investment is accounted for on a time proportion basis using the applicable rate of interest.

3.13 Training costs

Training, education and hostel services are provided free of cost to pre-induction trainees (SBOTs) sent by State Bank of Pakistan. Stipend to these trainees are also paid by the Institute.

3.14 Taxation

Income of the Institute is exempted from income tax as per Clause 92 of Part-1 of Second Schedule to the Income Tax Ordinance, 2001.

3.15 Endowment fund

The Institute has established an Endowment fund effective from July 1, 2011 for development and running the operations of Rural Finance Resource Centre from the grant received from State Bank of Pakistan (SBP). The terms of references / rules and regulations of the Endowment fund are being formulated.

3.16 Retirement benefits

All the employees of the Institute are entitled to retirement benefits in accordance with the rules and regulations of the retirement fund / schemes of the Parent entity. The respective expenses are borne by the Parent entity and is not charged to the Institute.

4. FINANCIAL RISK MANAGEMENT

The Institute has exposure to the following risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk.

This note presents information about the Institute's exposure to each of the above risks, the Institute's objectives, policies and processes for measuring and managing risks, and the Institute's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Institute's risk management framework. The Board has delegated the responsibility for developing and monitoring the Institute's risk management policies to its management. The management reports regularly to the Board of Directors on its activities. The Institute's risk management policies are established to identify and analyse the risks faced by the Institute, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Institute's activities. The Institute, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The management monitors compliance with the Institute's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Institute.

(a) Credit risk

Credit risk is the risk of financial loss to the Institute if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Institute's receivables against training programs and investment securities.

(i) Receivable against training programs

The Institute's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Since the majority of the customers are either commercial banks and government owned entities including the Parent entity and its subsidiary, the Institute is less likely to be exposed to the credit risk. The Institute also provides trainings to other central banks which are conducted in coordination with Government of Pakistan and has no history of significant default risk.

(ii) Investments

The Institute limits its exposure to credit risk by only investing in Government Treasury Bills. This investment is in Subsidiary General Ledger Account (SGLA) maintained by the State Bank of Pakistan-Banking Services Corporation, Karachi. The Institute's management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute believes that it is not exposed to any significant level of liquidity risk.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Institute's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Institute is not exposed to currency risk

(ii) Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Institute is not exposed to Interest rate risk.

(iii) Other market price risk

The primary goal of the Institute's investment strategy is to maximize investment returns on surplus funds. The Institute adopts a policy of ensuring minimize its price risk by investing in fixed rate investments like Government Treasury Bills.

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Electronic data processing equipment	Office equipment	Vehicles	Total
	------- Rupees -------				
Cost					
Balance as at 01 July 2010	17,399,900	9,189,340	33,954,387	12,905,504	73,449,131
Additions during the year	1,939,101	-	6,725,341	-	8,664,442
Transfer in during the year	-	4,721,540	-	2,765,600	7,487,140
Disposals during the year	(894,170)	-	(298,842)	-	(1,193,012)
Balance as at 30 June 2011	18,444,831	13,910,880	40,380,886	15,671,104	88,407,701
Balance as at 01 July 2011	18,444,831	13,910,880	40,380,886	15,671,104	88,407,701
Additions during the year	75,000	-	909,240	15,758,964	16,743,204
Transfer in during the year	-	3,841,238	-	-	3,841,238
Disposals during the year	(78,239)	-	-	(2,319,504)	(2,397,743)
Balance as at 30 June 2012	18,441,592	17,752,118	41,290,126	29,110,564	106,594,400
Allowance for depreciation					
Balance as on 01 July 2010	10,807,787	6,032,599	30,646,681	6,420,487	53,907,554
Depreciation charge for the year	1,087,688	1,989,006	827,305	2,218,720	6,122,719
Transfer in during the year	-	1,128,505	-	350,933	1,479,438
Disposals during the year	(858,843)	-	(294,272)	-	(1,153,115)
Balance as at 30 June 2011	11,036,632	9,150,110	31,179,714	8,990,140	60,356,596
Balance as on 01 July 2011	11,036,632	9,150,110	31,179,714	8,990,140	60,356,596
Depreciation charge for the year	1,216,972	3,300,119	2,043,184	3,254,121	9,814,396
Transfer in during the year	-	1,832,631	-	-	1,832,631
Disposals during the year	(78,209)	-	-	(2,319,464)	(2,397,673)
Balance as at 30 June 2012	12,175,395	14,282,860	33,222,898	9,924,797	69,605,950
Carrying amounts - 2012	**6,266,197**	**3,469,258**	**8,067,228**	**19,185,767**	**36,988,450**
Carrying amounts - 2011	7,408,199	4,760,770	9,201,172	6,680,964	28,051,105
Rates of depreciation	**10%**	**33.33%**	**20%**	**20 - 25%**	

5.1 Land and buildings in use of the Institute is owned by State Bank of Pakistan. No rent for its use has been charged by State Bank of Pakistan to

5.2 The depreciation charge for the year has been allocated to administrative and general expenses - (Refer note 17).

	Note	2012 Rupees	2011 Rupees

6. RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED

Associated undertaking			
SBP Banking Services Corporation		6,432,598	1,632,333
State Bank of Pakistan		7,617,216	4,148,652
		14,049,814	5,780,985
Others			
Considered good		16,873,817	4,414,778
Considered doubtful		2,510,140	1,553,150
		19,383,957	5,967,928
Provision for doubtful receivables		(2,510,140)	(1,553,150)
		16,873,817	4,414,778
		30,923,631	10,195,763

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to staff - unsecured, considered good		251,460	501,450
Prepayments		1,341,078	789,808
Advance to suppliers		589,199	-
		2,181,737	1,291,258

8. SHORT TERM INVESTMENTS

Investment held to maturity

Government Treasury Bills			
Cost	8.1	204,808,043	180,195,634
Accrued profits		9,375,861	8,995,893
		214,183,904	189,191,527

8.1 These investments are for a period of less than 12 months and are shown at amortized cost using effective rate of interest which ranges from 11.8693% to 13.8693% per annum (2011: 11.4389% to 13.8693% per annum).

8.2 This includes investments made on behalf of Endowment fund but has not been specifically earmarked. Allocation of income earned is based on the proportion of assets invested on the date the Endowment fund was established.

	Note	2012 Rupees	2011 Rupees

9. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Issued, subscribed and paid-up capital

2,926,084 ordinary shares of Rs.10 each issued for cash	9.1	29,260,840	29,260,840

9.1 State Bank of Pakistan hold 2,926,083 (2011: 2,926,083) ordinary shares and Governor of State Bank of Pakistan holds 1 (2011: 1) share of the Institute as at the balance sheet date.

	Note	2012 Rupees	2011 Rupees

10. ENDOWMENT FUND / CAPITAL GRANT

Endowment fund			
Opening balance		-	-
Transferred from capital grant		59,429,900	-
Interest income on investments		7,850,745	-
Closing balance		67,280,645	-
Capital grant			
Opening balance		59,429,900	59,429,900
Transferred to endowment fund		(59,429,900)	-
Closing balance		-	59,429,900

This represented capital grant amounting to US dollar one million received by the Institute in January 2005 from State Bank of Pakistan - SBP for establishment of Rural Finance Resource Centre. The grant disbursed by SBP out of the proceeds of loan given to the Government of Pakistan (GoP) by Asian Development Bank vide loan agreement No. 1987-PAK dated 23 December 2002. During the year, the Institute has established an Endowment fund effective from July 1, 2011 for development and running the operations of Rural Finance Resource Centre and accordingly, the amount of Capital grant has been transferred to Endowment fund.

	Note	2012 Rupees	2011 Rupees

11. CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES

Creditors		2,761,030	7,365,476
Traveling and training cost payable		376,500	110,000
Accrued expenses		5,067,510	3,994,880
Retention money/deposits		5,546,685	388,263
		13,751,725	11,858,619

12. DUE TO ASSOCIATED UNDERTAKING

State Bank of Pakistan		151,566,510	104,996,873
Opening balance		104,996,873	74,558,091
Received during the year		103,000,397	69,983,684
Deficit allocated		(56,430,760)	(39,544,902)
Closing balance		151,566,510	104,996,873

This represents the current account of the Institute with the State Bank of Pakistan ("Parent entity") to manage the financial affairs of the Institute.

13. COMMITMENTS

Commitments in respect of capital expenditure contracted for but not as yet incurred are amounting to Rs. 6.1 million (2011: Rs. Nil).

	Note	2012 Rupees	2011 Rupees
14. HOSTEL AND TRAINING HALLS INCOME			
Rental income		23,922,800	22,103,350
Service charges		2,016,868	1,973,722
Food and beverages		9,307,048	10,502,830
		35,246,716	34,579,902
15. TRAINING AND EDUCATION FEE			
International courses		19,100,179	14,119,298
Domestic courses		16,950,475	12,971,414
Islamic banking courses		8,021,675	8,775,000
		44,072,329	35,865,712
16. OTHER INCOME			
Interest on investments		17,141,632	21,583,925
Gain on disposal on vehicles and furniture and fixtures		3,624,730	410,375
Miscellaneous income		757,253	218,794
		21,523,615	22,213,094
17. OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits		66,327,406	56,469,888
Training costs		14,596,035	9,545,569
Repairs and maintenance		9,683,925	10,929,870
Lodging, catering and allied services		15,871,900	14,391,112
Traveling and conveyance		6,275,527	4,840,527
Printing and stationery		2,819,590	2,369,432
Medical		1,093,296	2,370,074
Electricity, gas and water		21,734,051	15,896,370
Telephone and fax		964,197	927,659
Vehicles running and maintenance		1,725,612	1,117,148
General consumables		448,505	639,995
Security charges		1,348,675	1,185,600
Insurance		1,345,255	608,842
Newspapers, books and periodicals		96,480	217,136
Postage and courier		210,670	151,115
Entertainment		487,633	410,052
Auditors' remuneration		150,000	150,000
Rent, rates and taxes		721,000	665,000
Assets written off	5	-	39,897
Legal and professional		60,510	66,305
Depreciation	5.2	9,814,396	6,122,719
Provision for doubtful receivables		956,990	1,553,150
Other		541,767	229,730
		157,273,420	130,897,190

18. TAXATION

	Note	2012 Rupees	2011 Rupees
Current		-	926,587
Prior		-	379,833
		-	1,306,420

The income of the Institute is exempt from tax under Income Tax Ordinance 2001. During the year the Institute has obtained an exemption certificate from taxation authorities in order to avoid application of section 113 of the said Ordinance.

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

19.1 Credit risk

Exposure to credit risk

The carrying amount of following financial assets represents the maximum credit exposure.

	2012 Rupees	2011 Rupees
Deposit	953,497	401,400
Receivable against training programs	30,923,631	10,195,763
Advances, short term deposits and other receivables	840,659	501,450
Short term investments	214,183,904	189,191,527
	246,901,691	200,290,140

The receivable against training programs includes Rs. 14 million (2011: Rs. 5.8 million) due from the Parent entity and its subsidiary which are not significantly exposed to credit risk.

19.2 Impairment losses

(a) The maximum exposure to credit risk for receivable against training programs at the balance sheet date by

	2012 Rupees	2011 Rupees
Domestic	22,549,206	10,195,763
Other regions	8,374,425	-
	30,923,631	10,195,763

(b) The aging of receivable against training programs at the balance sheet date was:

	2012		2011	
	---------------------------- Rupees ----------------------------			
	Gross	Provision	Gross	Provision
Not past due	3,092,359	-	-	-
Past due 0-30 days	6,941,006	-	1,794,440	-
Past due 31-90 days	6,048,529	-	1,697,375	-
Past due 90-180 days	186,180	-	66,000	-
Past due 180-365 days	552,870	-	33,700	-
More than one year	2,568,013	2,510,140	2,381,383	1,553,150
	19,388,957	2,510,140	5,972,898	1,553,150

Based on historical record, the Institute believes that no additional impairment allowance is necessary in respect of receivable against training programs past due more than one year.

19.3 Liquidity risk

The following analysis shows the Institute's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2012	Carrying amount Rupees	Total Rupees	Contractual cash flows: 6 months or less Rupees	6 to 12 months Rupees	1 to 5 years Rupees	More than 5 years Rupees
Trade and other payables	13,751,725	13,751,725	8,205,040	5,546,685	-	-
Due to associated undertaking	151,566,510	151,566,510	75,783,255	75,783,255	-	-
	165,318,235	165,318,235	83,988,295	81,329,940	-	-
30 June 2011						
Trade and other payables	11,858,619	11,858,619	11,858,619	-	-	-
Due to associated undertaking	104,996,873	104,996,873	52,498,437	52,498,437	-	-
	116,855,492	116,855,492	64,357,056	52,498,437	-	-

19.4 Market risk

The Institute is not exposed to any significant level of market risk.

19.5 Fair value of financial assets and liabilities

(a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(b) Fair value estimation

The Institute has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This amendment requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measuring fair value of financial instruments

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Institute does not have investment in any of the above categories.

20. CAPITAL MANAGEMENT

The Institute's objective when managing capital, is to safeguard the Institute's ability to continue as a going concern and maintain a strong capital base to support the sustained development of its business activities. There were no changes to Institute's approach to capital management during the year and the Institute is not subject to externally imposed capital requirements. Further, the parent's support is available to continue its operations.

21. TRANSACTIONS WITH RELATED PARTIES

The Institute is a wholly owned subsidiary of State Bank of Pakistan ("Parent entity"); therefore all subsidiaries and associated undertakings of State Bank of Pakistan are the related parties of the Institute. Other related parties comprise of directors and key management personnel and entities over which the directors are able to exercise significant influence.

All transactions are entered into by the State Bank of Pakistan on behalf of the Institute. Transactions with other related parties, if any, are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions due to the nature of the Institute's operations.

Balances with related parties including remuneration and benefits to key management personnel and Chief Executive Officer under the terms of their employment are as follows:

	2012 Rupees	2011 Rupees
Parent Entity - State Bank of Pakistan		
Balances at the year end		
Short term investments	214,183,904	189,191,527
Receivable against training programs	7,617,216	4,148,652
Due to the Parent entity	151,566,510	104,996,873
Transactions during the year		
Investments purchased / matured and re-invested	204,808,043	176,503,840
Value of assets transferred at net book value	2,008,607	6,007,702
Allocation of deficit	56,430,760	39,544,902
Associated undertaking - SBP - Banking Services Corporation		
Balances at the year end		
Receivable against training programs	6,432,598	1,632,333
Transactions during the year		
Revenue charged to SBP Banking Services Corporation	16,157,095	57,034,134
Receipts from SBP Banking Services Corporation	11,356,830	60,753,132
Remuneration to Chief Executive Officer and Key Management Personnel		
Transactions during the year		
Salaries, wages and other benefits to:		
- Chief executive officer	11,134,103	8,884,793
- Key management personnel	24,125,610	24,172,154
- No. of persons	10	14

All the employees of the Institute are entitled to retirement benefits in accordance with the rules and regulations of the retirement fund / schemes of the Parent entity. The respective expenses are borne by the Parent entity and is not charged to the Institute.

22. GENERAL

Figures have been rounded off to the nearest rupee.

23. DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on April 9, 2013 by the board of directors.

MANAGING DIRECTOR	**DIRECTOR**