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Financial Statement of NIBAF

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 30 June 2008 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 the 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 profit and loss 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 and to the best of our information and according to the explanations given to us, 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 30 June 2008 and of the surplus, its cash flow 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 (XVIII of 1980).

ISLAMABAD
26th SEPTEMBER 2008

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	4	7,483,737	7,387,469
LONG TERM DEPOSITS		401,400	401,400
CURRENT ASSETS			
Stock of stationery and consumables		895,759	851,911
Short term investment - Related party	5	150,818,236	129,167,234
Receivable against training programs-unsecured, considered good		6,222,631	10,709,422
Advances, prepayments and other receivables	6	783,819	267,553
Due from associated undertaking	7	3,467,675	3,515,825
		162,188,120	144,511,945
		170,073,257	152,300,814
SHAREHOLDERS' EQUITY			
Authorized share capital (20,000,000 Ordinary shares of Rs.10 each)		200,000,000	200,000,000
Issued, subscribed and paid up capital	8	70	70
Accumulated surplus		24,367,267	24,367,267
		24,367,337	24,367,337
NON- CURRENT LIABILITIES			
Advance against issue of shares	9	29,260,770	49,260,760
Deferred grant	10	2,248,500	-
Capital grant	11	59,429,900	59,429,900
		90,939,170	108,690,660
CURRENT LIABILITIES			
Due to associated undertaking	12	51,220,123	17,360,822
Creditors, accrued and other liabilities	13	3,546,627	1,881,995
		54,766,750	19,242,817
		170,073,257	152,300,814
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
INCOME			
Hostel income	15	22,550,206	30,150,710
Training and education fee	16	23,507,527	23,925,938
Transferred from deferred grant		749,500	-
Other income	17	13,488,666	9,888,432
		60,295,899	63,965,080
EXPENDITURE			
Administrative and general expenses	18	(73,987,851)	(62,346,249)
(Deficit)/ surplus for the year before taxation		(13,691,952)	1,618,831
Tax refund	19	-	8,898,809
(Deficit)/ surplus for the year after taxation		(13,691,952)	10,517,640

The annexed notes 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/ surplus for the year before taxation	(13,691,952)	1,618,831
<i>Adjustments for:</i>		
Depreciation	4,364,389	3,739,803
Other income	(13,431,726)	(9,888,432)
	(9,067,337)	(6,148,629)
Operating profit before working capital changes	(22,759,289)	(4,529,798)
<i>Changes in working capital</i>		
Increase/ (decrease) in current liabilities:		
Due to associated undertaking excluding profit allocation	47,551,253	1,468,988
Creditors, accrued and other liabilities	1,664,632	(2,959,396)
	49,215,885	(1,490,408)
(Increase)/ decrease in current assets		
Stock of stationery and consumables	(43,848)	(182,264)
Receivable against training programs	4,486,791	(1,390,677)
Advances, prepayments and other receivables	(516,266)	186,218
Due from associated undertaking	48,150	(221,922)
	3,974,827	(1,608,645)
Net changes in working capital	53,190,712	(3,099,053)
Tax refund	-	8,898,809
<i>Net cash generated from operating activities</i>	30,431,423	1,269,958
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(4,460,657)	(1,328,098)
Profit received on deposit accounts and miscellaneous income	679,533	106,048
Increase in deferred grant	2,248,500	-
Investment purchased during the year	(8,898,809)	(123,515)
<i>Net cash used in investing activities</i>	(10,431,433)	(1,345,565)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance against issue of shares repaid during the year	(19,999,990)	-
<i>Net cash generated from financing activities</i>	(19,999,990)	-
<i>Net (decrease) in cash and cash equivalents</i>	-	(75,607)
<i>Cash and cash equivalents at beginning of the year</i>	-	75,607
<i>Cash and cash equivalents at end of the year</i>	-	-

The annexed notes 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Share Capital	Accumulated Surplus	Total
	(Rupees)		
Balance as on 01 July 2006	70	24,367,267	24,367,337
Surplus for the year	-	10,517,640	10,517,640
Surplus allocated to State Bank of Pakistan ("Parent entity")	-	(10,517,640)	(10,517,640)
Balance as at 30 June 2007	70	24,367,267	24,367,337
Deficit for the year	-	(13,691,952)	(13,691,952)
Deficit allocated to State Bank of Pakistan ("Parent entity")	-	13,691,952	13,691,952
Balance as at 30 June 2008	70	24,367,267	24,367,337

The annexed notes 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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. The Institute is engaged in providing education and training in the field of banking, finance and allied areas.

1.2 The Board of Directors of the Institute in its meeting held on 17 May 2007 resolved to convert the Institute into a single member company by way of holding 100% shares by State Bank of Pakistan ("Parent Entity"). Accordingly the Board of Directors in its meeting held on 29 September 2007 approved the takeover of one share of Rs. 10/- of National Bank of Pakistan by State Bank of Pakistan which was also approved by the members of the Institute in its Annual General Meeting held on 19 October 2007.

On the basis of above, the Institute filed an application with the Securities and Exchange Commission of Pakistan on 17 November 2007 for change of status of the Institute into a Single Member Company. The Securities and Exchange Commission of Pakistan after examining the case vide its letter No. CLD/RD/Co.44/12/2007/3833 clarified that the said conversion is not covered under the Single Member Companies Rules, 2003. The Securities and Exchange Commission of Pakistan however suggested that the Institute may continue with its present status and the Directors may have nominal shares either in their name or jointly in their names and State Bank of Pakistan. The management is under process to complete the legal formalities as suggested by the Securities and Exchange Commission of Pakistan.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

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 Accounting Standards (IAS) 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 SIGNIFICANT 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.

2.2.1 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.

2.2.2 Impairment

The Institute's assessment relating to impairment of assets is discussed in notes 3.3.

2.2.3 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 judgement based on past business practices, probability of recovery and lapsed time period of due balance.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except investments held to maturity which have been recognized at amortized cost.

3.2 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 4 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

3.3 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.

3.4 Deferred grants

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

3.5 Stocks

Stocks and other consumables are valued at weighted average cost. Provision is made for stocks which are not used for a considerable period of time.

3.6 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.

3.7 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.

3.8 Trade and other payables

Liabilities for trade and other amounts payable are carried at 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.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks in current and deposit accounts.

3.10 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.

Any gain or loss from re-measuring the derivative financial instrument at fair value is recognized in the income and expenditure account

3.11 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.

3.12 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.

3.13 Revenue recognition

- (i) Training and education fee is recognized on completion of relevant courses.
- (ii) Hostel income is recognized on performance of services.
- (iii) Profit on bank accounts and interest on investment is accounted for on a time proportion basis using the applicable rate of interest.

3.14 Taxation

Income of the Institute, being a subsidiary of State Bank of Pakistan is exempted from income tax under section 49 of the State Bank of Pakistan Act, 1956. Further, income of the Institute is also exempted from income tax as per Clause 92 of Part-1 of Second Schedule to the Income Tax Ordinance, 2001

3.15 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics. The changes affect the presentation of owner changes in equity and of comprehensive income. It introduces a requirement to include in a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Revised IAS 23-Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on company's financial statements

IFRS 8 – Operating Segments (effective from 1 January 2009). IFRS 8 requires an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operates, or otherwise participate in, customer loyalty programmes for their customers

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Tangible-owned</i>				Total
	Furniture and fixtures	Electronic data processing equipment	Office equipment	Vehicles	
	(Rupees)				
Cost					
Balance as at 01 July 2006	16,501,379	3,972,533	30,915,123	2,904,504	54,293,539
Additions during the year	-	544,788	113,310	670,000	1,328,098
Balance as at 30 June 2007	16,501,379	4,517,321	31,028,433	3,574,504	55,621,637
Balance as at 01 July 2007	16,501,379	4,517,321	31,028,433	3,574,504	55,621,637
Additions during the year	317,844	668,080	476,733	2,998,000	4,460,657
Transfer in during the year - note 4.2	-	296,000	-	-	296,000
Balance as at 30 June 2008	16,819,223	5,481,401	31,505,166	6,572,504	60,378,294
Depreciation					
Balance as on 01 July 2006	10,740,152	1,635,180	29,429,069	2,689,964	44,494,365
Depreciation charge for the year	1,649,155	1,194,491	712,157	184,000	3,739,803
Balance as at 30 June 2007	12,389,307	2,829,671	30,141,226	2,873,964	48,234,168
Balance as on 01 July 2007	12,389,307	2,829,671	30,141,226	2,873,964	48,234,168
Depreciation charge for the year	1,656,820	1,241,604	484,975	980,990	4,364,389
Transfer in during the year - note 4.2	-	296,000	-	-	296,000
Balance as at 30 June 2008	14,046,127	4,367,275	30,626,201	3,854,954	52,894,557
Carrying amounts - 2007	4,112,072	1,687,650	887,207	700,540	7,387,469
Carrying amounts - 2008	2,773,096	1,114,126	878,965	2,717,550	7,483,737
Rates of depreciation	10%	33.33%	20%	20 - 25%	

4.1 Assets except for land and buildings in use of the Institute, were transferred by State Bank of Pakistan. No amount, for its use, has been charged by State Bank of Pakistan to the Institute.

4.2 This represents assets transferred during the year from Parent Entity at nil book value.

4.3 The depreciation charge for the year has been allocated to administrative and general expenses.

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

5	SHORT TERM INVESTMENT - RELATED PARTY		2008	2007
	Investment held to maturity	Note	Rupees	Rupees
	Government Treasury Bills	5.1	150,818,236	129,167,234
			150,818,236	129,167,234
5.1	This investment were purchased by the Institute from the Parent entity for a period of 12 months. This investment is shown at amortized cost by using effective rate of interest ranges from 9.0046% to 10.1251% per annum (2007: 9.00% per annum). This investment is in Subsidiary General Ledger Account maintained by the State Bank of Pakistan-Banking Services Corporation, Karachi.			
6	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		2008	2007
			Rupees	Rupees
	Advances to staff - Unsecured, considered good		317,110	26,828
	Advances to suppliers - Unsecured, considered good		129,777	-
	Prepayments		334,067	217,177
	Other receivables-Unsecured, considered good		2,865	23,548
			783,819	267,553
7	DUE FROM ASSOCIATED UNDERTAKING-Considered good			
	Receivable from Parent Entity	7.1	3,467,675	3,515,825
			3,467,675	3,515,825
7.1	This represents claim lodged with the Parent entity for reimbursement of expenses incurred by the Institute in connection with the establishment of Rural Finance Resource Centre in pursuance of Rural Finance Sector Development Programme loan agreement No.1987-PAK dated 23 December 2002 between GoP and Asian Development Bank.			
8	ISSUED, SUBSCRIBED AND PAID UP CAPITAL	Note	2008	2007
			Rupees	Rupees
	7 ordinary shares of Rs.10 each issued for cash	8.1	70	70
			70	70
8.1	State Bank of Pakistan hold 07 ordinary shares of the Institute as at the balance sheet date (2007: State Bank of Pakistan and National Bank of Pakistan held 06 and 01 ordinary shares respectively).			
9	ADVANCE AGAINST ISSUE OF SHARES	Note	2008	2007
			Rupees	Rupees
	State Bank of Pakistan		29,260,770	29,260,770
	National Bank of Pakistan	9.1	-	19,999,990
			29,260,770	49,260,760
9.1	The Board of Directors of the Institute in its meeting held on 17 May 2007 had resolved to convert the Institute into a single member company by way of holding 100% shares by State Bank of Pakistan. In the light of this decision, National Bank of Pakistan had requested the State Bank of Pakistan to arrange refund of above advance vide letter No. FCD/BOI&SW/2007/194 dated July 13, 2007. Accordingly the advance against issue of shares amounting to Rs. 19,999,990 has been refunded to National Bank of Pakistan vide letter No. IBD.GSU/987 dated December 31, 2007. Also refer note 1.2 to the financial statements.			
10	DEFERRED GRANT		2008	2007
			Rupees	Rupees
	Fixed assets acquired from grant		2,998,000	-
	Less: Depreciation charge		(749,500)	-
			2,248,500	-
11	CAPITAL GRANT			
	This represents capital grant amounting to US \$ 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 is 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. SBP has not outlined terms and conditions regarding the repayment of this amount.			
12	DUE TO ASSOCIATED UNDERTAKING		2008	2007
			Rupees	Rupees
	State Bank of Pakistan		51,220,123	17,360,822
			51,220,123	17,360,822

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

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

13 CREDITORS, ACCRUED AND OTHER LIABILITIES	2008 Rupees	2007 Rupees
Creditors	1,805,158	1,117,601
Traveling and training cost payable	143,198	80,170
Accrued expenses	1,151,327	370,000
Security deposits	446,944	314,224
	<u>3,546,627</u>	<u>1,881,995</u>

14 CONTINGENCIES AND COMMITMENTS

The Institute's contracted commitments outstanding at the year end amounting to Rs. 262,650 (2007: Rs. Nil).

15 HOSTEL INCOME	Note	2008 Rupees	2007 Rupees
Rental income		16,388,047	24,273,852
Service charges		1,995,030	194,061
Food and beverage income - net	15.1	4,167,129	5,682,797
		<u>22,550,206</u>	<u>30,150,710</u>

15.1 Food and beverage charges are net of related food and beverage expenses.

15.2 During the year, Parent Entity's employees availed 5,690 room nights (2007: 3,154 room nights) for which no consideration has been received by the Institute.

16 TRAINING AND EDUCATION FEE		2008 Rupees	2007 Rupees
International courses		12,851,755	13,768,939
Domestic courses	16.1	4,145,772	4,031,999
Islamic banking courses		6,510,000	6,125,000
		<u>23,507,527</u>	<u>23,925,938</u>

16.1 During the year, 24 courses (2007: 41 courses) have been conducted for Parent Entity's employees for which no consideration has been received by the Institute.

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

17 OTHER INCOME	Note	2008 Rupees	2007 Rupees
Profit on deposit accounts		-	47,908
Interest on investment-Endowment fund		12,752,193	9,782,384
Miscellaneous income		679,533	58,140
Exchange gain		56,940	-
		13,488,666	9,888,432
18 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits		27,868,181	25,581,390
Training costs		9,389,768	4,470,474
Repair and maintenance		4,642,221	5,102,799
Lodging, catering and allied services		7,138,680	4,901,340
Traveling and conveyance		2,589,793	1,629,436
Printing and stationery		1,446,900	1,285,729
Medical expenses		1,121,859	1,248,662
Electricity, gas and water		11,781,860	10,693,093
Telephone and fax charges		630,766	741,481
Vehicle running expenses		894,112	762,822
General consumables		137,170	153,120
Security charges		696,700	660,550
Insurance		242,383	95,480
Newspapers, books and periodicals		106,590	160,197
Postage and courier		184,166	164,430
Entertainment		72,063	86,340
Audit fee (including out of pocket)		81,000	84,182
Rent, rates and taxes		505,600	560,000
Legal and professional charges		37,100	124,800
Depreciation	4	4,364,389	3,739,803
Others		56,550	100,121
		73,987,851	62,346,249

19 TAX STATUS

Appeals filed by the Institute to the Commissioner (Appeals) against tax department stance of holding income of the Institute as non-exempt were accepted by the Commissioner (Appeals) and related tax demands paid by the Institute were refunded. However, the department has filed appeal to the Income Tax Appellant Tribunal against the decision of the Commissioner (Appeals), which is a pending decision.

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

20 FINANCIAL ASSETS AND LIABILITIES

20.1 Interest rate risk exposure

The Institute's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2008 are as follows:

	2008	Interest/mark-up bearing						Non-interest/mark-up bearing			2008	
	Effective interest rates %	Maturity upto one year	In more than one year but not later than two years	In more than two year but not later than three years	In more than three year but not later than four years	In more than four year but not later than five years	Maturity after five years	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total (Rupees)
Financial assets												
Deposits		-	-	-	-	-	-	-	-	401,400	401,400	401,400
Short term investment	9 - 10.125 %	150,818,236	-	-	-	-	-	150,818,236	-	-	-	150,818,236
Receivable against training programs		-	-	-	-	-	-	-	6,222,631	-	6,222,631	6,222,631
Other receivables		-	-	-	-	-	-	-	319,975	-	319,975	319,975
Due from associated undertakings		-	-	-	-	-	-	-	3,467,675	-	3,467,675	3,467,675
		150,818,236	-	-	-	-	-	150,818,236	10,010,281	401,400	10,411,681	161,229,917
Financial liabilities												
Recognized												
Due to associated undertaking		-	-	-	-	-	-	-	51,220,123	-	51,220,123	51,220,123
Creditors, accrued and other liabilities		-	-	-	-	-	-	-	3,546,627	-	3,546,627	3,546,627
		-	-	-	-	-	-	-	54,766,750	-	54,766,750	54,766,750
Unrecognized												
Contingencies and commitments		-	-	-	-	-	-	-	-	-	-	-
On balance sheet gap		150,818,236	-	-	-	-	-	150,818,236	(44,756,469)	401,400	(44,355,069)	106,463,167
Cumulative interest/markup sensitivity gap		150,818,236	150,818,236	150,818,236	150,818,236	150,818,236	150,818,236	150,818,236	(44,756,469)	(44,355,069)	(44,355,069)	106,463,167
	2007											
	Effective interest rates %	Maturity upto one year	In more than one year but not later than two years	In more than two year but not later than three years	In more than three year but not later than four years	In more than four year but not later than five years	Maturity after five years	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total (Rupees)
Financial assets												
Deposits		-	-	-	-	-	-	-	-	401,400	401,400	401,400
Short term investment	8.79-9.00%	129,167,234	-	-	-	-	-	129,167,234	-	-	-	129,167,234
Receivable against training programs		-	-	-	-	-	-	-	10,709,422	-	10,709,422	10,709,422
Other receivables		-	-	-	-	-	-	-	50,376	-	50,376	50,376
Due from associated undertakings		-	-	-	-	-	-	-	3,515,825	-	3,515,825	3,515,825
		129,167,234	-	-	-	-	-	129,167,234	14,275,623	401,400	14,677,023	143,844,257
Financial liabilities												
Recognized												
Due to associated undertaking		-	-	-	-	-	-	-	17,360,822	-	17,360,822	17,360,822
Creditors, accrued and other liabilities		-	-	-	-	-	-	-	1,881,995	-	1,881,995	1,881,995
		-	-	-	-	-	-	-	19,242,817	-	19,242,817	19,242,817
Unrecognized												
Contingencies and commitments		-	-	-	-	-	-	-	-	-	-	-
On balance sheet gap		129,167,234	-	-	-	-	-	129,167,234	(4,967,194)	401,400	(4,565,794)	124,601,440
Cumulative interest/markup sensitivity gap		129,167,234	129,167,234	129,167,234	129,167,234	129,167,234	129,167,234	129,167,234	(4,967,194)	(4,565,794)	(4,565,794)	124,601,440

20.2 Fair value of financial assets and liabilities

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

20.3 Currency risk

The Institute is not exposed any significant level of currency risk.

20.4 Liquidity risk

The Institute believes that it is not exposed to any significant level of liquidity risk.

20.5 Concentration of Credit risk

All financial assets except cash in hand are subject to credit risk. The Institute believes that it is not exposed to major concentration of credit risk.

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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 made 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:

	2008 Rupees	2007 Rupees
Parent Entity		
<i>Balances at the year end</i>		
Short term Investment	150,818,236	129,167,234
Due to associated undertaking-State Bank of Pakistan-Related party	51,220,123	17,360,822
Receivable from State Bank of Pakistan against Rural Finance Resource Centre Program	3,467,675	3,515,825
Advance against issue of shares	29,260,770	29,260,770
<i>Transactions during the year</i>		
Investment purchased/matured and re-invested	143,770,951	123,735,358
Value of assets transferred at nil book value	296,000	434,788
Expenses incurred on behalf of the Parent Entity	-	369,704
Income received on behalf of the Institute	60,295,899	69,709,790
Expenses incurred on behalf of the Institute	73,987,851	62,346,249
Expenses incurred on behalf of State Bank of Pakistan against Rural Finance Resource Centre Program	-	221,922
Allocation of (deficit)/ surplus	(13,691,952)	10,517,640
Associated Undertaking		
<i>Balances at the year end</i>		
Advance against issue of shares	-	19,999,990
Remuneration to Chief Executive Officer, Director and Key Management Personnel		
<i>Transactions during the year</i>		
Salaries, wages and other benefits to:		
-Chief Executive Officer	3,416,981	1,981,678
-Director	5,000	5,000
-Key Management Personnel	16,099,868	14,546,664

22 GENERAL

22.1 These financial statements were authorized for issue by the Board of Directors on 26th September 2008.

22.2 Income from two domestic courses amounting to Rs. 3,806,386, previously shown as service charges - hostel income, has been reclassified as domestic courses - training and education fees in the income and expenditure account for better presentation.

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

CHIEF EXECUTIVE

DIRECTOR