15 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 2009 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 2009 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
Date: September 30, 2009

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Riaz Akbar Ali Pesnani

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
NON CURRENT ASSETS			
Property plant and equipment	5	6,119,069	7,483,737
Long term deposits		401,400	401,400
CURRENT ASSETS			
Stock of stationery and consumables		911,960	895,759
Receivable against training programs - unsecured, considered good	6	61,115,171	6,222,631
Advances, prepayments and other receivables	7	1,500,700	783,819
Due from associated undertaking	8	-	3,467,675
Short term investment - Related party	9	155,170,846	150,818,236
Cash in hand		19,053	-
		218,717,730	162,188,120
		225,238,199	170,073,257
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	10	70	70
Accumulated surplus		24,367,267	24,367,267
		24,367,337	24,367,337
NON CURRENT LIABILITIES			
Advance against issue of shares	11	29,260,770	29,260,770
Deferred grant	12	-	2,248,500
Capital grant	13	59,429,900	59,429,900
		88,690,670	90,939,170
CURRENT LIABILITIES			
Trade and other payables	14	4,239,812	3,546,627
Due to associated undertaking	15	107,917,880	51,220,123
Advance against training programs		22,500	-
		112,180,192	54,766,750
		225,238,199	170,073,257
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes 1 to 26 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 2009

	Note	2009 Rupees	2008 Rupees
INCOME			
Hostel and training halls income	**17**	**58,396,270**	22,550,206
Training and education fee	**18**	**29,495,056**	23,507,527
Transferred from deferred grant		**-**	749,500
Other income	**19**	**17,876,004**	13,488,666
		105,767,330	60,295,899
EXPENDITURE			
Administrative and general expenses	**20**	**(83,783,426)**	(73,987,851)
Surplus/ (deficit) for the year		**21,983,904**	(13,691,952)

The annexed notes 1 to 26 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 2009

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/ (deficit) for the year before taxation	**21,983,904**	(13,691,952)
Adjustments for non cash items:		
Depreciation	**2,619,676**	4,364,389
Assets written off	**440,217**	-
Due from associated undertaking expensed out	**1,219,175**	-
Other income	**(17,875,577)**	(13,431,726)
	(13,596,509)	(9,067,337)
Operating profit/ (loss) before working capital changes	**8,387,395**	(22,759,289)
Changes in working capital		
Increase/ (decrease) in current liabilities:		
Due to associated undertaking excluding profit allocation	**34,130,516**	47,551,253
Advance against training programs	**22,500**	-
Trade and other payables	**693,185**	1,664,632
	34,846,201	49,215,885
(Increase)/ decrease in current assets:		
Stock of stationery and consumables	**(16,201)**	(43,848)
Receivable against training programs	**(54,892,540)**	4,486,791
Advances, prepayments and other receivables	**(716,881)**	(516,266)
Due from associated undertaking	**-**	48,150
	(55,625,622)	3,974,827
Net changes in working capital	**(20,779,421)**	53,190,712
Net cash (used in)/ generated from operating activities	**(12,392,026)**	30,431,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	**(1,111,888)**	(4,460,657)
Miscellaneous income received	**810,065**	679,533
Increase in deferred grant	**-**	2,248,500
Investment disposed/ (purchased) during the year	**12,712,902**	(8,898,809)
Net cash generated from/ (used in) investing activities	**12,411,079**	(10,431,433)
CASH FLOW FROM FINANCING ACTIVITIES		
Advance against issue of shares repaid during the year	**-**	(19,999,990)
Net cash used in financing activities	**-**	(19,999,990)
Net increase in cash and cash equivalents	**19,053**	-
Cash and cash equivalents at beginning of the year	**-**	-
Cash and cash equivalents at end of the year	**19,053**	-

The annexed notes 1 to 26 form an integral part of these financial stateme

CHIEF EXECUTIVE **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Share Capital	Accumulated Surplus	Total
	Rupees	Rupees	Rupees
Balance as on 01 July 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**
Surplus for the year	-	21,983,904	21,983,904
Surplus allocated to State Bank of Pakistan ("Parent entity")	-	(21,983,904)	(21,983,904)
Balance as at 30 June 2009	**70**	**24,367,267**	**24,367,337**

The annexed notes 1 to 26 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 2009

1 STATUS AND NATURE OF BUSINESS

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 Institute 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).

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

2.2 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.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Institute's functional currency.

2.5 Initial application of IFRS

The Institute has applied IFRS 7 "Financial instruments: Disclosures" which became applicable for the periods starting from 01 July 2008. This application has resulted in certain increased disclosures. However; there was no impact in the reported figures of income and expenditure account.

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

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.

3.10 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 looses 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.

3.11 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 to approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards, interpretations and the amendments are either not relevant to the Institute's operations or are not expected to have significant impact on the Institute'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) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of
- Revised IAS 23- "Borrowing costs' (effective for annual periods beginning on or after 1 January 2009) 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.
- Amendments to IAS 32- "Financial instruments: Presentation" and IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009) – Puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain
- Amendment to IFRS 2- "Share-based Payment' – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.
- Revised IFRS 3- Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.
- Amended IAS 27- Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.
- IFRS 8- Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Institute’s “chief operating decision maker” in order to assess each segment’s performance and to allocate resources to them.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 January 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity’s functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.
- The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

- IFRIC17- Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a Institute distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.
- IFRIC 18- Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.
- IAS 27 ‘Consolidated and separate financial statements' effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual

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 risk, 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 Institute 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. The demographics of the Institute’s customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

(ii) Investments

The Institute limits its exposure to credit risk by only investing in State Bank of Pakistan. 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

(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 treasury bills of State Bank of Pakistan.

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

5 PROPERTY, PLANT AND EQUIPMENT

	Tangible-owned				
	Furniture and fixtures	**Electronic data processing equipment**	**Office equipment**	**Vehicles**	**Total**
	(Rupees)				
Cost					
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	-	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
Balance as at 01 July 2008	**16,819,223**	**5,481,401**	**31,505,166**	**6,572,504**	**60,378,294**
Additions during the year	**283,883**	**404,865**	**423,140**	**-**	**1,111,888**
Transfer in during the year	**-**	**122,067**	**-**	**518,000**	**640,067**
Write-offs	**(4,912,996)**	**(15,180)**	**(739,156)**	**-**	**(5,667,332)**
Balance as at 30 June 2009	**12,190,110**	**5,993,153**	**31,189,150**	**7,090,504**	**56,462,917**
Depreciation					
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	-	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
Balance as on 01 July 2008	**14,046,127**	**4,367,275**	**30,626,201**	**3,854,954**	**52,894,557**
Depreciation charge for the year	**661,822**	**656,069**	**357,852**	**943,933**	**2,619,676**
Transfer in during the year	**-**	**56,730**	**-**	**-**	**56,730**
Write-offs	**(4,522,004)**	**(11,467)**	**(693,644)**	**-**	**(5,227,115)**
Balance as at 30 June 2009	**10,185,945**	**5,068,607**	**30,290,409**	**4,798,887**	**50,343,848**
Carrying amounts - 2008	2,773,096	1,114,126	878,965	2,717,550	7,483,737
Carrying amounts - 2009	**2,004,165**	**924,546**	**898,741**	**2,291,617**	**6,119,069**
Rates of depreciation	**10%**	**33.33%**	**20%**	**20 - 25%**	

5.1 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.

5.2 The depreciation charge for the year has been allocated to administrative and general expenses - Also refer note 20.

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

6 This includes Rs. 49,652,759 (2008: Rs. 3,186,965) receivable from associated undertakings.

		Note	2009 Rupees	2008 Rupees
7	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLI**			
	Advances to staff - Unsecured, considered good		**1,162,465**	317,110
	Advances to suppliers - Unsecured, considered good		**30,000**	129,777
	Prepayments		**305,370**	334,067
	Other receivables - Unsecured, considered good		**2,865**	2,865
			1,500,700	783,819

8 DUE FROM ASSOCIATED UNDERTAKING - Considered good

	Note	2009	2008
Receivable from Parent Entity		**3,467,675**	3,467,675
Less: Transferred from deferred grant		**(2,248,500)**	-
		1,219,175	3,467,675
Less: Amount expensed out to income and expenditure account	**20**	**(1,219,175)**	-
		-	3,467,675

		Note	2009 Rupees	2008 Rupees
9	**SHORT TERM INVESTMENT - RELATED PARTY** **Investment held to maturity**			
	Government Treasury Bills	**9.1**	**155,170,846**	150,818,236
			155,170,846	150,818,236

9.1 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 9.1593% to 14.2529% per annum (2008: 9.0046% to 10.1251% per annum). This investment is in Subsidiary General Ledger Account maintained by the State Bank of Pakistan-Banking Services Corporation, Karachi.

		Note	2009 Rupees	2008 Rupees
10	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
	7 ordinary shares of Rs.10 each issued for cash	**10.1**	**70**	70
			70	70

10.1 State Bank of Pakistan hold 06 ordinary shares and Deputy Governor of State Bank of Pakistan holds 01 share of the Institute as at the balance sheet date (2007: State Bank of Pakistan hold 07 shares).

	2009	2008
11 ADVANCE AGAINST ISSUE OF SHARES	**Rupees**	Rupees
State Bank of Pakistan	**29,260,770**	29,260,770
	29,260,770	29,260,770

	2009	2008
12 DEFERRED GRANT	**Rupees**	Rupees
Fixed assets acquired from grant	**2,248,500**	2,998,000
Less: Depreciation charge	**-**	(749,500)
	2,248,500	2,248,500
Less: Transferred to due from associated undertaking	**(2,248,500)**	-
	-	2,248,500

13 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.

14 TRADE AND OTHER PAYABLES	**2009**	2008
	Rupees	Rupees
Creditors	**1,506,798**	1,805,158
Traveling and training cost payable	**149,535**	143,198
Accrued expenses	**2,295,135**	1,151,327
Security deposits	**288,344**	446,944
	4,239,812	3,546,627

15 DUE TO ASSOCIATED UNDERTAKING

State Bank of Pakistan	**107,917,880**	51,220,123
	107,917,880	51,220,123

This represents the current account of the Institute with the State Bank of Pakistan ("Parent entity") to manage the financial affairs of the Institute. This is unsecured and payable on demand.

16 CONTINGENCIES AND COMMITMENTS

The Institute's contracted commitments outstanding at the year end amounting to Rs.Nil (2008: Rs. 262,650).

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		Note	2009 Rupees	2008 Rupees
17	**HOSTEL AND TRAINING HALLS INCOME**			
	Rental income		**51,118,346**	16,388,047
	Service charges		**1,340,892**	1,995,030
	Food and beverage income - net	**17.1**	**5,937,032**	4,167,129
		19.1	**58,396,270**	22,550,206

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

		Note	2009 Rupees	2008 Rupees
18	**TRAINING AND EDUCATION FEE**			
	International courses		**6,571,803**	12,851,755
	Domestic courses		**17,368,253**	4,145,772
	Islamic banking courses		**5,555,000**	6,510,000
		19.1	**29,495,056**	23,507,527
19	**OTHER INCOME**			
	Interest on investment - Endowment fund		**17,065,512**	12,752,193
	Miscellaneous income		**810,065**	679,533
	Exchange gain		**427**	56,940
		19.1	**17,876,004**	13,488,666

19.1 During the year, it was agreed between the Institute and the Parent Entity that the Institute will charge the Parent Company for services being availed by them from the Institute. Accordingly, following amounts have been charged by the Institute during the year for services rendered to the Parent Entity for the years 2007, 2008 and 2009.

		Note	2009 Rupees	2008 Rupees
	Hostel and training halls income		**30,421,607**	-
	Training and education fee		**9,577,244**	-
	Other income		**696,472**	-
			40,695,323	-
20	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries, wages and other benefits		**33,559,853**	27,868,181
	Training costs		**8,059,507**	9,389,768
	Repair and maintenance		**6,754,085**	4,642,221
	Lodging, catering and allied services		**2,425,335**	7,138,680
	Traveling and conveyance		**3,136,438**	2,589,793
	Printing and stationery		**1,915,229**	1,446,900
	Medical expenses		**1,903,775**	1,121,859
	Electricity, gas and water		**16,686,967**	11,781,860
	Telephone and fax charges		**781,154**	630,766
	Vehicle running expenses		**1,198,506**	894,112
	General consumables		**322,631**	137,170
	Security charges		**1,035,500**	696,700
	Insurance		**210,231**	242,383
	Newspapers, books and periodicals		**240,896**	106,590
	Postage and courier		**65,541**	184,166
	Entertainment		**227,382**	72,063
	Auditors' remuneration		**134,000**	81,000
	Rent, rates and taxes		**505,600**	505,600
	Assets written off	**5**	**440,217**	-
	Legal and professional charges		**165,000**	37,100
	Due from associated undertaking expensed out	**8**	**1,219,175**	-
	Depreciation	**5.2**	**2,619,676**	4,364,389
	Others		**176,728**	56,550
			83,783,426	73,987,851

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21 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

21.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was.

	2009 Rupees	2008 Rupees
Deposit	**401,400**	401,400
Receivable against training programs	**61,115,171**	6,222,631
Advances, short term deposits and other receivables	**1,195,330**	449,752
Short term investment - Related party	**155,170,846**	150,818,236
Due from associated undertaking	**-**	3,467,675
	217,882,747	161,359,694

21.2 Impairment losses

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

	2009 Rupees	2008 Rupees
Domestic	**58,335,114**	6,216,499
Other regions	**2,430,057**	6,132
	60,765,171	6,222,631

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

	2009 Rupees	**2009 Rupees**	2008 Rupees	2008 Rupees
	Gross	**Impairment**	Gross	Impairment
Not past due	**26,254,688**	**-**	3,692,950	-
Past due 0-30 days	**2,434,260**	**-**	-	-
Past due 31-365 days	**31,055,110**	**-**	1,538,553	-
More than one year	**1,021,113**	**-**	991,128	-
	60,765,171	**-**	6,222,631	-

Based on historical record, the Institute believes that no impairment allowances is necessary in respect of receivable against training programs not past due more than one year.

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21.3 Liquidity risk

The following analysis shows the Company'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 and also include the impact of estimated future interest payments.

			----------------- Contractual cash flows			
30 June 2009	**Carrying amount Rupees**	**Total Rupees**	**6 months or less Rupees**	**6 to 12 months Rupees**	**1 to 5 years Rupees**	**More than 5 years Rupees**
Trade and other payables	**4,239,812**	**4,239,812**	**4,239,812**	**-**	**-**	**-**
Due to associated undertaking	**107,917,880**	**107,917,880**	**53,958,940**	**53,958,940**	**-**	**-**
	112,157,692	**112,157,692**	**58,198,752**	**53,958,940**	**-**	**-**
30 June 2008						
Trade and other payables	3,546,627	3,546,627	3,546,627	-	-	-
Due to associated undertaking	51,220,123	51,220,123	25,610,062	25,610,062	-	-
	54,766,750	54,766,750	29,156,689	25,610,062	-	-

21.4 Market risk

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

21.5 Fair value

The fair value of the financial assets and liabilities of the Company are not materially different from their carrying amounts.

22 CAPITAL MANAGEMENT

The Institute's objective when managing capital, is to safeguard the Institute's ability to continue as a going concern so that it can continue to provide return to shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Institute's Board of Directors regularly monitors the capital structure of the Institute by ensuring that appropriate capital is injected and manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. 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.

23 TAX STATUS

The returns for the tax years upto 2008 stand assessed in terms of section 120 of the Income Tax Ordinance 2001. However the tax authorities are empowered to reopen these assessments within five (5) years from the date of assessment.

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
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24 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

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:

	2009	2008
Parent Entity	**Rupees**	Rupees
Balances at the year end		
Short term Investment	**155,170,846**	150,818,236
Due to associated undertaking	**107,917,880**	51,220,123
Due from associated undertaking	**-**	3,467,675
Advance against issue of shares	**29,260,770**	29,260,770
Receivable against training Programs (SBP)	**40,695,323**	-
Receivable against training Programs (BSC)	**8,957,436**	3,186,965
Transactions during the year		
Investment purchased/matured and re-invested	**144,599,699**	143,770,951
Value of assets transferred at net book value	**583,337**	-
Income earned on behalf of the Institute	**105,767,330**	60,295,899
Expenses incurred on behalf of the Institute	**83,783,426**	73,987,851
Allocation of surplus/ (deficit)	**21,983,904**	(13,691,952)
Remuneration to Chief Executive Officer, Director and Key Management Personnel		
Transactions during the year		
Salaries, wages and other benefits to:		
- Chief Executive Officer	**3,998,411**	3,416,981
- Director	**-**	5,000
- Key Management Personnel	**19,460,665**	16,099,868

25 GENERAL

25.1 Due to revision of the 5th Schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO 859(1)/ 2007 dated 21 August 2007, certain additional disclosures have been made in these financial statements.

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

26 DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on September 30, 2009.

CHIEF EXECUTIVE **DIRECTOR**