

12 Financial Statements 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 June 30, 2014 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, 2014 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

Dated: 26-09-2014

Karachi

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014 Rupees in '000	2013
NON CURRENT ASSETS			
Property plant and equipment	5	38,866	39,588
Long term deposits		1,620	954
CURRENT ASSETS			
Stock of stationery and consumables		663	812
Receivable against training programs	6	11,236	32,707
Advances, prepayments and other receivables	7	318	1,776
Short term investments	8	178,025	237,440
Assets relating to Endowment fund	9	81,711	-
Cash in hand		88	34
		272,041	272,769
		<u>312,527</u>	<u>313,311</u>
SHAREHOLDERS' EQUITY			
Authorized share capital (20,000,000 Ordinary shares of Rs.10 each)		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid up capital	10	29,261	29,261
Accumulated surplus		<u>24,367</u>	<u>24,367</u>
		53,628	53,628
Endowment Fund	11	<u>81,711</u>	<u>74,490</u>
		135,339	128,118
CURRENT LIABILITIES			
Creditors, accrued expenses and other payables	12	10,187	9,794
Due to State Bank of Pakistan (Parent entity)	13	167,001	175,399
		177,188	185,193
		<u>312,527</u>	<u>313,311</u>
COMMITMENTS			
	14		

The annexed notes 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR

DIRECTOR

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees in '000	2013
INCOME			
Hostel and training halls	15	20,991	33,374
Training and education fee	16	54,333	36,573
Other income	17	17,202	18,042
		<u>92,526</u>	<u>87,989</u>
EXPENDITURE			
Operating, administrative and general expenses	18	<u>(185,028)</u>	<u>(171,476)</u>
Operating deficit for the year		(92,502)	(83,487)
Provision for taxation	19	<u>-</u>	<u>-</u>
Deficit for the year		(92,502)	(83,487)
Other comprehensive income for the year		-	-
Total comprehensive deficit for the year		<u><u>(92,502)</u></u>	<u><u>(83,487)</u></u>

The annexed notes 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR

DIRECTOR

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating deficit for the year	(92,502)	(83,487)
Adjustments for non cash items		
Income from investments	(15,076)	(16,047)
Depreciation	11,878	13,124
Gain on disposal of fixed assets	(2,440)	-
Provision for doubtful debts	-	-
	(5,638)	(2,922)
Operating deficit before working capital changes	(98,140)	(86,409)
Changes in working capital		
(Increase) / decrease in current assets		
Stock of stationery and consumables	151	23
Receivable against training programs	21,471	(1,784)
Advances, prepayments and other receivables	1,458	405
	23,080	(1,356)
Increase / (decrease) in current liabilities		
Creditors, accrued expenses and other payables	393	(3,958)
Due to State Bank of Pakistan (Parent entity)	84,197	107,320
	84,590	103,362
Net changes in working capital	107,670	102,006
Net cash generated from operating activities	9,530	15,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(11,309)	(15,724)
Sale proceeds of fixed assets disposed off	2,499	-
Long term security deposits	(666)	-
Net cash used in investing activities	(9,476)	(15,724)
Net increase in cash and cash equivalents	54	(127)
Cash and cash equivalents at beginning of the year	34	161
Cash and cash equivalents at end of the year	88	34

The annexed notes 1 to 25 form an integral part of these financial statements.

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014**

	Share Capital	Accumulated Surplus	Total
 Rupees in '000		
Balance at July 01, 2012	29,261	24,367	53,628
Total comprehensive deficit for the year	-	(83,487)	(83,487)
Deficit allocated to State Bank of Pakistan (the Parent entity)	-	83,487	83,487
Balance at June 30, 2013	29,261	24,367	53,628
Total comprehensive deficit for the year	-	(92,502)	(92,502)
Deficit allocated to State Bank of Pakistan (the Parent entity)	-	92,502	92,502
Balance at June 30, 2014	29,261	24,367	53,628

The annexed notes 1 to 25 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, 2014

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 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. 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 certain additional disclosures.

Standards / amendments / interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of requirements for comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
Amendment to IAS 19 - Employee Benefits	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013

IFRIC 20 - Stripping costs in the production phase of a surface mine

January 01, 2013

2.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. 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 certain additional disclosures.

Standards / amendments / interpretations	Effective for annual periods beginning on or after
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	July 01, 2014
IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	July 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of derivatives and continuation of hedge accounting	July 01, 2014
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IFRIC 21 - Levies	July 01, 2014

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

2.2 Basis of measurement

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

2.3 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 Stock

Stock 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 accrual basis except for the officers/employees of State Bank of Pakistan (the Parent entity) which are provided free of cost, However, the training projects funded by other institutions are billed to State Bank of Pakistan (the Parent entity).
- (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 officers/employees sent by State Bank of Pakistan (the Parent entity). Stipend to entry grade officers / employees was also paid by the Institute uptill 2010 that was later discontinued.

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 established an Endowment fund 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 analyze 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 in '000-----				
Cost					
Balance as at 01 July 2012	18,442	17,752	41,290	29,111	106,595
Additions during the year	23	576	15,124	-	15,723
Balance as at 30 June 2013	18,465	18,328	56,414	29,111	122,318
Balance as at 01 July 2013	18,465	18,328	56,414	29,111	122,318
Additions during the year	1,390	199	4,447	5,273	11,309
Transfer in during the year	-	174	-	-	174
Disposals during the year	(6,659)	(299)	(9,040)	(2,602)	(18,600)
Balance as at 30 June 2014	13,196	18,402	51,821	31,782	115,201
Allowance for depreciation					
Balance as on 01 July 2012	12,175	14,283	33,223	9,925	69,606
Depreciation charge for the year	791	3,327	4,034	4,972	13,124
Balance as at 30 June 2013	12,966	17,610	37,257	14,897	82,730
Balance as on 01 July 2013	12,966	17,610	37,257	14,897	82,730
Depreciation charge for the year	782	611	5,422	5,063	11,878
Transfer in during the year	-	174	-	-	174
Disposals during the year	(6,606)	(205)	(9,034)	(2,602)	(18,447)
Balance as at 30 June 2014	7,142	18,190	33,645	17,358	76,335
Carrying amounts - 2014	6,054	212	18,176	14,424	38,866
Carrying amounts - 2013	5,499	718	19,157	14,214	39,588
Rate of depreciation	10%	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 the Institute.

5.2 The depreciation charge for the year has been allocated to administrative and general expenses - (Refer note 18).

	Note	2014 Rupees in '000	2013
6. RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED			
Associated undertaking			
SBP Banking Services Corporation		3,995	21,566
State Bank of Pakistan		1,653	5,850
		5,648	27,416
Others			
Considered good		5,588	5,291
Considered doubtful		1,435	1,435
		7,023	6,726
Provision for doubtful receivables	6.1	(1,435)	(1,435)
		5,588	5,291
		11,236	32,707
6.1 Provision for doubtful receivables			
Opening Balance		1,435	2,510
Reversal during the year		-	(1,075)
		1,435	1,435
7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to staff - unsecured, considered good		223	385
Prepayments		70	1,391
Others		25	-
		318	1,776
8. SHORT TERM INVESTMENTS			
Investment held to maturity			
Government Treasury Bills			
Cost	8.1	176,410	229,414
Accrued profits		1,615	8,026
		178,025	237,440
8.1 These investments are for a period 12 months or less and are shown at amortized cost using effective rate of interest which ranges from 9.97% to 10% per annum (2013: 8.93% to 11.89% per annum).			
9. ASSETS RELATING TO ENDOWMENT FUND			
Government Treasury Bills			
Cost		79,763	-
Accrued profits		1,948	-
		81,711	-
9.1 During the year, the management earmarked the investments from Endowment fund in the government treasury bills. These are for a period 12 months or less and are shown at amortized cost using effective rate of interest of 9.96% per annum .			

		2014	2013
		Rupees in '000	
10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
Issued, subscribed and paid-up capital			
2,926,084 ordinary shares of Rs.10 each issued for cash	10.1	29,261	29,261
10.1	State Bank of Pakistan hold 2,926,083 (2013: 2,926,083) ordinary shares and Governor of State Bank of Pakistan holds 1 (2013: 1) share of the Institute as at the balance sheet date.		

		2014	2013
		Rupees in '000	
11. ENDOWMENT FUND	Note		
Opening balance		74,490	67,281
Interest income on investments		7,221	7,209
Closing balance		81,711	74,490

This represented capital grant amounting to US dollar one million received by the Institute in January 2005 from State Bank of Pakistan (Parent Entity) for establishment of Rural Finance Resource Centre. The grant disbursed by State Bank of Pakistan out of the proceeds of loan received by the Government of Pakistan (GoP) from Asian Development Bank vide loan agreement No. 1987-PAK dated 23 December 2002. 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.

		2014	2013
		Rupees in '000	
12. CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES			
Creditors		3,205	2,721
Traveling and training cost		158	212
Accrued expenses		2,644	3,873
Retention money/deposits		4,180	2,988
		10,187	9,794

13. DUE TO STATE BANK OF PAKISTAN (PARENT ENTITY)

State Bank of Pakistan (Parent entity)	167,001	175,399
Opening balance	175,400	151,567
Received during the year	84,103	107,320
Deficit allocated	(92,502)	(83,487)
Closing balance	167,001	175,400

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

14. COMMITMENTS

There were no commitments as at the year end.(2013: Rs. 4.7 million).

	Note	2014 Rupees in '000	2013
15. HOSTEL AND TRAINING HALLS INCOME			
Rental income		14,487	20,030
Service charges		795	1,887
Food and beverages		5,709	11,457
		<u>20,991</u>	<u>33,374</u>
16. TRAINING AND EDUCATION FEE			
International courses		26,202	5,959
Domestic courses		23,125	26,434
Islamic banking courses		5,006	4,180
		<u>54,333</u>	<u>36,573</u>
17. OTHER INCOME			
Interest on investments		15,076	16,047
Reversal of provision for doubtful receivable		-	1,075
Miscellaneous (Loss) /income		(314)	920
Gain on disposal of fixed assets		2,440	-
		<u>17,202</u>	<u>18,042</u>
18. OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits		89,956	76,769
Training cost		15,112	12,399
Repairs and maintenance		11,339	12,749
Lodging, catering and allied services		12,882	13,631
Traveling and conveyance		8,371	6,925
Printing and stationery		2,414	2,425
Medical		397	1,022
Electricity, gas and water		24,354	24,798
Telephone and fax		794	1,071
Vehicles running and maintenance		1,443	1,319
General consumables		305	252
Security charges		1,680	1,522
Insurance		1,524	1,228
Newspapers, books and periodicals		166	110
Postage and courier		309	184
Entertainment		574	528
Auditors' remuneration		200	170
Rent, rates and taxes		623	728
Legal and professional		75	145
Depreciation	5.2	11,878	13,124
Other		632	377
		<u>185,028</u>	<u>171,476</u>

19. TAXATION

The income of the Institute is exempt from tax under Income Tax Ordinance 2001. The Institute has obtained an exemption certificate from taxation authorities against application of section 113 of the said Ordinance relating to turnover tax.

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**20.1 Credit risk****Exposure to credit risk**

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

		2014	2013
		Rupees in '000	
Deposit		1,620	953
Receivable against training programs	20.1.1	11,236	32,708
Advances		223	385
Short term investments	20.1.2	178,025	237,440
Assets relating to Endowment fund	20.1.2	81,711	-
		<u>272,815</u>	<u>271,486</u>

20.1.1 The receivable against training programs includes Rs. 5.6 million (2013: Rs. 27.4 million) due from the Parent entity and its subsidiary which are not significantly exposed to credit risk.

20.1.2 Short term investments and assets relating to endowment fund represents investments in treasury bills (Refer note 8 and 9) of State Bank of Pakistan and carries insignificant credit risk.

2014
2013
Rupees in '000

20.2 Impairment losses

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

Domestic	11,236	32,708
Other regions	-	-
	<u>11,236</u>	<u>32,708</u>

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

	2014		2013	
	----- Rupees in '000 -----			
	Gross	Provision	Gross	Provision
Not past due	-	-	31,623	-
Past due 0-30 days	6,218	-	551	-
Past due 31-90 days	4,395	-	240	-
Past due 90-180 days	354	-	90	-
Past due 180-365 days	-	-	-	-
More than one year	1,704	1,435	1,639	1,435
	12,671	1,435	34,143	1,435

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

20.3 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.

	Carrying amount	Total	Contractual cash flows-----			
			6 months or less	6 to 12 months	1 to 5 years	More than 5 years
30 June 2014			Rupees in '000			
Trade and other payables	10,187	10,187	6,007	4,180	-	-
Due to State Bank of Pakistan (Parent entity)*	167,001	167,001	83,501	83,501	-	-
	<u>177,188</u>	<u>177,188</u>	<u>89,508</u>	<u>87,681</u>	<u>-</u>	<u>-</u>
30 June 2013						
Trade and other payables	9,794	9,794	6,806	2,988	-	-
Due to State Bank of Pakistan (Parent entity)*	175,399	175,399	87,700	87,699	-	-
	<u>185,193</u>	<u>185,193</u>	<u>94,506</u>	<u>90,687</u>	<u>-</u>	<u>-</u>

*The analysis of financial liabilities aging is based on management best estimate

20.4 Market risk

The Institute is not exposed to market risk.

20.5 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.

21. 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.

22. 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:

	2014	2013
	Rupees in '000	
State Bank of Pakistan (Parent Entity)		
Balances at the year end		
Short term investments	178,025	237,440
Assets relating to Endowment fund	81,711	-
Receivable against training programs	1,653	5,850
Due to the Parent entity	167,001	175,399
Transactions during the year		
Investments purchased / matured and re-invested	252,597	229,285
Allocation of deficit	92,502	83,487
Associated undertaking - SBP - Banking Services Corporation (Subsidiary of Parent entity)		
Balances at the year end		
Receivable against training programs	3,995	21,566
Transactions during the year		
Revenue charged	16,002	27,957
Receipts	10,466	12,823
Remuneration to chief executive officer and key management personnel		
Transactions during the year		
Salaries, wages and other benefits to:		
- Chief executive officer	16,577	12,506
- Key management personnel	33,346	27,019
- No. of key management persons	10	10

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.

23. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2014 were 22 (2013:28) and number of employees as at June 30, 2014 were 26 (2013: 28).

24. GENERAL

Figures have been rounded off to thousand rupees.

25. DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on September 26, 2014 by the board of directors of the Institute.

MANAGING DIRECTOR

DIRECTOR