

# 13 Financial Statements of NIBAF

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**A. F. FERGUSON & CO.**

Chartered Accountants

State Life Building No. 1-C

I. I. Chundrigar Road

P.O. Box 4716, Karachi-74000

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **National Institute of Banking and Finance (Guarantee) Limited** as at June 30, 2015 and the related income and expenditure account, statement of comprehensive income, 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 Company'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 Company 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 Company's business; and

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Chartered Accountants

- iii.* the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c.* in our opinion and to the best of our information and according to the explanation given to us, 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 Company's affairs as at June 30, 2015 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.

**Other matter paragraph**

The financial statements for the year ended June 30, 2014 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated September 26, 2014.

Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 28, 2015

Karachi

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2015**

	Note	2015	2014
		Rupees in '000	
NON CURRENT ASSETS			
Fixed Assets	4	39,942	38,866
Long term deposits		1,632	1,620
CURRENT ASSETS			
Stock of stationery and consumables		972	663
Receivable against training programs	5	52,336	11,236
Advances, prepayments and other receivables	6	1,571	318
Short term investments	7	22,598	177,930
Assets relating to Endowment fund	8	89,391	81,711
Cash and bank balances	9	46	183
		166,914	272,041
		208,488	312,527
SHAREHOLDERS' EQUITY			
Authorized share capital		200,000	200,000
(20,000,000 Ordinary shares of Rs.10 each)			
Issued, subscribed and paid up capital	10	29,261	29,261
Accumulated surplus		24,367	24,367
		53,628	53,628
NON-CURRENT LIABILITIES			
Endowment Fund - Deferred Grant	11	89,391	81,711
CURRENT LIABILITIES			
Creditors, accrued expenses and other payables	12	9,089	10,187
Due to State Bank of Pakistan (Parent entity)	13	56,380	167,001
		65,469	177,188
		208,488	312,527
CONTINGENCIES AND COMMITMENTS			
	14		
The annexed notes 1 to 28 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, 2015**

	Note	2015	2014
		Rupees in '000	
<b>INCOME</b>			
Hostel and training halls	15	74,851	20,991
Training and education fee	16	40,897	54,333
Other income	17	12,937	17,202
		<u>128,685</u>	<u>92,526</u>
<b>EXPENDITURE</b>			
Operating, administrative and general expenses	18	(196,735)	(185,028)
<b>Operating deficit for the year</b>		<u>(68,050)</u>	<u>(92,502)</u>
Provision for taxation	19	-	-
<b>Deficit for the year</b>		<u>(68,050)</u>	<u>(92,502)</u>
Other comprehensive income for the year		-	-
<b>Total comprehensive deficit for the year</b>		<u><u>(68,050)</u></u>	<u><u>(92,502)</u></u>

The annexed notes 1 to 28 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, 2015**

	2015	2014
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Operating deficit for the year</b>	(68,050)	(92,502)
<b>Adjustments for non cash items</b>		
Income from investments	(21)	(5,097)
Liabilities no longer required written back	(1,216)	-
Depreciation	15,242	11,878
Amortisation	141	-
Gain on disposal of fixed assets	-	(2,440)
	14,146	4,341
Operating deficit before working capital changes	(53,904)	(88,161)
<b>Changes in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stock of stationery and consumables	(309)	148
Short term investments	155,353	(9,883)
Assets relating to Endowment fund	-	-
Receivable against training programs	(41,100)	21,471
Advances, prepayments and other receivables	(1,253)	1,458
	112,691	13,194
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued expenses and other payables	118	393
Due to State Bank of Pakistan (Parent entity)	(42,571)	84,104
	(42,453)	84,497
Net changes in working capital	70,238	97,691
Long term security deposits	(12)	(666)
<b>Net cash generated from operating activities</b>	16,322	8,864
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(16,459)	(11,309)
Sale proceeds of fixed assets disposed off	-	2,594
<b>Net cash used in investing activities</b>	(16,459)	(8,715)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(137)	149
Cash and cash equivalents at beginning of the year	183	34
<b>Cash and cash equivalents at end of the year</b>	46	183

The annexed notes 1 to 28 form an integral part of these financial statements.

MANAGING DIRECTOR

DIRECTOR

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Share Capital</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	Rupees in '000		
Balance at July 01, 2013	29,261	24,367	53,628
Total comprehensive deficit for the year	-	(92,502)	(92,502)
Deficit allocated to the State Bank of Pakistan (Parent Entity)		92,502	92,502
Balance at June 30, 2014	29,261	24,367	53,628
Total comprehensive income for the year	-	(68,050)	(68,050)
Deficit allocated to the State Bank of Pakistan (Parent Entity)		68,050	68,050
Balance at June 30, 2015	29,261	24,367	53,628

The annexed notes 1 to 28 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, 2015**

**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 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").
- 1.2** These financial statements are presented in Pakistani 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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, and the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

**2.2 New and amended standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

There are certain new and amended standards and interpretations that are mandatory for the Institute's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any material effect on the Institute's financial statements and are therefore not detailed in these financial statements.

**2.3 New and amended standards and interpretations to published approved accounting standards that are not yet effective in the current year**

There are certain new and amended standards and interpretations to published approved accounting standards that are mandatory for the Institute's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any material effect on the Institute's financial statements and are therefore not detailed in these financial statements.

**2.4 Basis of measurement**

These financial statements have been prepared under the historical cost convention.

**2.5 Significant accounting estimates**

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Institute's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

The areas where various assumptions and estimates are significant to the Institute's financial statements or where judgment was exercised in application of accounting policies are as follows:

**(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 note 3.3.

**(c) Provision for slow moving stocks and other receivables**

The Institute exercises judgment and makes provision for slow moving stocks based on their future usability. Provision for other receivables is determined using judgment based on past business practices, probability of recovery and lapsed time period of due balance. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

**(d) Provision for doubtful receivables**

The Institute makes provisions for doubtful debts when the collection of full amount is not probable. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**3.1 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which is stated at cost less accumulated impairment losses, if any.

Depreciation is charged to income and expenditure account applying the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal. The rates of depreciation are stated in note 4.1 to these financial statements.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to income as and when incurred.

Gains and losses on sale or retirement of property, plant and equipment are included in the income and expenditure account.

**3.2 Intangible - computer software**

Computer software are stated at cost less accumulated amortisation. Software costs are capitalised only when it is probable that future economic benefits attributable to the software will flow to the Institution and the same is amortised applying the straight line method at the rates stated in note 4.1 to these financial statements.

**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 and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount and the differences 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 recognized as income on a systematic basis over the useful life of the related assets.

**3.5 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. The valuation is done on moving average basis. Provision is made for stocks which are not used for a considerable period of time or stocks which are not expected to be used in future.



### 3.6 Receivable against training programs and other receivables

Receivable against training programs are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### 3.7 Financial Instruments

#### Financial Assets

#### 3.7.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Institutes are categorised as follows:

##### a) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category.

##### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Institute's loans and receivables comprise of trade debts, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

##### c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Institute having positive intent and ability to hold to maturity.

##### d) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity and (c) financial assets 'at fair value through profit or loss'.

Currently, the financial assets of the Institute have been classified as under "loans and receivable" and "held to maturity" categories.

#### 3.7.1.1 Initial recognition and measurement

All financial assets are recognised at the time the Institute becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Institute commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the transaction costs associated with these financial assets are taken directly to the income and expenditure account.

#### 3.7.1.2 Subsequent measurement

Subsequent to initial recognition, financial assets categorised as "loans and receivables" and "held to maturity" are valued at amortised cost

#### 3.7.1.3 Impairment

The Institute assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

##### a) Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty or default in payments, the probability that they will enter bankruptcy, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Institute also evaluates impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income and expenditure account.

#### **3.7.1.4 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is a intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **3.7.2 Financial liabilities**

All financial liabilities are recognised at the time when the Institute becomes a party to the contractual provisions of the instrument.

#### **3.7.3 Derecognition**

Financial assets are derecognised at the time when the Institute loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the income and expenditure account.

#### **3.8 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.

#### **3.9 Cash and cash equivalents**

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

#### **3.10 Provisions**

Provisions are recognised 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 can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **3.11 Revenue recognition**

- (i) Training, education and hostel services are charged on accrual basis. Training & allied services including hostel facility are provided free of cost to trainee officers of State Bank of Pakistan (parent entity).
- (ii) Interest on bank accounts and income on investment is accounted for on a time proportion basis using the applicable rates.

#### **3.12 Allocation of deficit to the State Bank of Pakistan (Parent Entity)**

The Institute has an arrangement with the State Bank of Pakistan (SBP) whereby deficit incurred by the Institute is allocated to the SBP. This allocation is credited directly to the Statement of Changes in Equity as transaction with owners.

**3.13 Taxation**

The Institute is eligible for hundred percent (100%) tax credit on taxes payable by Institute under clause (d) of sub-section 2 of Section 100C of the Income Tax Ordinance, 2001, introduced under the Finance Act, 2014. Previously, the income of the institute was exempt under clauses (59) and (60) of Part I of Second Schedule to the Income Tax Ordinance, 2001 (which has now been omitted by the Finance Act 2014).

**3.14 Endowment fund - Deferred Grant**

The Institute has established an Endowment fund effective from July 1, 2011 for utilisation of the amount in line with purpose of grant received from SBP.' The terms of references / rules and regulations of the Endowment fund are being formulated.

**3.15 Retirement benefits**

The permanent employees of the Institute represents employees who are either deputed by the State Bank of Pakistan (Parent entity) or State Bank of Pakistan - Banking Service Corporation (related entity). 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.

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
<b>4 FIXED ASSETS</b>			
Property, plant and equipment	4.1	39,888	38,866
Intangible assets		54	-
		<u>39,942</u>	<u>38,866</u>

4.1 The following is a statement of tangible operating assets and intangible assets:

	Property, plant and equipment					Intangible assets
	Furniture and fixtures	Electronic data processing equipment	Office equipment	Vehicles	Total	Computer software
	-----Rupees in '000 -----					
<b>Cost</b>						
Balance as at July 01, 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)	-
<b>Balance as at June 30, 2014</b>	<u>13,196</u>	<u>18,402</u>	<u>51,821</u>	<u>31,782</u>	<u>115,201</u>	<u>-</u>
Balance as at July 01, 2014	13,196	18,402	51,821	31,782	115,201	-
Additions during the year	572	400	7,858	4,750	13,580	-
Transfer in during the year	-	2,220	464	-	2,684	195
Disposals during the year	-	-	-	-	-	-
<b>Balance as at June 30, 2015</b>	<u>13,768</u>	<u>21,022</u>	<u>60,143</u>	<u>36,532</u>	<u>131,465</u>	<u>195</u>
<b>Allowance for depreciation</b>						
Balance as at July 01, 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)	-
<b>Balance as at June 30, 2014</b>	<u>7,142</u>	<u>18,190</u>	<u>33,645</u>	<u>17,358</u>	<u>76,335</u>	<u>-</u>
Balance as at July 01, 2014	7,142	18,190	33,645	17,358	76,335	-
Depreciation charge for the year	920	281	6,127	5,307	12,635	141
Transfer in during the year	-	2,220	387	-	2,607	-
Disposals during the year	-	-	-	-	-	-
<b>Balance as at June 30, 2015</b>	<u>8,062</u>	<u>20,691</u>	<u>40,159</u>	<u>22,665</u>	<u>91,577</u>	<u>141</u>
<b>Carrying amounts - 2015</b>	<u>5,706</u>	<u>331</u>	<u>19,984</u>	<u>13,867</u>	<u>39,888</u>	<u>54</u>
<b>Carrying amounts - 2014</b>	<u>6,054</u>	<u>212</u>	<u>18,176</u>	<u>14,424</u>	<u>38,866</u>	<u>-</u>
Rate of depreciation	<u>10%</u>	<u>33%</u>	<u>20%</u>	<u>20 - 25%</u>		<u>33%</u>

4.2 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.

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

	Note	2015	2014
		Rupees in '000	
<b>5 RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED</b>			
Associated undertaking			
SBP Banking Services Corporation		34,658	3,995
State Bank of Pakistan		6,954	1,653
		41,612	5,648
Others			
Considered good		10,724	5,588
Considered doubtful		1,454	1,435
		12,178	7,023
Provision for doubtful receivables	5.1	(1,454)	(1,435)
		10,724	5,588
		52,336	11,236
<b>5.1 Provision for doubtful receivables</b>			
Opening Balance		1,435	1,435
Addition during the year		29	-
Reversal during the year		(10)	-
		1,454	1,435
<b>6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to staff - unsecured, considered good		405	223
Prepayments		88	70
Taxation recoverable		1,078	25
		1,571	318
<b>7 SHORT TERM INVESTMENTS</b>			
<b>Held to maturity</b>			
Government Treasury Bills			
Cost	7.1	22,577	172,833
Accrued profits		21	5,097
		22,598	177,930
<b>7.1</b>	These investments are for a period 12 months or less and are shown at amortized cost using effective rate of interest of 6.93% per annum (2014: ranging between 9.97% to 10% per annum).		
<b>8 ASSETS RELATING TO ENDOWMENT FUND</b>		2015	2014
		Rupees in '000	
Government Treasury Bills			
Cost		87,709	79,763
Accrued profits		1,682	1,948
		89,391	81,711
<b>8.1</b>	These are for a period 12 months or less and are shown at amortized cost using effective rate of interest of 7.82% per annum (2014: 9.96% per annum).		
<b>9 CASH AND BANK BALANCES</b>	Note	2015	2014
		Rupees in '000	
Cash in Hand		42	88
Cash in Bank		4	95
		46	183
<b>10 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
<b>Issued, subscribed and paid-up capital</b>			
2,926,077 ordinary shares of Rs.10 each issued for cash	10.1	29,261	29,261
<b>10.1</b>	State Bank of Pakistan hold 2,926,076 (2014: 2,926,076) ordinary shares and Governor of State Bank of Pakistan holds 1 (2014: 1) share of the Institute as at the balance sheet date.		

11	<b>ENDOWMENT FUND - DEFERRED GRANT</b>	<b>2015</b>	<b>2014</b>
		<b>Rupees in '000</b>	
	Opening balance	81,711	74,490
	Interest income on investments	7,680	7,221
	Closing balance	<u>89,391</u>	<u>81,711</u>
<p>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 was disbursed by the 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 December 23, 2002. The Institute has established an Endowment fund effective from July 1, 2011 for utilisation of the amount in line with purpose of grant received from SBP.</p>			
12	<b>CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES</b>	<b>2015</b>	<b>2014</b>
		<b>Rupees in '000</b>	
	Creditors	3,697	3,205
	Traveling and training cost	205	158
	Accrued expenses	1,728	2,644
	Retention money/deposits	3,459	4,180
		<u>9,089</u>	<u>10,187</u>
13	<b>DUE TO STATE BANK OF PAKISTAN (PARENT ENTITY)</b>		
	State Bank of Pakistan (Parent entity)	<u>56,380</u>	<u>167,001</u>
	Opening balance	167,001	175,400
	(Payments) / Received during the year	(42,571)	84,103
	Allocation of the Deficit	(68,050)	(92,502)
	Closing balance	<u>56,380</u>	<u>167,001</u>
<p>This represents the current account of the Institute with the State Bank of Pakistan (Parent entity) to manage the financial affairs of the Institute.</p>			
14	<b>CONTINGENCIES AND COMMITMENTS</b>		
	There were no contingencies and commitments outstanding as at the year end (2014: Nil).		
15	<b>HOSTEL AND TRAINING HALLS INCOME</b>	<b>2015</b>	<b>2014</b>
		<b>Rupees in '000</b>	
	Rental income	48,824	14,487
	Service charges	2,054	795
	Food and beverages	23,973	5,709
		<u>74,851</u>	<u>20,991</u>
16	<b>TRAINING AND EDUCATION FEE</b>		
	International courses	5,578	26,202
	Domestic courses	22,243	23,125
	Islamic banking courses	13,076	5,006
		<u>40,897</u>	<u>54,333</u>
17	<b>OTHER INCOME</b>		
	Interest on investments	11,577	15,076
	Liabilities no longer required written back	1,216	-
	Reversal of provision against bad debts - net	10	-
	Gain on disposal of fixed assets	-	2,440
	Others - net	134	(314)
		<u>12,937</u>	<u>17,202</u>

18	OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES	Note	2015	2014
			Rupees in '000	
	Salaries, wages and other benefits		92,656	89,956
	Training cost		16,488	15,112
	Repairs and maintenance		13,781	11,339
	Lodging, catering and allied services		16,372	12,882
	Traveling and conveyance		6,460	8,371
	Printing and stationery		2,493	2,414
	Medical		385	397
	Provision for Bad Debts		29	-
	Electricity, gas and water		23,982	24,354
	Telephone and fax		804	794
	Vehicles running and maintenance		1,353	1,443
	General consumables		467	305
	Security charges		2,183	1,680
	Insurance		1,642	1,524
	Newspapers, books and periodicals		161	166
	Postage and courier		365	309
	Entertainment		613	574
	Auditors' remuneration		264	200
	Rent, rates and taxes		574	623
	Legal and professional		38	75
	Depreciation	4.1	15,242	11,878
	Amortisation	4.1	141	-
	Other		242	632
			<u>196,735</u>	<u>185,028</u>

**19 TAXATION**

The income of the Institute was exempt from tax under clause (92) of Part I of Second Schedule to the Income Tax Ordinance, 2001 upto tax year 2013 and for the tax year 2014 under clauses (59) and (60) of Part I of Second Schedule to the Income Tax Ordinance, 2001. During the current year, the Finance Act 2014 (applicable for tax year 2015) has deleted clauses (59) and (60) as mentioned above and has introduced a new section 100C in the Income Tax Ordinance, 2001. As per Section 100C, non profit organisations, trusts or welfare organisations as mentioned in sub section 2 of section 100C shall be allowed a tax credit equal to the one hundred percent of the tax payable, including minimum and final tax payable under any of the provisions of the Income Tax Ordinance, 2001, subject to the following conditions, namely-

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid; and
- (c) withholding tax statements for the immediately preceding tax year have been filed.

The operations of the Institute falls within the purview of clause (d) of sub-section 2 of Section 100C of the Income Tax Ordinance, 2001 and the Institute intends to comply with the above-mentioned requirements, hence the Institute is eligible to claim tax credit equal to 100 percent of the tax payable by the Institute. The Institute has recorded a net deficit amounting to Rs 68.050 million during the year ended June 30, 2015. Tax credit of hundred percent is allowed under section 100C of the Income Tax Ordinance, 2001 in respect of minimum tax liability and consequently no charge has been recognised in these financial statements for the year ended June 30, 2015.

**20 REMUNERATION OF CHIEF EXECUTIVE AND NON-EXECUTIVE DIRECTORS**

	2015		2014	
	Chief Executive	Non-Executive Directors	Chief Executive	Non-Executive Directors
	(Rupees in '000)			
Managerial remuneration	17,974	60	16,577	10
Retirement benefits	-	-	-	-
Medical expenses	-	-	-	-
	<u>17,974</u>	<u>60</u>	<u>16,577</u>	<u>10</u>
Number of persons	1	3	1	2

**20.1** The Chief Executive has been provided free use of the Institute maintained car.

## 21 FINANCIAL RISK MANAGEMENT

The Institute is primarily subject to credit risk, liquidity risk and market risks. The policies and procedures for managing these risks are outlined. The Institute has designed and implemented a framework of controls to identify, monitor and manage these risks.

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 other receivables and investment securities.

#### (i) Receivable against training programs and other receivables

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 as it has fixed rate securities.

#### (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.

Currently, the Institute is not exposed to price risks as the investments are currently being carried at amortised cost.

**21.1 Financial instruments by category**

As at June 30, 2015			
Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	Total
Rupees in '000			
<b>Assets</b>			
Long term deposits	1,632	-	1,632
Receivable against training programs	52,336	-	52,336
Advances to staff	405	-	405
Short term investments	-	22,598	22,598
Assets relating to Endowment fund	-	89,391	89,391
Cash and bank balances	46	-	46
	54,419	111,989	166,408

As at June 30, 2015			
	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Rupees in '000		
<b>Liabilities</b>			
Creditors, accrued expenses and other payables	-	9,089	9,089
Due to State Bank of Pakistan (Parent entity)	-	56,380	56,380
	-	65,469	65,469

As at June 30, 2014			
Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	Total
Rupees in '000			
<b>Assets</b>			
Long term deposits	1,620	-	1,620
Receivable against training programs	11,236	-	11,236
Advances to staff	223	-	223
Short term investments	-	177,930	177,930
Assets relating to Endowment fund	-	81,711	81,711
Cash and bank balances	183	-	183
	13,262	259,641	272,903

As at June 30, 2014			
	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Rupees in '000		
<b>Liabilities</b>			
Creditors, accrued expenses and other payables	-	10,187	10,187
Due to State Bank of Pakistan (Parent entity)	-	167,001	167,001
	-	177,188	177,188

**22 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****22.1 Credit risk****Exposure to credit risk**

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

	2015	2014
	Rupees in '000	
Long term deposit	1,632	1,620
Receivable against training programs	52,336	11,236
Advances to staff	405	223
Short term investments	22,598	177,930
Assets relating to Endowment fund	89,391	81,711
	166,362	272,720

**22.1.1** The receivable against training programs includes Rs. 41.6 million (2014: Rs. 5.6 million) due from the Parent entity and its subsidiary which are not significantly exposed to credit risk.



- 22.1.2** Short term investments and assets relating to endowment fund represents investments in treasury bills (Refer notes 7 and 8) which carries insignificant credit risk.

## 22.2 Impairment losses

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

	2015	2014
	Rupees in '000	
Domestic	52,336	11,236
Other regions	-	-
	<u>52,336</u>	<u>11,236</u>

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

	2015		2014	
	Gross	Provision	Gross	Provision
	Rupees in '000			
Not past due	-	-	-	-
Past due 0-30 days	40,557	-	6,218	-
Past due 31-90 days	4,990	-	4,395	-
Past due 90-180 days	1,745	-	354	-
Past due 180-365 days	1,421	-	-	-
More than one year	5,077	1,454	1,704	1,435
	<u>53,790</u>	<u>1,454</u>	<u>12,671</u>	<u>1,435</u>

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.

## 22.3 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.

	Contractual cash flows				
	Carrying amount	Total	Upto three months	Over three months and upto one year	Over one year
	Rupees in '000				
<b>June 30, 2015</b>					
Creditors, accrued expenses and other payables	9,089	9,089	5,630	3,459	-
Due to State Bank of Pakistan (Parent entity)*	56,380	56,380	56,380	-	-
	<u>65,469</u>	<u>65,469</u>	<u>62,010</u>	<u>3,459</u>	<u>-</u>
<b>June 30, 2014</b>					
Creditors, accrued expenses and other payables	10,187	10,187	6,007	4,180	-
Due to State Bank of Pakistan (Parent entity)*	167,001	167,001	167,001	-	-
	<u>177,188</u>	<u>177,188</u>	<u>173,008</u>	<u>4,180</u>	<u>-</u>

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

## 22.4 Market risk

The Institute is not exposed to market risk.

## 22.5 Fair value of financial assets and liabilities

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. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Institute is a going concern without any intention or requirement to curtail materiality the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all other financial assets and liabilities is not considered to be significantly different from carrying values as the items are either short term in nature or are periodically repriced.

As per the requirements of IFRS 7 (Financial Instruments Disclosure), the Institute shall classify fair value instruments using a fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets were identical assets or liabilities (level 1);
- Inputs other than quoted prices within level 1 that are observable for the asset or liabilities, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

## 23 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. The Institute is not subject to externally imposed capital requirements. Further, the parent's support is available to continue its operations.

## 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.

Transactions and 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:

	2015	2014
State Bank of Pakistan (Parent Entity)	Rupees in '000	
<b>Balances at the year end</b>		
Receivable against training programs	6,954	1,653
Due to the Parent entity	56,380	167,001
<b>Transactions during the year</b>		
Revenue charged	10,273	8,135
Reimbursement of Operational deficit	68,050	92,502
(Payments) / Receipts	(42,571)	84,103
<b>Associated undertaking - SBP - Banking Services Corporation (Subsidiary of Parent entity)</b>		
<b>Balances at the year end</b>		
Receivable against training programs	34,658	3,995
<b>Transactions during the year</b>		
Revenue charged	67,561	7,868
<b>Remuneration to chief executive officer and key management personnel</b>		
<b>Transactions during the year</b>		
Salaries, wages and other benefits to:		
- Chief executive officer	17,974	16,577
- Key management personnel	39,601	33,346
- 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.

**25 NUMBER OF EMPLOYEES**

The average number of employees for the year ended June 30, 2015 were 22 (2014: 22) and number of employees as at June 30, 2015 were 22 (2014: 22).

**26 CORRESPONDING FIGURES**

- 26.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant re-arrangements or reclassifications during the current year except as mentioned below:

Note	Reclassification from component	Note	Reclassification to component	Rupees '000
7	Short term investments	9	Cash and bank balances	95

**27 GENERAL**

Figures in these financial statements have been rounded off to the nearest thousand rupees.

**28 DATE OF AUTHORISATION OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue on October 28, 2015 by the Board of Directors of the Institute.

**MANAGING DIRECTOR**

**DIRECTOR**