

A. F. FERGUSON & CO.

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 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 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, 2017 and of the surplus, 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.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Salman Hussain

Audit Engagement Partner

Dated: October 18, 2017

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		Rupees in '000	
ASSETS			
Non-current assets			
Property and equipment	4	36,986	39,061
Intangible assets	5	-	-
Long term deposits		1,645	1,632
Current assets			
Stock of stationery and consumables		1,191	951
Receivable against training programs	6	44,392	80,816
Advances, prepayments and other receivables	7	1,864	3,559
Due from State Bank of Pakistan (Parent entity)	8	135,612	-
Short term investments	9	28,401	24,107
Assets relating to Endowment fund	10	98,421	94,207
Tax refunds due from government		4,808	2,312
Cash and bank balances	11	65	46
		314,754	205,998
TOTAL ASSETS		<u>353,385</u>	<u>246,691</u>
LIABILITIES			
Non-current liabilities			
Endowment Fund - Deferred Grant	12	98,421	94,207
Current liabilities			
Creditors, accrued expenses and other payables	13	8,778	6,972
TOTAL LIABILITIES		<u>107,199</u>	<u>101,179</u>
NET ASSETS		<u>246,186</u>	<u>145,512</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	14	29,261	29,261
Accumulated surplus		216,925	116,251
Total equity		<u>246,186</u>	<u>145,512</u>
CONTINGENCIES AND COMMITMENTS	15		

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, 2017**

	Note	2017	2016
		Rupees in '000	
INCOME			
Training and education fee	16	366,876	302,880
Hostel and training halls	17	26,367	31,803
Other income	18	2,106	5,569
		395,349	340,252
EXPENDITURE			
Operating, administrative and general expenses	19	(296,080)	(249,973)
Less: Income transferred from endowment fund	12	1,405	1,605
		(294,675)	(248,368)
Operating surplus for the year before taxation		100,674	91,884
Taxation	20	-	-
Surplus for the year after taxation		100,674	91,884
Other comprehensive income for the year		-	-
Total comprehensive surplus for the year		100,674	91,884

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, 2017

	2017	2016
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus for the year before taxation	100,674	91,884
Adjustments for non cash items		
Income from investments	(1,515)	(1,514)
Reversal of provision against doubtful receivables	(10)	-
Depreciation	13,409	14,319
Amortisation	-	54
Gain on disposal of property and equipment	(350)	(3,271)
	11,534	9,588
Operating income before working capital changes	112,208	101,472
Changes in working capital		
(Increase) / decrease in current assets		
Stock of stationery and consumables	(240)	21
Receivable against training programs	36,434	(28,480)
Advances, prepayments and other receivables	1,695	(3,066)
Due from State Bank of Pakistan (Parent entity)	(135,612)	-
	(97,723)	(31,525)
Increase / (decrease) in current liabilities		
Creditors, accrued expenses and other payables	1,806	(2,117)
Due to State Bank of Pakistan (Parent entity)	-	(56,380)
	1,806	(58,497)
Net changes in working capital	(95,917)	(90,022)
Withholding tax deducted	(2,496)	(1,234)
Long term deposits	(13)	-
Net cash generated from operating activities	13,782	10,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(11,334)	(13,492)
Sale proceeds from disposal of property and equipment	350	3,271
Investments made during the year	(30,069)	(47,435)
Investments redeemed during the year	27,290	47,440
Endowment fund investments made during the year	(384,813)	(94,562)
Endowment fund investments redeemed during the year	384,813	94,562
Net cash used in investing activities	(13,763)	(10,216)
Net increase in cash and cash equivalents during the year	19	-
Cash and cash equivalents at the beginning of the year	46	46
Cash and cash equivalents at the end of the year	65	46

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, 2017**

	<u>Share Capital</u>	<u>Accumulated Surplus</u>	<u>Total</u>
	<u>Rupees in '000</u>		
Balance at July 01, 2015	29,261	24,367	53,628
Total comprehensive surplus for the year	-	91,884	91,884
Balance at June 30, 2016	<u>29,261</u>	<u>116,251</u>	<u>145,512</u>
Total comprehensive surplus for the year	-	100,674	100,674
Balance at June 30, 2017	<u>29,261</u>	<u>216,925</u>	<u>246,186</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
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 STATUS AND NATURE OF BUSINESS

- 1.1** National Institute of Banking and Finance (Guarantee) Limited ("the Institute") was incorporated under the repealed 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 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. As per the requirements of circular no.CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), companies the financial year of which closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly approved accounting standards comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and the Accounting Standard for Not for Profit Organisations (NPOs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued thereunder. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 prevail.

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

The Companies Act, 2017 (the Act) has been enacted on May 30, 2017 superseding the Companies Ordinance, 1984. Subsequent to the promulgation of the Companies Act, 2017, the SECP through a press release dated July 20, 2017 has allowed companies whose financial year closes on or before June 30, 2017 to prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the financial statements of the Institute for the year ended June 30, 2017 have been prepared in accordance with the provisions of the repealed Ordinance while the financial statements of the Institute for the year ending June 30, 2018 will be prepared in accordance with the provisions of the new Companies Act, 2017. The Management is currently in the process of assessing the impact of the provisions of the Act on the financial statements of the Institute.

There are certain new and amended standards and interpretations that are mandatory for the accounting period beginning on or after July 1, 2016 but are considered not to be relevant or do not have any significant effect on the Institute's operations and are, therefore, not disclosed 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 that are mandatory for the accounting period beginning on or after July 1, 2017 but are considered not to be relevant or do not have any significant effect on the Institute's operations and are, therefore, not disclosed in these financial statements.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS 9 – Financial Instruments	January 1, 2018
- IFRS 15 – Revenue from contracts with customers	January 1, 2018
- IFRS 16 – Leases	January 1, 2019

The impact of standards, interpretations and amendments to published approved accounting standards that are not yet effective is yet to be determined by the Management of the Institute.

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except as stated otherwise.

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 and equipment

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

(b) Intangible assets

The Institute reviews the residual values and useful lives of intangible assets on a regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of intangible assets with a corresponding effect on amortisation and impairment.

(c) Impairment

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

(d) 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.

(e) Provision for doubtful receivables

The Institute makes provisions for doubtful receivables 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 and equipment

Property 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 and equipment are included in the income and expenditure account.

3.2 Intangible - computer softwares

Computer softwares 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 Institute and these are amortised applying the straight line method at the rates stated in note 5.1 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 of stationery and consumables

Stock of stationery and 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 doubtful receivable.

An estimate for doubtful receivable against training programs 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 Institute 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 in 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 long term deposits, receivable against training programs, advances and other receivables, due from State Bank of Pakistan and bank balances 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 till 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 under "loans and receivables" 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 recorded 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 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 income and expenditure 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 an 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 Creditors, accrued expenses and other payables

Liabilities for creditors, accrued expenses 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 and cash with banks in current account.

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 recognised on an accrual basis.
- (ii) Income on investment is accounted for on a time proportion basis using the applicable rates.
- (iii) Income from endowment fund is recognised on an accrual basis and determined in accordance with the NIBAF Endowment Fund Rules.
- (iv) Other income is recognised as and when earned.

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 transactions with owners.

3.13 Taxation

The Institute is eligible for hundred percent (100%) tax credit on taxes payable by the Institute under clause (d) of sub-section 2 of section 100C of the Income Tax Ordinance, 2001, introduced under the Finance Act, 2015.

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 the purpose of grant received from the SBP. The terms of references / rules and regulations of the Endowment fund have been formulated. The aims and objective of NIBAF Endowment Fund are as under:

- a) Capacity building of SBP and its subsidiaries (including SBP-BSC, NIBAF and others, if any) as well as other banking professionals in realms of Rural Finance, Microfinance, Agriculture and SMEs etc.
- b) To encourage, promote, support and undertake academic and scientific investigations, innovative research, inventions and developments in various Banking and Finance related areas.
- c) To provide assistance in such activities as field surveys, experiments, collection and dissemination of information, seminars, conferences and trainings etc. aimed at increasing awareness, introducing improvements and enhancing efficiency in areas related to Banking and Finance in general and Rural Finance in particular.
- d) To conduct research and trainings to increase awareness of commercial banks regarding possibilities, prospects and risks, to develop demand driven products and services, instituting enhanced portfolio management capability and installing systems and procedures for reducing costs etc.
- e) To promote gathering of information on rural finance by collecting and analysing data, conducting survey thereby working as a main training hub.

- f) To create linkages with national and international organisations for the strengthening of Rural finance related activities.
- g) For any other purpose which the Institute's Board of Directors may consider fit for the overall benefit Institute and its stakeholders.

3.15 Retirement benefits

The permanent employees of the Institute represent 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.

4 PROPERTY AND EQUIPMENT

4.1 The following is a statement of property and equipment:

	Property and equipment				
	Furniture and fixtures	Electronic data processing equipment	Office equipment	Vehicles	Total
	-----Rupees in '000-----				
Cost					
Balance as at July 01, 2015	13,768	21,022	60,143	36,532	131,465
Additions during the year	1,410	-	811	11,248	13,469
Transfer in during the year	-	279	-	981	1,260
Disposals during the year	(198)	-	(2,292)	(5,206)	(7,696)
Balance as at June 30, 2016	14,980	21,301	58,662	43,555	138,498
Balance as at July 01, 2016	14,980	21,301	58,662	43,555	138,498
Additions during the year	2,002	2,442	5,200	-	9,644
Transfer in during the year	-	3,159	-	-	3,159
Disposals during the year	(60)	-	(665)	-	(725)
Balance as at June 30, 2017	16,922	26,902	63,197	43,555	150,576
Allowance for depreciation					
Balance as at July 01, 2015	8,062	20,691	40,159	22,665	91,577
Depreciation charge for the year	974	330	7,083	5,932	14,319
Transfer in during the year	-	256	-	981	1,237
Disposals during the year	(198)	-	(2,292)	(5,206)	(7,696)
Balance as at June 30, 2016	8,838	21,277	44,950	24,372	99,437
Balance as at July 01, 2016	8,838	21,277	44,950	24,372	99,437
Depreciation charge for the year	1,134	226	5,997	6,052	13,409
Transfer in during the year	-	1,469	-	-	1,469
Disposals during the year	(60)	-	(665)	-	(725)
Balance as at June 30, 2017	9,912	22,972	50,282	30,424	113,590
Carrying amounts - 2017	7,010	3,930	12,915	13,131	36,986
Carrying amounts - 2016	6,142	24	13,712	19,183	39,061
Rate of depreciation	10%	33%	20%	20%	

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

4.3 The depreciation charge for the year has been allocated to operating, administrative and general expenses - (Refer note 19).

5 INTANGIBLE ASSETS - COMPUTER SOFTWARE

5.1 The following is a statement of intangible assets:

	2017	2016
	Rupees in '000	
Cost		
Balance as at the beginning of the year	195	195
Additions during the year	-	-
Disposals during the year	-	-
Balance as at end of the year	<u>195</u>	<u>195</u>
Allowance for amortisation		
Balance as at the beginning of the year	195	141
Amortisation for the year	-	54
Disposals during the year	-	-
Balance as at end of the year	<u>195</u>	<u>195</u>
Carrying amounts	<u>-</u>	<u>-</u>
Rate of amortisation	<u>33%</u>	<u>33%</u>

5.2 The amortisation for the year has been allocated to operating, administrative and general expenses - (Refer note 19).

	Note	2017	2016
		Rupees in '000	
6 RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED			
Associated undertaking			
SBP Banking Services Corporation		32,849	51,760
State Bank of Pakistan		2,223	22,818
		35,072	74,578
Others			
Considered good		9,320	6,238
Considered doubtful		1,444	1,454
		10,764	7,692
Provision for doubtful receivables	6.1	(1,444)	(1,454)
		9,320	6,238
		<u>44,392</u>	<u>80,816</u>
6.1 Provision for doubtful receivables			
Opening balance		1,454	1,454
Additions during the year		-	-
Reversal during the year		(10)	-
		<u>1,444</u>	<u>1,454</u>
7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to staff - unsecured, considered good		1,212	1,452
Receivable from Endowment fund upon maturity of Investment		237	1,605
Advances to supplier - unsecured, considered good		-	109
Prepayments		415	393
		<u>1,864</u>	<u>3,559</u>

8	DUE FROM STATE BANK OF PAKISTAN (PARENT ENTITY)	2017	2016
		Rupees in '000	
	State Bank of Pakistan (Parent entity)	135,612	-
	Opening balance	-	56,380
	Received / (Payments) during the year	135,612	(56,380)
	Closing balance	135,612	-

This represents the current account of the Institute with the State Bank of Pakistan (Parent entity) to manage the financial affairs of the Institute. Further, the settlement of trainings provided to SBP and SBP BSC are also settled through current account.

9	SHORT TERM INVESTMENTS	Note	2017	2016
			Rupees in '000	
	Held to maturity			
	Market Treasury Bills			
	Cost	9.1	28,330	24,080
	Accrued profits		71	27
			28,401	24,107

9.1 These carry return at the rate of 6.1% per annum and having maturities from September 14, 2017 to September 28, 2017 (2016: 5.91% per annum having maturity on June 22, 2017).

9.2 The fair value of investments as at June 30, 2017 is Rs 28.4 million (2016: Rs 24.11 million). Market Treasury Bills have been revalued on the basis of yields published by Reuters (PKRV) for government securities.

10	ASSETS RELATING TO ENDOWMENT FUND	Note	2017	2016
			Rupees in '000	
	Held to maturity			
	Market Treasury Bills			
	Cost	10.1	98,512	94,562
	Accrued profits		146	1,250
	Less: income payable to the Institute		(237)	(1,605)
			98,421	94,207

10.1 These carry return at the rate of 6.1% per annum and having maturity on December 21, 2017 (2016: 6.17% per annum having maturity on July 7, 2016).

10.2 The fair value of investments as at June 30, 2017 is Rs 98.66 million (2016: Rs 95.81 million). Market Treasury Bills have been revalued on the basis of yields published by Reuters (PKRV) for government securities.

11	CASH AND BANK BALANCES	2017	2016
		Rupees in '000	
	Cash in hand	60	34
	Cash in bank - current account	5	12
	SBP Banking Services Corporation (Associated undertaking)		
		65	46

12	ENDOWMENT FUND - DEFERRED GRANT	2017	2016
	Opening balance	94,207	89,391
	Interest income on investments	5,619	6,421
	Less: income allocated to the Institute (at the rate of 25 percent)	(1,405)	(1,605)
	Closing balance	98,421	94,207

This represented capital grant amounting to US dollar one million received by the Institute in January 2005 from the State Bank of Pakistan (Parent Entity) for establishment of a 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 the purpose of grant received from SBP. The NIBAF Endowment Fund Rules, detailing the investment and utilisation of the grant, have been formulated and approved by the Board of Directors in their meeting held on August 12, 2015.

	Note	2017	2016
		Rupees in '000	
13 CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES			
Creditors		5,947	3,058
Traveling and training cost		1,145	1,010
Accrued expenses		778	2,524
Retention money / deposits		908	380
		<u>8,778</u>	<u>6,972</u>
14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
Issued, subscribed and paid-up capital			
2,926,084 ordinary shares of Rs.10 each issued for cash	14.1	<u>29,261</u>	<u>29,261</u>

14.1 State Bank of Pakistan holds 2,926,083 (2016: 2,926,083) ordinary shares and the Governor of State Bank of Pakistan holds 1 (2016: 1) share of the Institute as at the balance sheet date.

15 CONTINGENCIES AND COMMITMENTS

15.1 Tax related contingencies

The Finance Act 2015 extended the scope of services covered under Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (ICTO) and some new services were brought within the purview of sales tax which are detailed in schedule to the ICTO. During the year 2016, the Institute received a notice from the tax department dated January 20, 2016 claiming that the services provided by Institute fall within the purview of serial numbers 13, 19 and 38 of schedule to the ICTO and accordingly the Institute should get itself registered for sales tax, obtain Sales Tax Registration number (STRN), file returns for six months from July 2015 to December 31, 2015 and settle the outstanding liability in respect of sales tax for those six months. The management believes that the Institute does not fall under the purview of serial numbers 13, 19 and 38 of schedule to the ICTO mainly on the ground that NIBAF is a training institute and is not liable to be registered under sales tax on services. A reply was sent from the Institute's management to the Assistant Commissioner Inland Revenue (ACIR) justifying the non-applicability of serial numbers 13, 19 and 38 of schedule to the ICTO to the Institute. However, the ACIR maintained the tax department's view and ordered the compulsory registration of the Institute with immediate effect through its order dated February 19, 2016.

Moreover, the Institute received a show cause notice on March 10, 2016 for filing the tax returns for the period from July 2015 to December 2015 and payment of the due amount of sales tax on services. Subsequently, the department passed the following order on April 11, 2016:

- Imposition of sales tax amounting to Rs.13,675,649; and
- Imposition of a penalty under section 33(1) of the Sales Tax Act, 1990 for non-filing amounting to Rs.35,000 along with default surcharge and penalty under section 33(5) of the Sales Tax Act, 1990.

The Institute challenged the above order passed by the ACIR before the Commissioner Inland Revenue Appeals II (CIRA). However, the matter was decided against the Institute.

During the current year, the Institute has filed an appeal before the Commissioner Inland Revenue Appeals II (CIRA) challenging the compulsory registration of the Institute done by the department vide its order dated February 19, 2016. This appeal was disposed of by the CIRA on February 9, 2017 because it was not maintainable under the law (as it was outside his jurisdiction) and the case can now be taken to the Honorable Islamabad High Court. Consequently, the Institute intends to file writ petition against the above orders before the Honorable Islamabad High Court.

The Institute, based on the advice of its legal counsel, is of the view that the Institute has valid grounds and there are fair chances of success before the Honorable Islamabad High Court. Accordingly, no provision has been recognized in these financial statements.

	2017	2016
	Rupees in '000	
15.2 Commitments in respect of capital expenditure	<u>98</u>	<u>418</u>
15.3 There were no other contingencies and commitments outstanding as at June 30, 2017 and 2016 except as disclosed in notes 15.1 and 15.2.		

		2017	2016
		Rupees in '000	
16 TRAINING AND EDUCATION FEE			
Domestic courses		330,509	263,652
International courses		20,590	15,375
Islamic banking courses		15,777	23,853
		<u>366,876</u>	<u>302,880</u>
16.1	From July 1, 2015 training & allied services including hostel facility provided to trainee officers of State Bank of Pakistan (parent entity) are billed to State Bank of Pakistan. Previously, no amount was being charged to SBP for these training related services provided by the Institute. However, deficit at the end of every year was being passed on to SBP.		
	Note	2017	2016
17 HOSTEL AND TRAINING HALLS INCOME		Rupees in '000	
Rental income		15,417	21,206
Service charges		979	667
Food and beverages		9,971	9,930
		<u>26,367</u>	<u>31,803</u>
18 OTHER INCOME			
Income from financial assets			
Interest on investments		1,515	1,514
Income from non-financial assets			
Reversal of provision against doubtful receivables	6.1	10	-
Gain on disposal of property and equipment		350	3,271
Others - net		231	784
		<u>591</u>	<u>4,055</u>
		<u>2,106</u>	<u>5,569</u>
19 OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits		142,694	121,791
Training cost		35,723	34,611
Repairs and maintenance		20,615	17,768
Lodging, catering and allied services		29,685	21,473
Travelling and conveyance		11,379	6,477
Printing and stationery		5,235	3,381
Medical		402	417
Electricity, gas and water		24,324	18,855
Telephone and fax		1,095	1,044
Vehicles running and maintenance		1,092	1,016
General consumables		1,092	961
Security charges		3,725	3,069
Insurance		2,090	1,836
Newspapers, books and periodicals		167	144
Postage and courier		424	379
Entertainment		711	779
Auditors' remuneration	19.1	288	397
Legal and professional		613	53
Depreciation	4.1	13,409	14,319
Amortisation	5.1	-	54
Others		1,317	1,149
		<u>296,080</u>	<u>249,973</u>
19.1 Auditors' remuneration			
Audit fee		225	225
Out of pocket expenses		45	154
		<u>270</u>	<u>379</u>
Sindh Sales Tax on Services		18	18
		<u>288</u>	<u>397</u>

20 TAXATION

The income of the Institute was exempt from tax under clause (92) of Part I of the 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 the Second Schedule to the Income Tax Ordinance, 2001. The Finance Act 2014 (applicable for tax year 2015) deleted clauses (59) and (60) as mentioned above and 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 are allowed a tax credit equal to 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 fall 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 will be eligible to claim tax credit equal to 100 percent of the tax payable by the Institute. The Institute has recorded a net surplus of Rs 100.674 million during the year ended June 30, 2017. Tax credit of hundred percent is allowed under section 100C of the Income Tax Ordinance, 2001 in respect of tax charge on net surplus earned by the Institute and consequently no charge has been recognised in these financial statements for the year ended June 30, 2017.

21 FINANCIAL RISK MANAGEMENT

The Institute is primarily subject to credit risk, liquidity risk and market risk. The policies and procedures for managing these risks are outlined below. 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 analyse the risks faced by the Institute, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Institute's activities. The Institute, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The management monitors compliance with the Institute's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Institute.

(a) Credit risk

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

(i) Receivable against training programs, advances, deposits, bank balances 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 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 Market 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 the 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 minimizing its price risk by investing in fixed rate investments like Market 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, 2017			Total
	Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	
Assets				
-----Rupees in '000-----				
Long term deposits	1,645	-	-	1,645
Receivable against training programs	44,392	-	-	44,392
Advances and other receivables	1,449	-	-	1,449
Due from State Bank of Pakistan (Parent entity)	135,612	-	-	135,612
Short term investments	-	28,401	-	28,401
Assets relating to Endowment fund	-	98,421	-	98,421
Cash and bank balances	65	-	-	65
	<u>183,163</u>	<u>126,822</u>	<u>-</u>	<u>309,985</u>
Liabilities				
-----Rupees in '000-----				
Creditors, accrued expenses and other payables	-	-	8,778	8,778
	<u>-</u>	<u>-</u>	<u>8,778</u>	<u>8,778</u>
As at June 30, 2016				
	Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	Total
-----Rupees in '000-----				
Assets				
Long term deposits	1,632	-	-	1,632
Receivable against training programs	80,816	-	-	80,816
Advances and other receivables	3,166	-	-	3,166
Short term investments	-	24,107	-	24,107
Assets relating to Endowment fund	-	94,207	-	94,207
Cash and bank balances	46	-	-	46
	<u>85,660</u>	<u>118,314</u>	<u>-</u>	<u>203,974</u>
Liabilities				
-----Rupees in '000-----				
Creditors, accrued expenses and other payables	-	-	6,972	6,972
	<u>-</u>	<u>-</u>	<u>6,972</u>	<u>6,972</u>

22 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**22.1 Credit risk****22.1.1 Exposure to credit risk**

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

	2017	2016
	Rupees in '000	
Long term deposits	1,645	1,632
Receivable against training programs	44,392	80,816
Advances and other receivables	1,449	3,166
Due from State Bank of Pakistan (Parent entity)	135,612	-
Short term investments	28,401	24,107
Assets relating to Endowment fund	98,421	94,207
Bank balance	5	12
	<u>309,925</u>	<u>203,940</u>

22.1.2 Exposure to credit risk by credit rating

Sovereign	297,519	192,912
AAA	884	366
AA	4,088	1,566
A	3,155	3,477
BBB	80	80
Lower than BBB	18	2
Unrated	4,181	5,537
	<u>309,925</u>	<u>203,940</u>

22.1.3 Exposure to credit risk by geographical location

The maximum exposure to credit risk for carrying amount of financial assets at the balance sheet date by geographic region was:

	2017	2016
	Rupees in '000	
Domestic	309,925	203,940
Other regions	-	-
	<u>309,925</u>	<u>203,940</u>

22.2 Impairment losses

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

	2017		2016	
	Gross	Provision	Gross	Provision
	----- Rupees in '000 -----			
Not past due	-	-	-	-
Past due 0-30 days	12,762	-	73,704	-
Past due 31-90 days	26,568	-	2,570	-
Past due 90-180 days	2,985	-	1,502	-
Past due 180-365 days	848	-	2,331	-
More than one year	2,673	1,444	2,163	1,454
	<u>45,836</u>	<u>1,444</u>	<u>82,270</u>	<u>1,454</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 details 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 -----					
June 30, 2017					
Creditors, accrued expenses and other payables	8,778	8,778	7,870	908	-
	<u>8,778</u>	<u>8,778</u>	<u>7,870</u>	<u>908</u>	<u>-</u>
June 30, 2016					
Creditors, accrued expenses and other payables	6,972	6,972	6,592	380	-
	<u>6,972</u>	<u>6,972</u>	<u>6,592</u>	<u>380</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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 13 (Fair Value Measurement), 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 for 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)

Short term investments and assets relating to endowment fund have fair market value of Rs. 28.4 million and Rs. 98.66 million respectively as disclosed in notes 9.2 and 10.2 to the financial statements which are being valued under level 2. These are carried at amortised cost in these financial statements in accordance with the Institute's accounting policy.

The Institute does not have any investments which are carried at fair value.

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 the 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 Managing Director under the terms of their employment are as follows:

State Bank of Pakistan (Parent Entity)	2017	2016
	Rupees in '000	
Balances at the year end		
Receivable against training programs	2,223	22,818
Due from the Parent entity	135,612	-
Transactions during the year		
Revenue charged	199,306	153,335
Receipts / (Payments)	219,901	(56,380)
Associated undertaking - SBP - Banking Services Corporation (Subsidiary of Parent entity)		
Balances at the year end		
Receivable against training programs	32,849	51,760
Transactions during the year		
Revenue charged	132,820	114,845

24.1 Remuneration of Managing Director, Non-Executive Directors and Executives

	2017			2016		
	Managing Director	Non-Executive Director	Executives	Managing Director	Non-Executive Director	Executives
	(Rupees in '000)			(Rupees in '000)		
Fees	-	282	-	-	470	-
Managerial remuneration	18,675	-	65,534	17,870	-	51,105
Fuel allowance	709	-	3,104	738	-	2,539
Telephone allowance	111	-	839	217	-	880
Contribution to Provident fund	1,121	-	1,921	944	-	1,170
House rent allowance	-	-	224	-	-	336
Others	348	-	222	351	-	241
	20,964	282	71,844	20,120	470	56,271
Number of persons	1	2	15	1	3	15

24.1.1 The Managing Director has been provided free use of the Institute's maintained car.

24.1.2 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 are not charged to the Institute as all employees are on deputation.

25 NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2017 were 29 (2016: 25) and number of employees as at June 30, 2017 were 31 (2016: 27).

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.

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 18, 2017 by the Board of Directors of the Institute.

MANAGING DIRECTOR

DIRECTOR