Deloitte

M. Yousuf Adil Saleem & Co

Chartered Accoutants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

AUDITORS' REPORT TO THE MEMBERS OF NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED

We have audited the annexed balance sheet of NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED (the Institute) as at June 30, 2013 and the related income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Institute's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. in our opinion, proper books of account have been kept by the Institute as required by the Companies Ordinance, 1984;

b. in our opinion:

i. the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Institute’s business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Institute;

c. in our opinion the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the Institute's affairs as at June 30, 2013 and of the deficit, its cash flows and changes in equity for the year then ended; and

d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Dated: October 23, 2013
Karachi

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
NON CURRENT ASSETS			
Property plant and equipment	5	39,588,190	36,988,450
Long term deposits		953,497	953,497
CURRENT ASSETS			
Stock of stationery and consumables		812,104	834,908
Receivable against training programs	6	32,707,544	30,923,631
Advances, prepayments and other receivables	7	1,776,580	2,181,737
Short term investments	8	237,439,853	214,183,904
Cash in hand		33,780	160,860
		272,769,861	248,285,040
		313,311,548	286,226,987
SHAREHOLDERS' EQUITY			
Authorized share capital		200,000,000	200,000,000
(20,000,000 Ordinary shares of Rs.10 each)			
Issued, subscribed and paid up capital	9	29,260,840	29,260,840
Accumulated surplus		24,367,267	24,367,267
		53,628,107	53,628,107
Endowment Fund	10	74,489,990	67,280,645
		128,118,097	120,908,752
CURRENT LIABILITIES			
Creditors, accrued expenses and other payables	11	9,794,208	13,751,725
Due to State Bank of Pakistan (Parent entity)	12	175,399,243	151,566,510
		185,193,451	165,318,235
		313,311,548	286,226,987
COMMITMENTS	13		

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
INCOME			
Hostel and training halls	14	33,373,744	35,246,716
Training and education fee	15	36,572,682	44,072,329
Other income	16	18,041,436	21,523,615
		87,987,862	100,842,660
EXPENDITURE			
Operating, administrative and general expenses	17	(171,474,906)	(157,273,420)
Operating deficit for the year		(83,487,044)	(56,430,760)
Provision for taxation	18	-	-
Deficit for the year		(83,487,044)	(56,430,760)
Other comprehensive income for the year		-	-
Total comprehensive deficit for the year		(83,487,044)	(56,430,760)

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating deficit for the year	(83,487,044)	(56,430,760)
Adjustments for non cash items:		
Income from investments	(16,046,605)	(17,141,632)
Depreciation	13,123,828	9,814,396
Gain on disposal	-	(3,624,730)
Provision for doubtful debts	-	956,990
Assets disposed off	-	-
	(2,922,776)	(9,994,976)
Operating deficit before working capital changes	(86,409,820)	(66,425,736)
Changes in working capital		
(Increase) / decrease in current assets:		
Stock of stationery and consumables	22,804	(112,462)
Receivable against training programs	(1,783,913)	(21,684,858)
Advances, prepayments and other receivables	405,157	(890,479)
	(1,355,952)	(22,687,799)
Increase / (decrease) in current liabilities:		
Creditors, accrued expenses and other payables	(3,957,517)	2,021,106
Due to State Bank of Pakistan (Parent entity)	107,319,777	103,000,397
	103,362,260	105,021,503
Net changes in working capital	102,006,308	82,333,704
Income tax paid	-	(128,000)
Net cash generated from operating activities	15,596,488	15,779,968
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(15,723,568)	(16,743,204)
Assets transferred from the Parent Entity	-	(2,008,607)
Proceeds from the disposal of property, plant and equipment	-	3,624,800
Long term security deposits	-	(552,097)
Net cash used in investing activities	(15,723,568)	(15,679,108)
Net increase in cash and cash equivalents	(127,080)	100,860
Cash and cash equivalents at beginning of the year	160,860	60,000
Cash and cash equivalents at end of the year	33,780	160,860

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Accumulated Surplus	Total
	Rupees	Rupees	Rupees
Balance at July 01, 2011	29,260,840	24,367,267	53,628,107
Total comprehensive deficit for the year	-	(56,430,760)	(56,430,760)
Deficit allocated to State Bank of Pakistan (the Parent entity)	-	56,430,760	56,430,760
Balance at June 30, 2012	29,260,840	24,367,267	53,628,107
Total comprehensive deficit for the year	-	(83,487,044)	(83,487,044)
Deficit allocated to State Bank of Pakistan (the Parent entity)	-	83,487,044	83,487,044
Balance at June 30, 2013	29,260,840	24,367,267	53,628,107

The annexed notes 1 to 24 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. STATUS AND NATURE OF BUSINESS

1.1 National Institute of Banking and Finance (Guarantee) Limited ("the Institute") was incorporated under the Companies Ordinance, 1984 on March 21, 1993 in Pakistan, as a Private Company Limited by Guarantee having share capital. The Institute is engaged in providing education and training in the field of banking, finance and allied areas. State Bank of Pakistan is the Parent entity of the Institute ("the Parent entity").

1.2 These financial statements are presented in Pakistan Rupee which is the Institute's functional and presentation currency.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan, differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2013

The following standards, amendments and interpretations are effective for the year ended June 30, 2013. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards / amendments / interpretations	Effective date (accounting periods beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of	*July 01, 2012*

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures except for amendments in IAS 19.

Standards / amendments / interpretations	Effective for annual periods beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	*January 01, 2013*
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing	*January 01, 2013*

equipment

Amendments to IAS 19 **-** *Employee Benefits*	*January 01, 2013*
Amendments to IAS 32 Financial Instruments: Presentation **-** *Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction*	*January 01, 2013*
Amendments to IAS 32 Financial Instruments: Presentation **-** *Offsetting financial assets and financial liabilities*	*January 01, 2013*
Amendments to IAS 34 **-** *Interim Financial Reporting* **-** *Interim reporting of segment information for total assets and total liabilities*	*January 01, 2013*
Amendments to IFRS 7 Financial Instruments: Disclosures **-** *Offsetting financial assets and financial liabilities*	*January 01, 2013*
IFRIC 20 **-** *Stripping Costs in the Production Phase of a Surface Mine*	*January 01, 2013*

The Fund expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application except for increase in disclosure requirement.

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

Standards or interpretations

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

2.4 Basis of measurement

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

2.5 Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

(a) Property, plant and equipment

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

(b) Impairment

The Institute's assessment relating to impairment of assets is discussed in notes 3.2.

(c) Provision for slow moving stocks and other receivables

The Institute assesses the amount of provision for slow moving stocks on the basis of their actual pattern of usage. Provision is determined for those stocks, which are not used for considerable period of time. Provision for other receivables is determined by using judgment based on past business practices, probability of recovery and lapsed time period of due balance.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and provision for impairment, if any. Depreciation on additions is charged from the month the asset is available for use and on disposal up to the month preceding the month of disposal. Depreciation for the year is calculated using the straight line method at rates given in note 5 to the financial statements and included in the income and expenditure account. Maintenance and normal repairs are charged to income as and when incurred. Major extensions, renewals and improvements are capitalized. Gains and losses on disposal of property, plant and equipment are taken to the income and expenditure account currently.

3.2 Impairment

The carrying amounts of the Institute's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of assets is estimated and impairment losses are recognized as expense in the income and expenditure account.

3.3 Deferred grants

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

3.4 Stocks

Stocks and other consumables are valued at the lower of cost and net realizable value. Cost comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Replacement cost of the items is used to measure the net realizable value. Provision is made for stocks which are not used for a considerable period of time.

3.5 Accounts receivables and other receivables

Accounts receivables and other receivables are carried at invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off when identified.

3.6 Investment held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Institute has positive intent and ability to hold to maturity are classified as held to maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method.

3.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Institute.

3.8 Cash and cash equivalents

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

3.9 Financial instruments

Financial assets and liabilities are recognized when the Institute becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or amortized cost as the case may be.

The Institute de-recognizes a financial assets or a portion of financial asset when, and only when, the Institute loses control of the contractual right that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired.

3.10 Offsetting financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Institute has a legal enforceable right to set-off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

3.11 Provisions

A provision is recognized in the balance sheet when the Institute has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the can be made of the amount of obligation.

3.12 Revenue recognition

(i) Training, education and hostel services are charged on accural basis except for the trainings arranged for the officers of State Bank of Pakistan (the Parent entity) which are provided free of cost excluding training programmes financed by International Institutions.

(ii) Interest on bank accounts and on investment is accounted for on a time proportion basis using the applicable rate of interest.

3.13 Training costs

Training, education and hostel services are provided free of cost to pre-induction trainees sent by State Bank of Pakistan. Stipend to these trainees was also paid by the Institute uptill June 30, 2011 that has now been discontinued.

3.14 Taxation

Income of the Institute is exempted from income tax as per Clause 92 of Part-1 of Second Schedule to the Income Tax Ordinance, 2001.

3.15 Endowment fund

The Institute established an Endowment fund from July 1, 2011 for development and running the operations of Rural Finance Resource Centre from the grant received from State Bank of Pakistan (SBP). The terms of references / rules and regulations of the Endowment fund are being formulated.

3.16 Retirement benefits

All the employees of the Institute are entitled to retirement benefits in accordance with the rules and regulations of the retirement fund / schemes of the Parent entity. The respective expenses are borne by the Parent entity and is not charged to the Institute.

4. FINANCIAL RISK MANAGEMENT

The Institute has exposure to the following risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk.

This note presents information about the Institute's exposure to each of the above risks, the Institute's objectives, policies and processes for measuring and managing risks, and the Institute's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Institute's risk management framework. The Board has delegated the responsibility for developing and monitoring the Institute's risk management policies to its management. The management reports regularly to the Board of Directors on its activities. The Institute's risk management policies are established to identify and 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

(a) Credit risk

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

(i) Receivable against training programs

The Institute's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Since the majority of the customers are either commercial banks and government owned entities including the Parent entity and its subsidiary, the Institute is less likely to be exposed to the credit risk. The Institute also provides trainings to other central banks which are conducted in coordination with Government of Pakistan and has no history of significant default risk.

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(ii) Investments

The Institute limits its exposure to credit risk by only investing in Government Treasury Bills. This investment is in Subsidiary General Ledger Account (SGLA) maintained by the State Bank of Pakistan-Banking Services Corporation, Karachi. The Institute's management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations as they fall due. The Institute believes that it is not exposed to any significant level of liquidity risk.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Institute's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Institute is not exposed to currency risk

(ii) Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Institute is not exposed to Interest rate risk.

(iii) Other market price risk

The primary goal of the Institute's investment strategy is to maximize investment returns on surplus funds. The Institute adopts a policy of ensuring minimize its price risk by investing in fixed rate investments like Government Treasury Bills.

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Electronic data processing equipment	Office equipment	Vehicles	Total
	---------- Rupees ----------				
Cost					
Balance as at 01 July 2011	18,444,831	13,910,880	40,380,886	15,671,104	88,407,701
Additions during the year	75,000	-	909,240	15,758,964	16,743,204
Transfer in during the year	-	3,841,238	-	-	3,841,238
Disposals during the year	(78,239)	-	-	(2,319,504)	(2,397,743)
Balance as at 30 June 2012	18,441,592	17,752,118	41,290,126	29,110,564	106,594,400
Balance as at 01 July 2012	18,441,592	17,752,118	41,290,126	29,110,564	106,594,400
Additions during the year	22,999	576,424	15,124,145	-	15,723,568
Transfer in during the year	-	-	-	-	-
Disposals during the year	-	-	-	-	-
Balance as at 30 June 2013	18,464,591	18,328,542	56,414,271	29,110,564	122,317,968
Allowance for depreciation					
Balance as on 01 July 2011	11,036,632	9,150,110	31,179,714	8,990,140	60,356,596
Depreciation charge for the year	1,216,972	3,300,119	2,043,184	3,254,121	9,814,396
Transfer in during the year	-	1,832,631	-	-	1,832,631
Disposals during the year	(78,209)	-	-	(2,319,464)	(2,397,673)
Balance as at 30 June 2012	12,175,395	14,282,860	33,222,898	9,924,797	69,605,950
Balance as on 01 July 2012	12,175,395	14,282,860	33,222,898	9,924,797	69,605,950
Depreciation charge for the year	791,476	3,327,232	4,033,607	4,971,514	13,123,828
Transfer in during the year	-	-	-	-	-
Disposals during the year	-	-	-	-	-
Balance as at 30 June 2013	12,966,871	17,610,092	37,256,505	14,896,311	82,729,778
Carrying amounts - 2013	**5,497,720**	**718,450**	**19,157,766**	**14,214,253**	**39,588,190**
Carrying amounts - 2012	6,266,197	3,469,258	8,067,228	19,185,767	36,988,450
Rates of depreciation	**10%**	**33.33%**	**20%**	**20 - 25%**	

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

5.2 The depreciation charge for the year has been allocated to administrative and general expenses - (Refer note 17).

	Note	2013 Rupees	2012 Rupees

6. RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED

	Note	2013 Rupees	2012 Rupees
Associated undertaking			
SBP Banking Services Corporation		21,565,871	6,432,598
State Bank of Pakistan		5,850,430	7,617,216
		27,416,301	14,049,814
Others			
Considered good		5,291,243	16,873,817
Considered doubtful		1,435,340	2,510,140
		6,726,583	19,383,957
Provision for doubtful receivables	6.1	(1,435,340)	(2,510,140)
		5,291,243	16,873,817
		32,707,544	30,923,631

6.1 Provision for doubtful receivables

		2013 Rupees	2012 Rupees
Opening balance		2,510,140	1,553,150
Additions during the year		-	956,990
Reversal during the year		(1,074,800)	-
		1,435,340	2,510,140

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

		2013 Rupees	2012 Rupees
Advances to staff - unsecured, considered good		385,480	251,460
Prepayments		1,391,100	1,341,078
Advance to suppliers		-	589,199
		1,776,580	1,592,538

8. SHORT TERM INVESTMENTS

Investment held to maturity

	Note	2013 Rupees	2012 Rupees
Government Treasury Bills			
Cost	8.1	229,414,121	204,808,043
Accrued profits		8,025,732	9,375,861
		237,439,853	214,183,904

8.1 These investments are for a period 12 months or less and are shown at amortized cost using effective rate of interest which ranges from 8.93% to 11.89% per annum (2012: 11.87% to 13.87% per annum).

8.2 This includes investments made on behalf of Endowment fund but has not been specifically earmarked. Allocation of income earned is based on the proportion of assets invested on the date the Endowment fund was established. i.e. July 1, 2011.

9. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	Note	2013 Rupees	2012 Rupees
Issued, subscribed and paid-up capital			
2,926,084 ordinary shares of Rs.10 each issued for cash	9.1	29,260,840	29,260,840

9.1 State Bank of Pakistan hold 2,926,083 (2012: 2,926,083) ordinary shares and Governor of State Bank of Pakistan holds 1 (2012: 1) share of the Institute as at the balance sheet date.

10. ENDOWMENT FUND / CAPITAL GRANT

	2013 Rupees	2012 Rupees
Endowment fund		
Opening balance	67,280,645	-
Transferred from capital grant	-	59,429,900
Interest income on investments	7,209,345	7,850,745
Closing balance	74,489,990	**67,280,645**

This represented capital grant amounting to US dollar one million received by the Institute in January 2005 from State Bank of Pakistan (Parent entity) for establishment of Rural Finance Resource Centre. The grant disbursed by SBP out of the proceeds of loan given to the Government of Pakistan (GoP) by Asian Development Bank vide loan agreement No. 1987-PAK dated 23 December 2002. The Institute has established an Endowment fund effective from July 1, 2011 for development and running the operations of Rural Finance Resource Centre and accordingly, the amount of Capital grant has been transferred to Endowment fund.

11. CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES

	2013 Rupees	2012 Rupees
Creditors	2,721,418	2,761,030
Traveling and training cost	212,000	376,500
Accrued expenses	3,872,832	5,067,510
Retention money/deposits	2,987,958	5,546,685
	9,794,208	13,751,725

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

	2013 Rupees	2012 Rupees
State Bank of Pakistan (Parent entity)	175,399,243	151,566,510
Opening balance	151,566,510	104,996,873
Received during the year	107,319,777	103,000,397
Deficit allocated	(83,487,044)	(56,430,760)
Closing balance	175,399,243	151,566,510

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

13. COMMITMENTS

Commitments in respect of capital expenditure contracted for but not as yet incurred are amounting to Rs. 4.7 million (2012: Rs. 6.1 million).

	Note	2013 Rupees	2012 Rupees
14. HOSTEL AND TRAINING HALLS INCOME			
Rental income		20,029,960	23,922,800
Service charges		1,886,604	2,016,868
Food and beverages		11,457,180	9,307,048
		33,373,744	35,246,716
15. TRAINING AND EDUCATION FEE			
International courses		5,958,794	19,100,179
Domestic courses		26,433,888	16,950,475
Islamic banking courses		4,180,000	8,021,675
		36,572,682	44,072,329
16. OTHER INCOME			
Interest on investments		16,046,605	17,141,632
Gain on disposal on vehicles and furniture and fixtures		-	3,624,730
Reversal of provision for doubtful receivable		1,074,800	-
Miscellaneous income		920,031	757,253
		18,041,436	21,523,615
17. OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits		76,768,690	66,327,406
Training costs		12,399,463	14,596,035
Repairs and maintenance		12,749,037	9,683,925
Lodging, catering and allied services		13,631,160	15,871,900
Traveling and conveyance		6,925,271	6,275,527
Printing and stationery		2,425,035	2,819,590
Medical		1,022,109	1,093,296
Electricity, gas and water		24,798,224	21,734,051
Telephone and fax		1,070,901	964,197
Vehicles running and maintenance		1,319,479	1,725,612
General consumables		251,750	448,505
Security charges		1,521,750	1,348,675
Insurance		1,227,524	1,345,255
Newspapers, books and periodicals		109,513	96,480
Postage and courier		184,012	210,670
Entertainment		528,141	487,633
Auditors' remuneration		170,000	150,000
Rent, rates and taxes		728,000	721,000
Legal and professional		144,500	60,510
Depreciation	5.2	13,123,828	9,814,396
Provision for doubtful receivables	6	-	956,990
Other		376,519	541,767
		171,474,906	157,273,420

	2013 Rupees	2012 Rupees

18. TAXATION

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

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

19.1 Credit risk

Exposure to credit risk

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

	2013 Rupees	2012 Rupees
Deposit	953,497	953,497
Receivable against training programs	32,707,544	30,923,631
Advances, short term deposits and other receivables	385,480	840,659
Short term investments	237,439,853	214,183,904
	271,486,374	246,901,691

The receivable against training programs includes Rs. 27.4 million (2011: Rs. 14 million) due from the Parent entity and one of its subsidiary which are not significantly exposed to credit risk.

	2013 Rupees	2012 Rupees

19.2 Impairment losses

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

	2013	2012
Domestic	32,707,544	22,549,206
Other regions	-	8,374,425
	32,707,544	30,923,631

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

	2013		2012	
	---------------------------- Rupees ----------------------------			
	Gross	Provision	Gross	Provision
Not past due	31,622,906	-	19,914,523	-
Past due 0-30 days	551,370	-	5,780,129	-
Past due 31-90 days	240,000	-	268,400	-
Past due 90-180 days	90,000	-	283,880	-
Past due 180-365 days	-	-	2,667,860	-
More than one year	1,638,608	1,435,340	4,518,979	2,510,140
	34,142,884	1,435,340	33,433,771	2,510,140

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

19.3 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			-------------------------
30 June 2013	**Carrying amount Rupees**	**Total Rupees**	**6 months or less Rupees**	**6 to 12 months Rupees**	**1 to 5 years Rupees**	**More than 5 years Rupees**
Trade and other payables	9,794,208	9,794,208	6,806,250	2,987,958	-	-
Due to State Bank of Pakistan (Parent Entity) *	175,399,243	175,399,243	87,699,622	87,699,622	-	-
	185,193,451	185,193,451	94,505,872	90,687,580	-	-
30 June 2012						
Trade and other payables	13,751,725	13,751,725	8,205,040	5,546,685	-	-
Due to State Bank of Pakistan (Parent Entity) *	151,566,510	151,566,510	75,783,255	75,783,255	-	-
	165,318,235	165,318,235	83,988,295	81,329,940	-	-

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

19.4 Market risk

The Institute is not exposed to any market risk.

19.5 Fair value of financial assets and liabilities

(a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

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

(b) Fair value estimation

The Institute has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This amendment requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measuring fair value of financial instruments

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

20. CAPITAL MANAGEMENT

The Institute's objective when managing capital, is to safeguard the Institute's ability to continue as a going concern and maintain a strong capital base to support the sustained development of its business activities. There were no changes to Institute's approach to capital management during the year and the Institute is not subject to externally imposed capital requirements. Further, the parent's support is available to continue its operations.

21. TRANSACTIONS WITH RELATED PARTIES

The Institute is a wholly owned subsidiary of State Bank of Pakistan (Parent entity); therefore all subsidiaries and associated undertakings of State Bank of Pakistan are the related parties of the Institute. Other related parties comprise of directors and key management personnel and entities over which the directors are able to exercise significant influence.

All transactions are entered into by the State Bank of Pakistan (Parent entity) on behalf of the Institute. Transactions with other related parties, if any, are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions due to the nature of the Institute's operations.

Balances with related parties including remuneration and benefits to key management personnel and Chief Executive Officer under the terms of their employment are as follows:

	2013 Rupees	2012 Rupees
State Bank of Pakistan (Parent entity)		
Balances at the year end		
Short term investments	237,439,853	214,183,904
Receivable against training programs	5,850,430	4,148,652
Due to the Parent entity	175,399,243	151,566,510
Transactions during the year		
Investments purchased / matured and re-invested	229,285,000	204,808,043
Value of assets transferred at net book value	-	2,008,607
Allocation of deficit	83,487,044	56,430,760
Associated undertaking - SBP - Banking Services Corporation (Subsidiary of parent enity)		
Balances at the year end		
Receivable against training programs	21,565,871	6,432,598
Transactions during the year		
Revenue charged	27,956,729	16,157,095
Receipts	12,823,456	11,356,830
Remuneration to Chief Executive Officer and Key Management Personnel		
Transactions during the year		
Salaries, wages and other benefits to:		
- Chief executive officer	12,505,678	11,134,103
- Key management personnel	27,019,252	24,125,610
- No. of 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.

22. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2013 were 28 (2012: 30) and number of employees as at June 30, 2013 were 28 (2012: 27).

23. GENERAL

Figures have been rounded off to the nearest rupee.

24. DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on **October 23, 2013** by the board of directors of the Institute.

MANAGING DIRECTOR	**DIRECTOR**