

# 12 Financial Statements of NIBAF

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## **KPMG TASEER HADI & CO.**

Chartered Accountants  
Sixth Floor, State Life Building Blue Area,  
Islamabad, Pakistan

### **INDEPENDENT AUDITORS' REPORT**

**To the members of National Institute of Banking and Finance (Guarantee) Limited**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the annexed financial statements of National Institute of Banking and Finance (Guarantee) Limited (the Institute), which comprise the statement of financial position as at 30 June 2019, and the income and expenditure statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Institute's affairs as at 30 June 2019 and of the deficit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements

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of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Institute's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

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auditors' report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Institute as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the income and expenditure statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Institute's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Riaz Pesnani.

**KPMG Taseer Hadi & Co.**

Chartered Accountants

Islamabad

16 October 2019

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2019	2018
Rupees in '000			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	77,957	72,549
Long-term deposits		1,645	1,645
<b>Current assets</b>			
Stock of stationery and consumables		1,545	2,392
Receivable against training programs	6	70,309	105,094
Advances and prepayments	7	4,030	6,374
Due from State Bank of Pakistan, Parent entity	8	105,235	125,087
Short-term investments	9	36,296	31,155
Assets relating to endowment fund	10	109,600	102,793
Tax refunds due from government	11	7,210	5,888
Receivable from donor	12	37,646	-
Cash and bank balances	13	672	8,327
		<b>372,543</b>	<b>387,110</b>
<b>TOTAL ASSETS</b>		<b>452,145</b>	<b>461,304</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Restricted grant	14	663	13,029
Deferred capital grant	15	12,507	13,223
Endowment fund - deferred grant	16	109,600	102,793
		<b>122,770</b>	<b>129,045</b>
<b>Current liabilities</b>			
Accrued expenses and other payables	17	48,266	24,568
<b>TOTAL LIABILITIES</b>		<b>171,036</b>	<b>153,613</b>
<b>NET ASSETS</b>		<b>281,109</b>	<b>307,691</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	18	29,261	29,261
Accumulated surplus - revenue reserve		251,848	278,430
<b>Total equity</b>		<b>281,109</b>	<b>307,691</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	19		

The annexed notes from 1 to 33 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER/  
MANAGING DIRECTOR**

**DIRECTOR**

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED**  
**INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019	2018
Rupees in '000			
<b>INCOME</b>			
Grant income	20	121,300	10,278
Training and education fee	21	365,439	419,539
Hostel and training halls services	22	50,153	25,410
Income transferred from endowment fund	16	2,269	1,458
Other income	23	13,927	9,886
		<u>553,088</u>	<u>466,571</u>
<b>EXPENDITURE</b>			
Programme expenses	24	(121,300)	(10,278)
Operating, admin and general expenses	25	(458,370)	(394,788)
		<u>(579,670)</u>	<u>(405,066)</u>
<b>(Deficit) / surplus for the year</b>		<u><u>(26,582)</u></u>	<u><u>61,505</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER/  
MANAGING DIRECTOR**

**DIRECTOR**

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	2018
	<b>Rupees in '000</b>	
<b>(Deficit) / surplus for the year</b>	<b>(26,582)</b>	61,505
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>(26,582)</u></b>	<b><u>61,505</u></b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER/  
MANAGING DIRECTOR**

**DIRECTOR**

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
Note	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>(Deficit) / surplus for the year</b>	<b>(26,582)</b>	61,505
<b>Adjustments for non cash items</b>		
Income from investments	23 (2,817)	(1,791)
Income transferred from endowment fund	(2,269)	-
Restricted grant recognised as income	20 (80,116)	(8,766)
Amortisation of deferred capital grant	15 (3,538)	(1,512)
Reversal of provision against doubtful receivables	-	(86)
Write off against receivables	28	-
Provision against doubtful receivables	3,214	-
Depreciation	5 23,469	17,248
Gain on disposal of property and equipment	23 (3,886)	(408)
	<b>(65,915)</b>	4,685
Operating income before working capital changes	<b>(92,497)</b>	66,190
<b>Changes in working capital</b>		
<b>Increase / (decrease) in current assets</b>		
Stock of stationery and consumables	847	(1,201)
Receivable against training programs	31,543	(60,616)
Receivable from donor	(37,646)	-
Advances, prepayments and other receivables	2,344	(4,510)
Due from State Bank of Pakistan, Parent entity	19,852	10,525
	<b>16,940</b>	(55,802)
<b>Increase in current liabilities</b>		
Accrued expenses and other payables	23,691	10,651
Net changes in working capital	<b>40,631</b>	(45,151)
Tax refunds due from government	(1,322)	(1,080)
Interest income received during the year	2,432	1,677
Interest income received during the year - asset related to Endowment Fund	2,174	-
Endowment Fund - deferred grant	6,807	-
Restricted grant received during the year - net	70,572	36,530
<b>Net cash generated from operating activities</b>	<b>28,797</b>	58,166
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(28,877)	(47,672)
Sale proceeds from disposal of property and equipment	3,886	408
Investments made during the year	(134,081)	(120,382)
Investments redeemed during the year	129,326	117,742
Endowment fund investments made during the year	(425,694)	(304,981)
Endowment fund investments redeemed during the year	418,988	304,981
<b>Net cash used in investing activities</b>	<b>(36,452)</b>	(49,904)
<b>Net increase in cash and cash equivalents during the year</b>	<b>(7,655)</b>	8,262
Cash and cash equivalents at the beginning of the year	8,327	65
<b>Cash and cash equivalents at the end of the year</b>	<b>672</b>	8,327

The annexed notes from 1 to 33 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER/  
MANAGING DIRECTOR**

**DIRECTOR**

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Revenue reserve		Total
	Share Capital	Accumulated Surplus	
-----Rupees in '000-----			
Balance at 01 July 2017	29,261	216,925	246,186
Total comprehensive income for the year	-	61,505	61,505
Balance at 30 June 2018	<u>29,261</u>	<u>278,430</u>	<u>307,691</u>
<b>Balance at 01 July 2018</b>	<b>29,261</b>	<b>278,430</b>	<b>307,691</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(26,582)</b>	<b>(26,582)</b>
<b>Balance at 30 June 2019</b>	<b><u>29,261</u></b>	<b><u>251,848</u></b>	<b><u>281,109</u></b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER/  
MANAGING DIRECTOR**

**DIRECTOR**

**NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**1 CORPORATE AND GENERAL INFORMATION**

**1.1 The Institute and its operations**

National Institute of Banking and Finance (Guarantee) Limited (“the Institute”) was incorporated under the repealed Companies Ordinance, 1984 on 21 March 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”).

<b>Business Units</b>	<b>Geographical location</b>
Registered office	NIBAF Building, Street 4, Pitras Bukhari Road, H-8/1, Islamabad.
<b>Regional campuses</b>	
Karachi	Banking Services Corporation Building, 2nd Floor, North Nazimabad, Block A, Shahrah-e-Noor Jehan, Karachi.
Lahore	Banking Services Corporation Building, 12th Floor, Mall Road, Lahore.
Peshawar	Banking Services Corporation Building, 6th Floor, Saddar Road, Peshawar.
Quetta	Banking Services Corporation Building, Shahrah-e-Gulistan, Quetta Cantt., Quetta.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

These financial statement are presented in Pak Rupees (PKR or Rupee) which is the Institute's functional currency. All the amounts have been rounded off to the nearest thousand, unless otherwise stated.

## 2.4 Significant accounting estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, 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 judgment 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 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 accounting and reporting standards as applicable in Pakistan 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 and equipment

The Institute reviews the residual values and useful lives of property and equipment on each reporting date. 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) Impairment of assets

The carrying amounts of the Institute's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. Any change in estimates in future years might affect the carrying amounts of the respective assets with a corresponding effect on the impairment.

### (c) Provision against doubtful receivables in respect of:

#### - Receivable against training programs

The Institute's exposure to probability of default is influenced mainly by the individual characteristics of each customer. Since the majority of the customers are either commercial banks or government owned entities besides the Parent entity and its subsidiaries, the Institute is less likely to be exposed to probability of default. 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. Management believes that changes in outcome of estimates will not have a material effect on the financial statements. For receivables from parties other than related parties, the Institute recognizes loss allowances of amounts equal to lifetime expected credit losses.

#### - Tax refunds due from government

The Institute assesses the recoverability of tax refunds due from government based on compliance with section 170 of Income Tax Ordinance, 2001. Since, the Institute has filed tax refund applications with tax authorities under section 170 of the Income Tax Ordinance, 2001, therefore, no provision or allowance against this receivable is recognized at year-end.

**- Receivable from donor**

The Institute assesses the recoverability of amount receivable from donor based on underlying conditions of project agreement 'National Financial Literacy Program for Youth' (NFLP-Y) signed between the Institute and donor. The Institute recognizes restricted grant as income over the period necessary to match them with the related costs, for which they are intended to be incurred under the project agreement, on a systematic basis. Any programme expenses incurred for the purpose of NFLP-Y over and above the funds received from donor are recognized as receivable from donor.

**(d) Provisions and contingencies**

A provision is recognized as a result of past event when the Institute has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The un-winding of discount is recognized as finance cost, if any.

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation can not be measured with sufficient reliability, it is disclosed as contingent liability.

**(e) Measurement of fair values**

A number of the Institute's accounting policies and disclosures require the measurement of fair values, for both financial and nonfinancial assets and liabilities. Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the management assesses the evidence obtained from the third parties to support its conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring fair value of an asset or a liability, the Institute uses observable and available market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	inputs other than quoted prices included in Level 1, which are observable and available 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 and available market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement. The Institute recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO THE APPROVED ACCOUNTING STANDARDS

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Institute's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of new standard is not likely to have an impact on Institute's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVTOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVTOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Institute's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Institute's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a Institute now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Institute's financial statements.

- Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a Institute increases its interest in a joint operation that meets the definition of a business. A Institute remeasures its previously held interest in a joint operation when it obtains control of the business. A Institute does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a Institute treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Institute’s financial statements.

#### 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as indicated below:

##### - IFRS 9 'Financial Instruments'

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: recognition and measurement ("IAS 39") and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification & measurement, impairment and hedge accounting. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The three principal classification categories under the new standard for financial instruments are: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. The previous categories under IAS 39 of held to maturity, loans and receivables and available for sale have been removed. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income.

The following table explains the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Institute's financial assets and financial liabilities as at 1 July 2018:

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>
<b>Financial assets</b>		
Long-term deposits	Loans and receivables	FVTPL
Receivable against training programs	Amortized Cost	Amortized Cost
Due from State Bank of Pakistan, Parent entity	Amortized Cost	Amortized Cost
Short-term investments	Amortized Cost	Amortized Cost
Assets relating to endowment fund	Amortized Cost	Amortized Cost
Receivable from donor	Amortized Cost	Amortized Cost
Cash and bank balances	Loans and receivables	Amortized Cost
<b>Financial liabilities</b>		
Payable to Parent entity	Other financial liabilities	Amortized Cost
Trade payables	Other financial liabilities	Amortized Cost

There is no change in the carrying amounts of financial assets and financial liabilities at the initial application date of IFRS-9, except for a change in accounting classification under IFRS - 9 from category under IAS - 39 as disclosed in the above table.

None of the Institute's financial instruments have been classified as FVTOCI and FVTPL except for long-term deposits which do not meet the "solely payments of principal and interests (SPPI)" test criteria.

There was no material expected credit loss recognized at initial application date and expected credit losses recognized as at 30 June 2019 are presented in note 25.

The Institute does not have any financial instruments eligible for hedge accounting, accordingly there was no impact to the Institute as a result of adopting IFRS 9.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected loss" model. The new impairment model applies to financial instruments measured at amortized cost, and contract assets and debt investments measured at FVTOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The standard also provides a simplified approach to measure expected credit losses using a lifetime expected loss allowance. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate loss allowance.

#### - **IFRS 15 'Revenue from Contracts with Customers'**

The IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The Institute has reviewed its revenue stream i.e. delivery of training services and underlying contracts with the customers and, as a result of this review, the adoption of IFRS did not have a material impact on the Institute's income and expenditure statement and statement of financial position. However, the Institute has expanded the disclosures in the notes to its financial statements as prescribed by IFRS 15, including disclosing the Institute's disaggregated revenue streams in notes 21 and 22.

### **4.1 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 statement 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 5 to these financial statements.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each reporting 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 and expenditure statement.

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

#### **4.2 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 directly attributable 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.

#### **4.3 Receivable against training programs and other receivables**

Receivable against training programs are recognised and carried at original invoice amount less allowance for doubtful receivable, if any. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate charge for expected credit losses, if any. Impairment of receivable against training programs and other receivables is described in note 4.11.

#### **4.4 Taxation**

The Institute had claimed exemption from income tax under clause (92) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 for the tax year 2013 and under clauses (59) and (60) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 for the tax year 2014.

Pursuant to enactment of section 100C with effect from 01 July 2014; the Institute is claiming 100% tax credit under the said section against its tax liability on income for the tax year 2015 onwards.

#### **4.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash with banks in current account.

#### **4.6 Revenue and income recognition**

##### **(a) Revenue recognition**

The Institute earns revenue by primarily providing training services; its revenue streams are as follows:

- (i) Training and education fee; and
- (ii) Hostel and training hall services

Revenue from contracts with customers is recognized when training services are delivered to customers at an amount that reflects the consideration to which the Institute expects to be entitled in exchange for the services delivered. The consideration is pre-agreed with customers under signed agreement or pre-approved rates.

Revenue comprises the invoiced value for the delivery of training and related services, which is recognized over period of time since the customers simultaneously receive and consume the benefits provided by the Institute's performance of training and related services. The Institute uses 'output method', which looks at the measure of progress of the asset/benefit being transferred to the customer. The 'output method' uses direct measurement of value to the customer of the goods or services transferred to date. This includes using the appraisal of results achieved, milestones reached or units produced or delivered. Management applied this method to measure progress of service delivery to customers by identifying the number of days in which trainings have been delivered against total of duration of training in days, thus measuring the amount of revenue to be recognized against services delivered to date.

**(b) Grants****(i) Restricted grants**

Grants, of a non-capital nature, received for specific purposes, and any bank interest earned on them, are classified as restricted grants. Such grants are transferred to income to the extent of actual expenditure incurred against them. Expenditure incurred against grants committed but not received, is accrued and recognized in income and is reflected as a grant receivable. Unspent portions of such grants are reflected as restricted grants in the statement of the financial position.

**(ii) Unrestricted grants**

Grants received from donors without any conditions are recognized as unrestricted grants in income, during the period of receipt.

**(iii) Capital grants**

Grants received for fixed assets are initially recorded as capital grants in the statement of the financial position. Subsequently, these are recognized as income on a systematic basis over periods necessary to match them with the carrying value of the related assets.

**(c) Income transferred from endowment fund**

Income from endowment fund is recognized on an accrual basis and determined in accordance with the NIBAF Endowment Fund Rules.

**(d) Income on short-term investments**

Income on short-term investments is accounted for on a time proportion basis using the applicable rates.

**4.7 Endowment fund - Deferred Grant**

The Institute has established an Endowment fund effective from 01 July 2011 for utilisation of the amount received as detailed in note 16.1. 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 of the Institute and its stakeholders.

#### **4.8 Accrued expenses and other payables**

Liabilities for 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.

#### **4.9 Provisions**

Provisions are recognised in the statement of the financial position 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 reporting date and adjusted to reflect the current best estimate.

#### **4.10 Financial Instruments**

The Institute initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

##### **4.10.1 Financial Assets**

###### **Classification**

On initial recognition, a financial asset is measured at:

- amortized cost
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

###### **a) Amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**b) Fair value through other comprehensive income (FVOCI)**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**c) Fair value through profit or loss (FVTPL)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

***Subsequent measurement*****a) Financial assets at amortized cost**

Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in income and expenditure statement. Any gain or loss on de-recognition is recognized in income and expenditure statement.

**b) Financial assets at fair value through profit or loss (FVTPL)**

Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in income and expenditure statement.

**c) Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in income and expenditure statement. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to income and expenditure statement.

**d) Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in income and expenditure statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to income and expenditure statement.

***De-recognition***

The Institute derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Institute is recognized as a separate asset or liability.

#### **4.10.2 Financial Liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income and expenditure statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in income and expenditure statement. Any gain or loss on de-recognition is also included in income and expenditure statement.

The Institute derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in income and expenditure statement for the period in which it arises.

#### **4.10.3 Off-setting**

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Institute currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.10.4 Financial instruments – accounting policy applied before 01 July 2018**

The Institute classified financial assets into the following categories:

- (a) financial assets at fair value through profit or loss (FVTPL); and
- (b) loans and receivables

Subsequent to initial recognition, financial assets at FVTPL were measured at fair value and changes therein including interest or dividend income were recognized in profit or loss. Loans and receivables were subsequently measured at amortised cost using the effective interest method.

All financial liabilities were initially recognized at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost and are classified into other financial liabilities category.

#### **4.11 Impairment**

##### **Financial assets**

The Institute recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. For trade receivables, the Institute applies a simplified approach in calculating ECLs. Therefore, the Institute does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Institute has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Institute is exposed to credit risk.

At each reporting date, the Institute assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Institute has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

#### **Impairment of financial assets – accounting policy applied before 01 July 2018**

A financial asset other than held for trading and carried at fair value was assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Institute on terms that the Institute would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. All impairment losses are recognized in income and expenditure statement. An impairment loss is reversed in income and expenditure statement if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

#### **Non-financial assets**

The carrying amount of the Institute's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in income and expenditure statement. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **4.12 Fair value measurement**

'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 in the principal or, in its absence, the most advantageous market to which the Institute has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Institute's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Institute measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Institute uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Institute determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in income and expenditure statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

#### **4.13 Retirement benefits**

The permanent employees of the Institute represent employees who are either deputed by the State Bank of Pakistan, the Parent entity, or Banking Service Corporation, a related entity. Such 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. Further, employees of the Institute hired for NFLP-Y project are not entitled to retirement benefits.

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**5 PROPERTY AND EQUIPMENT**

	<b>Furniture and fixtures</b>	<b>Electronic data processing equipment</b>	<b>Office equipment</b>	<b>Vehicles</b>	<b>Capital Work in Progress</b>	<b>Total</b>
-----Rupees in '000-----						
<b>Cost</b>						
Balance at 01 July 2017	16,922	26,902	63,197	43,555	-	150,576
Additions during the year	7,972	11,501	12,484	12,600	5,139	49,696
Transfer in during the year	-	3,647	-	-	-	3,647
Disposals during the year	(622)	(7,666)	(2,345)	-	-	(10,633)
Balance at 30 June 2018	24,272	34,384	73,336	56,155	5,139	193,286
<b>Balance at 01 July 2018</b>	<b>24,272</b>	<b>34,384</b>	<b>73,336</b>	<b>56,155</b>	<b>5,139</b>	<b>193,286</b>
<b>Additions during the year (Note 5.2)</b>	<b>9,628</b>	<b>4,003</b>	<b>10,795</b>	<b>3,801</b>	<b>-</b>	<b>28,227</b>
<b>Transfer in / (out) during the year</b>	<b>-</b>	<b>3,644</b>	<b>2,615</b>	<b>-</b>	<b>(5,139)</b>	<b>1,120</b>
<b>Disposals during the year</b>	<b>(1,721)</b>	<b>(5,955)</b>	<b>(1,477)</b>	<b>(5,173)</b>	<b>-</b>	<b>(14,326)</b>
<b>Balance at 30 June 2019</b>	<b>32,179</b>	<b>36,076</b>	<b>85,269</b>	<b>54,783</b>	<b>-</b>	<b>208,307</b>
<b>Accumulated depreciation</b>						
Balance at 01 July 2017	9,912	22,972	50,282	30,424	-	113,590
Depreciation charge for the year	1,360	4,852	5,312	5,724	-	17,248
Transfer in during the year	-	532	-	-	-	532
Disposals during the year	(622)	(7,666)	(2,345)	-	-	(10,633)
Balance at 30 June 2018	10,650	20,690	53,249	36,148	-	120,737
<b>Balance at 01 July 2018</b>	<b>10,650</b>	<b>20,690</b>	<b>53,249</b>	<b>36,148</b>	<b>-</b>	<b>120,737</b>
<b>Depreciation charge for the year</b>	<b>2,011</b>	<b>8,020</b>	<b>6,580</b>	<b>6,858</b>	<b>-</b>	<b>23,469</b>
<b>Transfer in during the year</b>	<b>-</b>	<b>470</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>470</b>
<b>Disposals during the year</b>	<b>(1,721)</b>	<b>(5,955)</b>	<b>(1,477)</b>	<b>(5,173)</b>	<b>-</b>	<b>(14,326)</b>
<b>Balance at 30 June 2019</b>	<b>10,940</b>	<b>23,225</b>	<b>58,352</b>	<b>37,833</b>	<b>-</b>	<b>130,350</b>
Carrying amounts - 2018	13,622	13,694	20,087	20,007	5,139	72,549
<b>Carrying amounts - 2019</b>	<b>21,239</b>	<b>12,851</b>	<b>26,917</b>	<b>16,950</b>	<b>-</b>	<b>77,957</b>
<b>Rate of depreciation</b>	<b>10%</b>	<b>33%</b>	<b>20%</b>	<b>20%</b>		

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

5.2 Additions include following assets purchased for National Financial Literacy Programme for Youth (NFLP-Y):

	<b>Rupees in '000</b>
Electronic data processing equipment	2,623
Office equipment	199
	<u>2,822</u>

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	Note	2019	2018	
		Rupees in '000		
<b>5.3</b>	The depreciation charge for the year has been allocated as follows:			
Programme expenses	24	3,538	1,512	
Operating, admin and general expenses	25	19,931	15,736	
		<u>23,469</u>	<u>17,248</u>	
<b>6</b>	<b>RECEIVABLE AGAINST TRAINING PROGRAMS</b>			
	<b>Associated undertakings</b>			
	Considered good			
	State Bank of Pakistan, Parent entity (SBP)	6.1 & 6.2	33,049	54,886
	Banking Services Corporation, a related party (BSC)	6.1 & 6.2	9,635	39,076
	Pakistan Security Printing Corporation (Private) Limited, a related party (PSPC)	6.1 & 6.2	336	12
			<u>43,020</u>	<u>93,974</u>
	<b>Others</b>			
	Considered good		27,289	11,120
	Considered doubtful		3,214	1,358
			30,503	12,478
	Provision for doubtful receivables	6.3	(3,214)	(1,358)
			<u>27,289</u>	<u>11,120</u>
			<u>70,309</u>	<u>105,094</u>

**6.1** The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balances were as follows:

	2019	2018
	Rupees in '000	
State Bank of Pakistan, Parent entity (SBP)	78,957	54,886
Banking Services Corporation, a related party (BSC)	54,580	39,076
Pakistan Security Printing Corporation (Private) Limited, a related party (PSPC)	456	12

**6.2** At reporting date, the ageing of receivables from associated undertakings were as follows:

	Gross amount			Gross amount		
	2019			2018		
	(Rupees '000)			(Rupees '000)		
	SBP	BSC	PSPC	SBP	BSC	PSPC
Past due 1-30 days	24,613	6,996	336	49,676	37,515	12
Past due 31-90 days	5,876	-	-	4,340	1,527	-
Past due 91-180 days	444	2,612	-	542	-	-
Past due 181-365 days	973	21	-	62	-	-
More than one year	1,143	6	-	266	34	-
	<u>33,049</u>	<u>9,635</u>	<u>336</u>	<u>54,886</u>	<u>39,076</u>	<u>12</u>

	Note	2019	2018
		Rupees in '000	
<b>6.3 Provision for doubtful receivables</b>			
Balance at 01 July		1,358	1,444
Provision booked during the year		3,214	-
Bad debts recovered during the year	6.3.1	(45)	(86)
Write off during the year	6.3.2	(1,313)	-
		<u>3,214</u>	<u>1,358</u>

**6.3.1** This represents reversal of provision during the year on account of recovery from customers.

**6.3.2** This represents reversal of provision during the year on account of write off of long outstanding receivables.

<b>7 ADVANCES AND PREPAYMENTS</b>		2019	2018
		Rupees in '000	
Advances to staff - unsecured, considered good		1,505	493
Advance to suppliers - unsecured, considered good		475	5,500
Prepayments		2,050	381
		<u>4,030</u>	<u>6,374</u>

## **8 DUE FROM STATE BANK OF PAKISTAN, PARENT ENTITY**

This represents the current account of the Institute with State Bank of Pakistan, Parent entity, to manage the financial affairs of the Institute. The settlement of trainings provided to SBP and BSC are also settled through current account. Further, all the investments in Market Treasury Bills (MTBs) are made through Domestic Market Monetary and Management Department of the Parent entity.

## **9 SHORT-TERM INVESTMENTS**

	Note	2019	2018
		Rupees in '000	
<b>Held to maturity - amortized cost</b>			
Market Treasury Bills	9.1	<u>36,296</u>	<u>31,155</u>
		<u>36,296</u>	<u>31,155</u>

**9.1** These carry return at the average rate of 11.07% per annum and having maturity dates of 04 July 2019 and 01 August 2019 respectively (2018: 6.49% per annum having maturity date of 16 August 2018 and 30 August 2018 respectively).

## **10 ASSETS RELATING TO ENDOWMENT FUND**

	Note	2019	2018
		Rupees in '000	
<b>Held to maturity - amortized cost</b>			
Market Treasury Bills	10.1	<u>109,600</u>	<u>102,793</u>
		<u>109,600</u>	<u>102,793</u>

**10.1** These carry return at the rate of 12.74% per annum and maturity date of 12 September 2019 (2018: 6.76% per annum and maturity date of 13 September 2018).

## **11 TAX REFUNDS DUE FROM GOVERNMENT**

This represents advance taxes receivable by the Institute from tax authorities. These taxes were deducted and deposited on behalf on the Institute by customers out of payments against training services rendered by the Institute. Management is of the view that these amounts are recoverable from tax authorities and tax refund applications up to tax year 2018 have been filed as per section 170 of Income Tax Ordinance 2001, accordingly.

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**12 RECEIVABLE FROM DONOR**

This represents amount booked as receivable from donor under project, National Financial Literacy Program for Youth (NFLP-Y), funded by Asian Development Bank through State Bank of Pakistan, Parent entity.

**13 CASH AND BANK BALANCES**

	2019	2018
	Rupees in '000	
Cash in hand	-	60
Cash at bank - current accounts		
Banking Services Corporation, a related party	672	8,267
	<u>672</u>	<u>8,327</u>

**14 RESTRICTED GRANT**

Note

Balance at 01 July	13,029	-
Restricted grant received during the year	70,546	36,530
Miscellaneous income	26	-
Transferred to deferred capital grant	(2,822)	(14,735)
Transferred to income and expenditure statement	(80,116)	(8,766)
Balance at 30 June	<u>663</u>	<u>13,029</u>

**14.1** This represents restricted grant received from Asian Development Bank through State Bank of Pakistan, Parent entity, pursuant to grant agreement dated 21 September 2017 for launching National Financial Literacy Program for Youth (NFLP-Y). Period of implementation of the program is five years from the date of the agreement.

**15 DEFERRED CAPITAL GRANT**

Note

	2019	2018
	Rupees in '000	
Balance at 01 July	13,223	-
Cost of assets purchased during the year	2,822	14,735
Amortization for the year representing the depreciation of related assets	(3,538)	(1,512)
Balance at 30 June	<u>12,507</u>	<u>13,223</u>

**16 ENDOWMENT FUND - DEFERRED GRANT**

Balance at 01 July	102,793	98,421
Interest income on investments	9,076	5,830
Less: income allocated to the Institute	(2,269)	(1,458)
Balance at 30 June	<u>109,600</u>	<u>102,793</u>

- 16.1** This represented capital grant amounting to US dollar one million received by the Institute in January 2005 from State Bank of Pakistan, Parent entity, for establishment of Rural Finance Resource Centre. The grant was disbursed by the Parent entity out of the proceeds of loan received by the Government of Pakistan (GoP) from Asian Development Bank vide loan agreement No. 1987-PAK dated 23 December 2002. The Institute established an endowment fund effective from 01 July 2011 for utilization of the amount received through the Parent entity. Further, the Institute formulated NIBAF Endowment Fund Rules, approved by its Board of Directors on 12 August 2015, which laid down mechanism for investment and application of the unutilized grant. As per clause 4(g) of NIBAF Endowment Fund Rules, twenty five percent of income on investments made out of these funds in each year shall be allocated to the Institute.

**17 ACCRUED EXPENSES AND OTHER PAYABLES**

	Note	2019	2018
		Rupees in '000	
Payable to Parent entity		2,459	5,139
Trade payables	17.1	29,557	7,130
Accrued expenses	17.2	12,862	10,505
Security deposits	17.3	2,912	1,430
Retention money		476	364
		48,266	24,568

- 17.1** This includes Rs. 754,000 payable to Banking Services Corporation, a related party, on account of expenses incurred on behalf of the Institute.
- 17.2** This includes Rs. 409,830 payable to Banking Services Corporation, a related party, on account of expenses incurred on behalf of the Institute.
- 17.3** These represent amounts received as security deposits from suppliers of the Institute, which are utilisable for the purpose of the Institute's business in accordance with service agreements.

<b>18 SHARE CAPITAL</b>	Note	2019	2018
		Rupees in '000	
<b>Authorized share capital</b>			
(20,000,000 ordinary shares of Rs.10 each)		200,000	200,000
<b>Issued, subscribed and paid-up capital</b>			
2,926,084 ordinary shares of Rs.10 each issued for cash	18.1	29,261	29,261

- 18.1** State Bank of Pakistan, Parent entity, holds 2,926,083 (2018: 2,926,083) ordinary shares and the Deputy Governor of State Bank of Pakistan holds 1 (2018: 1) share of the Institute as at the date of statement of financial position.

## **19 CONTINGENCIES AND COMMITMENTS**

### **19.1 Contingencies**

#### **19.1.1 Tax related contingencies**

**19.1.1.1** 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 20 January 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 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 the Institute 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 19 February 2016.

Moreover, the Institute received a show cause notice on 10 March 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 11 April 2016, with following details:

- a) Imposition of sales tax amounting to Rs.13,675,649; and
- b) 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 year 2017, the Institute 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 19 February 2016. This appeal was disposed of by the CIRA on 9 February 2017 because it was not maintainable under the law (as it was outside its jurisdiction) and the case could now be taken to the Honorable Islamabad High Court. Consequently, the Institute filed writ petition against the above orders before the Honorable Islamabad High Court (IHC).

IHC passed an order dated 29 January 2018 and directed CIRA to decide the representation of the Institute expeditiously (preferably within 7 days) after affording an opportunity of being heard. The Institute filed applications to CIRA for compliance with IHC order. On 12 March 2018, representatives of the Institute attended a hearing before the tax department and made oral and written submission. On 02 April 2018, Deputy commissioner Inland Revenue passed an order rejecting Institute's application for de-registration and passed an order for compulsory registration of the Institute. The Institute is in contact with tax authorities on this matter through State Bank of Pakistan, the Parent entity, and no further notices have been received in this regard from tax authorities. Therefore, no provision has been recognized in these financial statements.

**19.1.1.2** In the previous year, the Institute received a show cause notice for Rs. 8 million from the tax authorities against alleged non-deduction of tax on various payments relating to tax year 2017. The Institute has submitted the necessary information and thereafter, tax authorities have not proceeded to pass any order. The management of the Institute is confident of favorable outcome and accordingly no provision has been recognised in these financial statements.

## 19.1.2 Litigations

The mentioned cases have been filed by the employees of the Parent company. Some of the employees were attached previously with the Institute as third party contractors staff, and so the Institute has also been added as defendant party. Management is confident that the resolution of these matters will not result in any financial outlay to the Institute.

**19.1.2.1** In June 2016, In National Industrial Relations Commission case No. CMA 7A(70)/2016, the ex-employees claimed promotions as back benefit. The case is under legal process in single bench NIRC along with another case of same party.

**19.1.2.2** In May 2009, writ petition filed in High Court Islamabad by Democratic Workers union vs. Federation of Pakistan and others vide. W.P.1008/2019 for industry wise collective bargaining unit for labor practices. Democratic workers union appealed for one union for all subsidiaries of State Bank of Pakistan on the plea that the Top management is same in all cases as per industrial relations act 2012. Case is pending with High Court for further proceedings. Resolution of this matter would not result in financial outlay.

**19.1.2.3** In August 2017, In National Industrial Relations Commission case No.4 12A(161)/2017, Ex-contractual employees filed case in the line with a previous settled case, for permanent service in SBP. The initial petition was dismissed by single bench NIRC on technical grounds, resulting in filing appeal by the employees in full bench NIRC. Hearing is in initial stage. Management is confident of favourable outcome of this matter.

## 19.2 Commitments

There were no commitments outstanding at 30 June 2019 (30 June 2018 : Nil).

## 20 GRANT INCOME

	Note	2019	2018
		Rupees in '000	
<i>Transfers from:</i>			
Restricted grant	14	117,762	8,766
Deferred capital grant	15	3,538	1,512
		<u>121,300</u>	<u>10,278</u>

## 21 TRAINING AND EDUCATION FEE

Domestic courses		330,239	397,256
International courses		12,056	7,753
Islamic banking courses		23,144	14,530
		<u>365,439</u>	<u>419,539</u>

		2019	2018
		Rupees in '000	
<b>22</b>	<b>HOSTEL AND TRAINING HALLS SERVICES</b>		
	Rental income	28,285	14,255
	Service charges	1,306	1,152
	Food and beverages	20,562	10,003
		<u>50,153</u>	<u>25,410</u>
<b>23</b>	<b>OTHER INCOME</b>		
		Note	
	<b>Income from financial assets</b>		
	Interest on investments	2,817	1,791
	<b>Income from non-financial assets</b>		
	Reversal of provision against doubtful receivables	6.3	45
	Gain on disposal of property and equipment		86
	Recovery of overheads under NFLP-Y		3,886
	Others - net		408
			6,000
			4,500
			1,179
			3,101
			11,110
			8,095
			<u>13,927</u>
			<u>9,886</u>
<b>24</b>	<b>PROGRAMME EXPENSES</b>		
	Salaries, wages and other benefits	17,764	2,250
	Consultancy fees	54,918	-
	Printing charges	24,997	-
	Training cost	4,957	-
	Insurance expenses	590	-
	Advertisement	684	-
	Postage and courier	2,913	-
	Travelling and conveyance	667	-
	Repair and maintenance	184	-
	Professional fees	95	-
	Depreciation	5.3	3,538
	Overheads		1,512
	Miscellaneous expenses		6,000
			4,500
			3,993
			2,016
			<u>121,300</u>
			<u>10,278</u>

25	OPERATING, ADMIN AND GENERAL EXPENSES	Note	2019	2018
			Rupees in '000	
	Salaries, wages and other benefits		232,224	182,355
	Training cost		53,256	60,545
	Lodging and catering		41,079	44,281
	Repair and maintenance		38,949	28,335
	Utilities		26,321	26,110
	Depreciation	5.3	19,931	15,736
	Travelling and conveyance		21,449	17,453
	Printing and stationery		5,855	4,998
	Security charges		3,719	3,959
	Insurance		1,807	2,086
	Postage and courier		1,454	309
	Telecommunication charges		1,384	1,112
	Vehicle running charges		1,253	1,100
	Newspapers, books and periodicals		216	139
	Legal and professional fees		644	148
	General consumables		943	990
	Auditors' remuneration	25.1	343	320
	Directors' fee		376	94
	Write off against receivables	25.2	28	-
	Provision against doubtful receivables	6.3	3,214	-
	Entertainment		1,125	1,124
	Others		2,800	3,594
			<b>458,370</b>	<b>394,788</b>
<hr/>				
25.1	<b>Auditors' remuneration</b>			
	Statutory audit		300	275
	Out of pocket expenses		43	45
			<b>343</b>	<b>320</b>
<hr/>				
25.2	This represents write off against receivables from Banking Services Corporation, a related party.			

## 26 RELATED PARTY TRANSACTIONS

The Institute is a wholly owned subsidiary of State Bank of Pakistan, Parent entity and therefore all subsidiaries and associated undertakings of the Parent entity are the related parties of the Institute. Other related parties comprise directors and key management personnel and entities over which the directors and key management personnel are able to exercise significant influence. Since the Institute is subsidiary of State Bank of Pakistan, it is ultimately owned by the Government of Pakistan, thus rendering State Controlled Entities as its related parties. Being the primary provider of banking training services in Pakistan, the Institute routinely provides training services to State Controlled Entities, however, since such transactions are not material and therefore, are not disclosed in the financial statements.

Following are the related parties with whom the Institute had entered into transactions during the year:

Related Party	Basis of relationship	Number of shares held in the Institute	Aggregate %age shareholding in the Institute
State Bank of Pakistan	Parent entity	2,926,083	100%
Banking Services Corporation	Associated undertaking	-	Nil
Pakistan Security Printing Corporation (Private) Limited	Associated undertaking	-	Nil
Mr. Riaz Nazarali Chunara	MD / Chief Executive Officer	-	Nil
Dr. Asad Zaman	Director	-	Nil
Dr. Eatzaz Ahmad	Director	-	Nil

**26.1** Balances with related parties have been disclosed in note 6, 8, 12, 13 and 17 and remuneration to Chief Executive Officer, Directors and Executives has been disclosed in note 27. Transactions with related parties are as follows:

	2019	2018
	Rupees in '000	
<b>Parent entity</b>		
Revenue income booked during the year	271,257	232,534
Receipts during the year	293,094	179,871
Payments during the year	214,021	178,858
Grant received under NFLP-Y	70,546	36,530
<b>Associated undertakings</b>		
Revenue income booked during the year	52,546	161,608
Receipts during the year	81,636	155,369

**27 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

	<b>MD / Chief Executive Officer</b>	<b>Non- Executive Directors</b>	<b>Executives</b>	<b>Total</b>
<b>2019</b>	----- (Rupees in '000) -----			
Fees	-	376	-	376
Managerial remuneration	25,915	-	164,489	190,404
Fuel allowance	701	-	3,217	3,918
Telephone allowance	25	-	448	473
Contribution to Provident fund	1,555	-	5,462	7,017
Others	733	-	4,260	4,993
	<b>28,929</b>	<b>376</b>	<b>177,876</b>	<b>207,181</b>
Number of persons	<b>1</b>	<b>2</b>	<b>44</b>	
	----- (Rupees in '000) -----			
<b>2018</b>	----- (Rupees in '000) -----			
Fees	-	94	-	94
Managerial remuneration	21,849	-	126,037	147,886
Fuel allowance	577	-	3,545	4,122
Telephone allowance	111	-	1,085	1,196
Contribution to provident fund	1,311	-	3,387	4,698
House rent allowance	-	-	84	84
Others	569	-	2,091	2,660
	<b>24,417</b>	<b>94</b>	<b>136,229</b>	<b>160,740</b>
Number of persons	<b>1</b>	<b>2</b>	<b>35</b>	

**27.1** MD / Chief Executive Officer has been provided with the Institute's maintained car.

**27.2** Employees of the Institute deputed from the Parent entity 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 the employees are on deputation. Further, NFLP-Y employees are not entitled to any such benefits.

## 28 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the entity is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the institute is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Institute to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used 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 included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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**28.1 Fair value of financial assets and liabilities**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value

	Carrying amount		Fair value				
	Amortized Cost	FVTPL	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets and liabilities</b>							
<b>30 June 2019</b>							
<b>Financial assets measured at fair value</b>							
Long-term deposits	-	1,645	1,645	-	-	1,645	1,645
<b>Financial assets not measured at fair value</b>							
Receivable against training programs	70,309	-	70,309	-	-	-	-
Due from State Bank of Pakistan, Parent entity	105,235	-	105,235	-	-	-	-
Short-term investments	36,296	-	36,296	-	-	-	-
Assets relating to Endowment fund	109,600	-	109,600	-	-	-	-
Cash and bank balances	672	-	672	-	-	-	-
<b>Total financial assets</b>	<b>322,112</b>	<b>1,645</b>	<b>323,757</b>	<b>-</b>	<b>-</b>	<b>1,645</b>	<b>1,645</b>
<b>Financial liabilities not measured at fair value</b>							
Accrued expenses and other payables	(48,266)	-	(48,266)	-	-	-	-
<b>Total financial liabilities</b>	<b>(48,266)</b>	<b>-</b>	<b>(48,266)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 28.1 Fair value of financial assets and liabilities (continued)

Financial assets and liabilities	Carrying amount		Fair value				
	Amortized Cost	FVTPL	Total	Level 1	Level 2	Level 3	Total
30 June 2018	Rupees		Rupees				
<b>Financial assets not measured at fair value</b>							
Long term deposits	1,645	-	1,645	-	-	-	-
Receivable against training programs	105,094	-	105,094	-	-	-	-
Due from State Bank of Pakistan, Parent entity	125,087	-	125,087	-	-	-	-
Short-term investments	31,155	-	31,155	-	-	-	-
Assets relating to Endowment fund	102,793	-	102,793	-	-	-	-
Cash and bank balances	8,327	-	8,327	-	-	-	-
<b>Total financial assets</b>	<b>374,101</b>	<b>-</b>	<b>374,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>							
Accrued expenses and other payables	(24,568)	-	(24,568)	-	-	-	-
<b>Total financial liabilities</b>	<b>(24,568)</b>	<b>-</b>	<b>(24,568)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**29 FINANCIAL RISK MANAGEMENT**

The Institute has exposure to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

**29.1 Risk management framework**

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.

**29.1.1 Credit risk**

**(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 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. The Institute maintains provision for doubtful debts that represents its estimate of probable losses in respect of receivable against training programs.

Geographically there is no concentration of credit risk.

At reporting date, the maximum credit exposure in trade debts by type of customer was as follows:

	<b>2019</b>	2018
	<b>(Rupees '000)</b>	
Government owned entities	<b>43,020</b>	93,974
Others	<b>30,503</b>	12,478
	<b><u>73,523</u></b>	<u>106,452</u>

At reporting date, the ageing of trade debts and provision for doubtful debts were as follows:

	Gross amount		Provision for doubtful debts	
	2019	2018	2019	2018
	(Rupees '000)		(Rupees '000)	
Past due 1-30 days	38,488	92,465	6	-
Past due 31-90 days	22,048	8,644	23	-
Past due 91-180 days	6,203	2,035	32	-
Past due 181-365 days	2,888	473	71	-
More than one year	3,896	2,835	3,082	1,358
	<b>73,523</b>	<b>106,452</b>	<b>3,214</b>	<b>1,358</b>

The management believes that all unimpaired amounts are collectable in full, based on historical payment behavior and extensive analysis of customer credit risk. The movement in provision for doubtful debts during the year is disclosed in note 6.3

### 29.1.2 Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation. The Institute believes that it is not exposed to any significant level of liquidity risk.

### 29.1.3 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 amortized cost.

**30 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 entity's support is available to continue its operations.

**31 NUMBER OF EMPLOYEES**

	<b>2019</b>	2018
	<b>Number</b>	
Number of employees	<u><b>68</b></u>	<u>36</u>
Average number of employees	<u><b>52</b></u>	<u>33</u>

**32 GENERAL**

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

**33 DATE OF AUTHORISATION OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue on **October 16, 2019** by the Board of Directors of the Institute.

**CHIEF EXECUTIVE OFFICER/  
MANAGING DIRECTOR**

**DIRECTOR**