Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

UAN: +92 (0) 21 111-55-2626
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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, 2011 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, 2011 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.

Yousuf Adil Saleem

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Karachi
Dated: October 4, 2011

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
NON CURRENT ASSETS			
Property plant and equipment	5	28,051,105	19,541,577
Long term deposits		401,400	401,400
CURRENT ASSETS			
Stock of stationery and consumables		722,446	892,250
Receivable against training programs	6	10,195,763	13,942,062
Advances, prepayments and other receivables	7	1,291,258	309,555
Short term investments	8	189,191,527	167,607,602
Cash in hand		60,000	150,066
		201,460,994	182,901,535
		229,913,499	202,844,512
SHAREHOLDERS' EQUITY			
Authorized share capital			
20,000,000 (2010 : 20,000,000) Ordinary shares of Rs.10 each		200,000,000	200,000,000
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
NON CURRENT LIABILITIES			
Capital grant	10	59,429,900	59,429,900
CURRENT LIABILITIES			
Creditors, accrued expenses and other payables	11	11,858,619	12,672,214
Due to associated undertaking	12	104,996,873	74,558,091
Advance against training programs		-	2,556,200
		116,855,492	89,786,505
		229,913,499	202,844,512

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
INCOME			
Hostel and training halls	13	34,579,902	26,481,499
Training and education fee	14	35,865,712	29,523,260
Interest and other income	15	22,213,094	19,961,796
		92,658,708	75,966,555
EXPENDITURE			
Operating, administrative and general expenses	16	(130,897,190)	(129,846,026)
Operating deficit for the year		(38,238,482)	(53,879,471)
Receivable from State Bank of Pakistan - written off	17	-	(40,695,323)
Deficit for the year before tax		(38,238,482)	(94,574,794)
Provision for taxation	18	(1,306,420)	-
Deficit for the year		(39,544,902)	(94,574,794)
Other comprehensive income for the year		-	-
Total Comprehensive deficit for the year		(39,544,902)	(94,574,794)

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees		2010 Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES				
Deficit for the year before tax		(38,238,482)		(94,574,794)
Adjustments for non cash and other items:				
Depreciation	6,122,719		3,035,267	
Receivable from State Bank of Pakistan - written off	-		40,695,323	
Provision for doubtful receivables	1,553,150		-	
Assets written off	39,897		10	
Income from investments	(21,583,925)		(19,723,843)	
		(13,868,159)		24,006,757
Operating deficit before working capital changes		(52,106,641)		(70,568,037)
Changes in working capital				
(Increase) / decrease in current assets:				
Stock of stationery and consumables	169,804		19,710	
Receivable against training programs	2,193,149		47,173,109	
Advances, prepayments and other receivables	(981,703)		1,191,145	
	1,381,250		48,383,964	
Increase / (decrease) in current liabilities:				
Due to associated undertaking excluding deficit allocation	63,975,982		14,156,684	
Advance against training programs	(2,556,200)		2,533,700	
Trade and other payables	(1,662,142)		8,432,402	
	59,757,640		25,122,786	
Net changes in working capital	61,138,890		73,506,750	
Income tax paid		(457,873)		-
Net cash generated from operating activities		8,574,376		2,938,713
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditure		(8,664,442)		(10,094,787)
Investments redeemed during the year		-		7,287,087
Net cash used in investing activities		(8,664,442)		(2,807,700)
Net increase in cash and cash equivalents		(90,066)		131,013
Cash and cash equivalents at beginning of the year		150,066		19,053
Cash and cash equivalents at end of the year		60,000		150,066

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

NATIONAL INSTITUTE OF BANKING AND FINANCE (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share Capital	Accumulated Surplus	Total
	Rupees	Rupees	Rupees
Balance as on July 01, 2009	70	24,367,267	24,367,337
Shares issued during the year	29,260,770	-	29,260,770
Deficit for the year	-	(94,574,794)	(94,574,794)
Deficit allocated to State Bank of Pakistan ("Parent entity")	-	94,574,794	94,574,794
Balance as at June 30, 2010	29,260,840	24,367,267	53,628,107
Deficit for the year	-	(39,544,902)	(39,544,902)
Deficit allocated to State Bank of Pakistan ("Parent entity")	-	39,544,902	39,544,902
Balance as at June 30, 2011	29,260,840	24,367,267	53,628,107

The annexed notes 1 to 23 form an integral part of these financial statements.

MANAGING DIRECTOR **DIRECTOR**

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 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IFRS 2 - Share-based Payment : Vesting Conditions and Cancellations	July 1, 2010
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 1, 2010
IAS 7 - Statement of Cash Flows	January 01, 2010
IAS 17 - Leases	January 01, 2010
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	January 01, 2010

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

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them.

IFRS 9 - Financial Instruments	January 01, 2015

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value. The adoption of this standard would affect the recognition and classification of existing financial assets.

The directors anticipate that these amendments will be adopted in the Institute’s financial statements on the effective date. The directors have not yet had an opportunity to consider the potential impact of the adoption of this Standard.

IAS 24 Related Party Disclosures	January 01, 2011

The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment may result in certain changes in disclosures.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction — January 01, 2011

These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company‟s financial statements.

Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures — January 01, 2011

These amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity‟s exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendment may result in certain changes in disclosures.

Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements — January 01, 2011

These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment may result in certain changes in disclosures.

Improvements to IFRSs 2010–IFRIC 13 Customer Loyalty Programmes — January 01, 2011

The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.This amendment is not likely to have material impact on Company‟s financial statements.

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 looses 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 provided free of cost to pre-induction trainees (State Bank Officers Training Courses - SBOTs) sent by State Bank of Pakistan.

(ii) Hostel income is recognized on performance of services except for services.

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

3.13 Free of cost services / stipend to SBP

(i) Training, education and hostel services are provided free of cost to pre-induction trainees (SBOTs) sent by State Bank of Pakistan.

(ii) Stipend to trainees is paid by the Institute to trainees sent by State Bank of Pakistan.

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

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 risk, 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 faced by the Institute.

(a) Credit risk

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

(i) Receivable against training programs

The Institute's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Institute's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

(ii) Investments

The Institute limits its exposure to credit risk by only investing in State Bank of Pakistan. 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 treasury bills of State Bank of Pakistan.

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Electronic data processing equipment	Equipment	Vehicles	Total
	----------	----------	Rupees	----------	----------
Cost					
Balance at 01 July 2009	12,190,110	5,993,153	31,189,150	7,090,504	56,462,917
Additions during the year	5,209,790	2,119,760	2,765,237	-	10,094,787
Transfer in during the year	-	1,250,427	-	5,815,000	7,065,427
Write-offs	-	(174,000)	-	-	(174,000)
Balance at 30 June 2010	17,399,900	9,189,340	33,954,387	12,905,504	73,449,131
Balance at 01 July 2010	17,399,900	9,189,340	33,954,387	12,905,504	73,449,131
Additions during the year	1,939,101	-	6,725,341	-	8,664,442
Transfer in during the year	-	4,721,540	-	2,765,600	7,487,140
Write-offs	(894,170)	-	(298,842)	-	(1,193,012)
Balance at 30 June 2011	18,444,831	13,910,880	40,380,886	15,671,104	88,407,701
Allowance for depreciation					
Balance on 01 July 2009	10,185,945	5,068,607	30,290,409	4,798,887	50,343,848
Depreciation charge for the year	621,842	621,053	356,272	1,436,100	3,035,267
Transfer in during the year	-	516,929	-	185,500	702,429
Write-offs	-	(173,990)	-	-	(173,990)
Balance at 30 June 2010	10,807,787	6,032,599	30,646,681	6,420,487	53,907,554
Balance on 01 July 2010	10,807,787	6,032,599	30,646,681	6,420,487	53,907,554
Depreciation charge for the year	1,087,688	1,989,006	827,305	2,218,720	6,122,719
Transfer in during the year	-	1,128,505	-	350,933	1,479,438
Write-offs	(858,843)	-	(294,272)	-	(1,153,115)
Balance at 30 June 2011	11,036,632	9,150,110	31,179,714	8,990,140	60,356,596
Carrying amounts - 2010	6,592,113	3,156,741	3,307,706	6,485,017	19,541,577
Carrying amounts - 2011	**7,408,199**	**4,760,770**	**9,201,172**	**6,680,964**	**28,051,105**
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 16).

		Note	2011 Rupees	2010 Rupees
6.	**RECEIVABLE AGAINST TRAINING PROGRAMS UNSECURED**			
	Associated undertaking			
	SBP Banking Services Corporation		1,632,333	5,351,331
	State Bank of Pakistan	6.1	4,148,652	-
			5,780,985	5,351,331
	Others			
	Considered good		4,414,778	8,590,731
	Considered doubtful		1,553,150	-
			5,967,928	8,590,731
	Provision for doubtful receivables		(1,553,150)	-
			4,414,778	8,590,731
			10,195,763	13,942,062
7.	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advance to staff - unsecured, considered good		501,450	135,978
	Prepayments		789,808	173,577
			1,291,258	309,555
8.	**SHORT TERM INVESTMENTS**			
	Investment held to maturity			
	Government Treasury Bills	8.1	189,191,527	167,607,602

8.1 Investment is for a period of 12 months and is shown at amortized cost using effective rate of interest ranges from 11.4389% to 13.8693% per annum (2010: 11.4703% to 12.3050% per annum).

		Note	2011 Rupees	2010 Rupees
9.	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
	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 (2010: 2,926,083) ordinary shares and Deputy Governor of State Bank of Pakistan holds 1 (2010: 1) share of the Institute as at the balance sheet date.

10. CAPITAL GRANT

This represents capital grant amounting to US dollar one million received by the Institute in January 2005 from State Bank of Pakistan - SBP 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. ~~SBP has not outlined terms and conditions regarding the repayment of this amount.~~

		Note	2011 Rupees	2010 Rupees
11.	**CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES**			
	Creditors		7,365,476	9,227,819
	Traveling and training cost payable		110,000	380,073
	Accrued expenses		3,994,880	2,775,978
	Retention money/deposits		388,263	288,344
			11,858,619	12,672,214

	Note	2011 Rupees	2010 Rupees

12. DUE TO ASSOCIATED UNDERTAKING

State Bank of Pakistan		104,996,873	74,558,091
Opening balance		74,558,091	107,917,880
Additions during the year		69,983,684	61,215,005
Deficit allocated		(39,544,902)	(94,574,794)
Closing balance		104,996,873	74,558,091

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. HOSTEL AND TRAINING HALLS INCOME

Rental income		22,103,350	17,331,122
Service charges		1,973,722	952,858
Food and beverages		10,502,830	8,197,519
		34,579,902	26,481,499

14. TRAINING AND EDUCATION FEE

International courses		14,119,298	9,537,579
Domestic courses		12,971,414	16,835,681
Islamic banking courses		8,775,000	3,150,000
		35,865,712	29,523,260

15. INTEREST AND OTHER INCOME

Interest on investment		21,583,925	19,723,843
Miscellaneous income		629,169	237,953
		22,213,094	19,961,796

16. OPERATING, ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and other benefits		56,469,888	55,886,004
Training costs		9,545,569	12,442,066
Repairs and maintenance		10,929,870	10,245,674
Lodging, catering and allied services		14,391,112	17,555,491
Traveling and conveyance		4,840,527	4,934,220
Printing and stationery		2,369,432	2,944,905
Medical		2,370,074	1,892,366
Electricity, gas and water		15,896,370	14,865,081
Telephone and fax		927,659	907,755
Vehicle running		1,117,148	1,883,558
General consumables		639,995	193,409
Security charges		1,185,600	1,072,150
Insurance		608,842	431,893
Newspapers, books and periodicals		217,136	243,730
Postage and courier		151,115	117,324
Entertainment		410,052	367,929
Auditors' remuneration		150,000	123,400
Rent, rates and taxes		665,000	504,000
Assets written off	5	39,897	10
Legal and professional		66,305	60,000
Depreciation	5.2	6,122,719	3,035,267
Provision for doubtful receivables		1,553,150	-
Other		229,730	139,794
		130,897,190	129,846,026

17. RECEIVABLE FROM STATE BANK OF PAKISTAN - WRITTEN OFF

As decided by the State Bank of Pakistan (the Parent) no revenue should be charged for training courses conducted for Bank's officers. Accordingly, it was decided to write-off the amount of Rs. Nil (2010: Rs.40.7 million) charged to State Bank of Pakistan, in the income and expenditure account of the prior years.

18. TAXATION

	2011 Rupees	2010 Rupees
Current	926,587	-
Prior	379,833	-
	1,306,420	-

Although the income of the Institute is exempt from tax but, due to the ammendment in Income Tax Ordinance 2001, the Institute is required to pay minimum tax under section 113 of the said Ordinance from the tax year 2010 and 2011.

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

19.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was.

	2011 Rupees	2010 Rupees
Deposit	401,400	401,400
Receivable against training programs	10,195,763	13,942,062
Advances, short term deposits and other receivables	501,450	135,978
Short term investments	189,191,527	167,607,602
	200,290,140	182,087,042

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

19.2 Impairment losses

(a)

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

Domestic	10,195,763	13,935,930
Other regions	-	6,132
	10,195,763	13,942,062

(b)

	2011 Rupees Gross	2010 Rupees Gross
Not past due	4,818,298	11,246,358
Past due 0-30 days	2,321,336	183,310
Past due 31-365 days	2,750,066	407,579
More than one year	306,063	2,104,815
	10,195,763	13,942,062

Based on historical record, the Institute believes that no impairment allowances 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 and also include the impact of estimated future interest payments.

			Contractual cash flows	
30 June 2011	**Carrying amount Rupees**	**Total Rupees**	**6 months or less Rupees**	**6 to 12 months Rupees**
Trade and other payables	11,858,619	11,858,619	11,858,619	-
Due to associated undertaking	104,996,873	104,996,873	52,498,437	52,498,437
	116,855,492	116,855,492	64,357,056	52,498,437
30 June 2010				
Trade and other payables	12,672,214	12,672,214	12,672,214	-
Due to associated undertaking	74,558,091	74,558,091	37,279,046	37,279,046
	87,230,305	87,230,305	49,951,260	37,279,046

19.4 Market risk

The Institute is not exposed to any significant level of 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.

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 amendments 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 values 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 has no investment carried at fair value.

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

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

	2011 Rupees	2010 Rupees
Parent Entity - State Bank of Pakistan		
Balances at the year end		
Short term Investments	189,191,527	167,607,602
Receivable against training Programs	4,148,652	-
Due to Parent Entity	104,996,873	74,558,091
Transactions during the year		
Investments purchased / matured and re-invested	176,503,840	157,571,812
Value of assets transferred at net book value	6,007,702	6,362,998
Allocation of deficit	39,544,902	94,574,794
Associated undertaking - SBP - Banking Services Corporation		
Balances at the year end		
Receivable against training Programs	1,632,333	5,351,331
Transactions during the year		
Revenue charged to SBP Banking Services Corporation	57,034,134	10,345,145
Receipts from SBP Banking Services Corporation	60,753,132	13,951,250
Remuneration to Chief Executive Officer and Key Management Personnel		
Transactions during the year		
Salaries, wages and other benefits to:		
- Chief Executive Officer	8,884,793	6,320,730
- Key Management Personnel	35,740,869	40,186,417
- Number of persons	22	25

22. DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 4th October 2011.

23. GENERAL

Figures have been rounded off to the nearest Rupee.

MANAGING DIRECTOR **DIRECTOR**